

This announcement is issued in connection with the transaction relating to the acquisition of Chong Yip Property and related matters, in compliance with the REIT Code, and should not be used for any other purpose.

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Prosperity Real Estate Investment Trust

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

(Stock Code: 808)

Managed by



ARA Asset Management (Prosperity) Limited

**(1) MAJOR ACQUISITION AND CONNECTED PARTY
TRANSACTIONS RELATING TO THE PROPOSED ACQUISITION
OF THE CHONG YIP PROPERTY, CONTINUING CONNECTED
PARTY TRANSACTIONS AND RELATED MATTERS
AND
(2) ISSUANCE OF ACQUISITION FEE UNITS**

On 14 December 2013, the Purchaser (being HSBC Institutional Trust Services (Asia) Limited (in its capacity as the trustee of Prosperity REIT), the Guarantor (being Hutchison Whampoa Properties Limited) and the Vendor (being Cactus Holdings Limited) entered into the Share Purchase Agreement pursuant to which the Vendor agreed to: (i) sell to the Purchaser (or the Nominee) the Target Company Shares with the rights attaching to them as at and from the Completion Date; and (ii) procure the assignment of the Existing Borrowings to the Purchaser (or the Nominee). The Target Company is a company incorporated in Hong Kong and wholly-owns the Chong Yip Property.

The Consideration pursuant to the Share Purchase Agreement is HK\$1,010 million (which was arrived at after taking into account the valuation of the Chong Yip Property by the Independent Property Valuer), subject to the Current Adjustment.

The Chong Yip Property comprises a 25-storey Grade-A office building and car parking spaces, which is located in Kwun Tong, Kowloon.

The REIT Manager currently expects to finance the Consideration by: (a) drawing down approximately HK\$784 million under the New Facilities; and (b) drawing down approximately HK\$226 million under the Existing Revolving Credit Facility.

The Acquisition and consummation of the transactions contemplated under the Share Purchase Agreement constitute connected party transactions of Prosperity REIT under paragraph 8.5 of the REIT Code. As the Consideration exceeds 5.0% of the latest audited NAV of Prosperity REIT, as disclosed in its latest published audited accounts, and adjusted for any subsequent transaction since their publication, pursuant to paragraph 8.11 of the REIT Code and the Trust Deed, the Transaction will require Independent Unitholders' approval by way of an Ordinary Resolution at the EGM.

In addition, as the Consideration represents approximately 31.9% of the total market capitalisation of Prosperity REIT, based on the average closing price of Prosperity REIT on the Hong Kong Stock Exchange for the five trading days immediately preceding the Latest Practicable Date, the Transaction also constitutes a major acquisition by Prosperity REIT under the relevant Hong Kong rules and regulations.

If the Acquisition is completed, and assuming that the various transactions and arrangements in relation to the Chong Yip Property will continue to be conducted with the Cheung Kong Connected Persons Group and/or the Trustee Connected Persons, more continuing connected party transactions will arise. Accordingly, the REIT Manager would like to take the opportunity of the EGM for Independent Unitholders to approve modifications and extensions to the Existing CKH/Manager CPT Waiver so as to: (i) expanding the scope of the Existing Continuing Connected Party Transactions to additionally include continuing connected party transactions with the Cheung Kong Connected Persons Group and/or the Manager Group in respect of the Chong Yip Property; (ii) set new annual monetary limit to accommodate the New Continuing Connected Party Transactions for the financial years ending 31 December 2014, 31 December 2015 and 31 December 2016 to cover the New Continuing Connected Party Transactions relating to the Chong Yip Property to be entered into; and (iii) extend the Existing CKH/Manager CPT Waiver which is due to expire on 31 December 2014, so that the waiver will apply for the New CPT Waiver Period.

The Prosperity REIT Circular containing, among other things: (1) a letter from the Board to the Unitholders containing details of, among other things, the Transaction and the New Continuing Connected Party Transactions; (2) a letter from the Independent Board Committee to Unitholders in relation thereto; (3) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, the Independent Unitholders and the Trustee in relation thereto; and (4) the EGM Notice, will be sent to the Unitholders as soon as practicable.

Terms used herein shall bear the same respective meanings as set out in the Definitions section of this announcement.

As the Transaction may or may not complete, unitholders of and prospective investors of Prosperity REIT are advised to exercise caution when dealing in the units of Prosperity REIT.

THE TRANSACTION

A. Proposed Acquisition of the Chong Yip Property

1. *Information on the Chong Yip Property*

Prosperity REIT will acquire the Chong Yip Property (through the acquisition of the Target Company), which comprises a 25-storey Grade-A office building, 64 private car parking spaces, 5 motor cycle parking spaces and 4 loading/unloading spaces located at 9 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong. The ground floor to third floor of the Chong Yip Property are allocated to car parking spaces, while the remaining upper floors are designated for office use.

The Chong Yip Property will be wholly-owned by Prosperity REIT through the Target Company. The Target Company is a special purpose vehicle, whose principal business activity is the ownership and operation of the Chong Yip Property as at the Latest Practicable Date. The Target Company also receives revenue for providing leasing agency services to other entities in the HWL Group, although pursuant to the Share Purchase Agreement, the Vendor will procure that the Target Company will terminate such arrangements at Completion. A chart showing the property holding structure of Prosperity REIT immediately after Completion is included in section A.3 headed “Current and Expected Holding Structure”.

The Appraised Value of the Chong Yip Property (as assessed by the Independent Property Valuer as at 30 September 2013) was HK\$1,064 million.

The table below sets out certain key information on the Chong Yip Property as at 30 September 2013, unless otherwise indicated.

Address	9 Chong Yip Street, Kwun Tong, Kowloon
Year and month of completion	February 2004
Government Lease Expiry	30 June 2047
Gross Rentable Area (excluding car parking spaces)⁽¹⁾	136,595 sq. ft.
Number of car parking spaces	64 private car parking spaces 5 motor cycle parking spaces 4 loading/unloading spaces
Number of tenants	41
Monthly rental per leased sq. ft.⁽²⁾	HK\$16.8
Occupancy rate⁽³⁾	94.1% ⁽⁵⁾
Net Property Income for the nine months ended 30 September 2013⁽⁴⁾	HK\$18,012,541
Appraised Value as at 30 September 2013	HK\$1,064 million

Notes:

- (1) The percentage of total Gross Rentable Area leased to Connected Persons as at 30 September 2013 was 1.6%.
- (2) The monthly rental per leased sq. ft. is calculated by dividing gross rental income for the month ended 30 September 2013 by leased Gross Rentable Area as at 30 September 2013.
- (3) The occupancy rate is calculated based on leased Gross Rentable Area over the total Gross Rentable Area excluding the car parking spaces as at 30 September 2013.
- (4) Calculated by deducting property operating expenses from Gross Revenue based on information provided by the Vendor. Gross Revenue consists of gross rental income, charge-out collections and all their income accruing or resulting from the operation of the Chong Yip Property, including licence fees, turnover rent, parking lot revenues and other revenues. Property operating expenses consist of all costs and expenses incurred by the Target Company in the operation, maintenance, management and marketing of the Chong Yip Property.
- (5) The percentage of total Gross Rental Income from Connected Persons for the month ended 30 September 2013 was 1.6%.

2. *Acquisition of the Chong Yip Property*

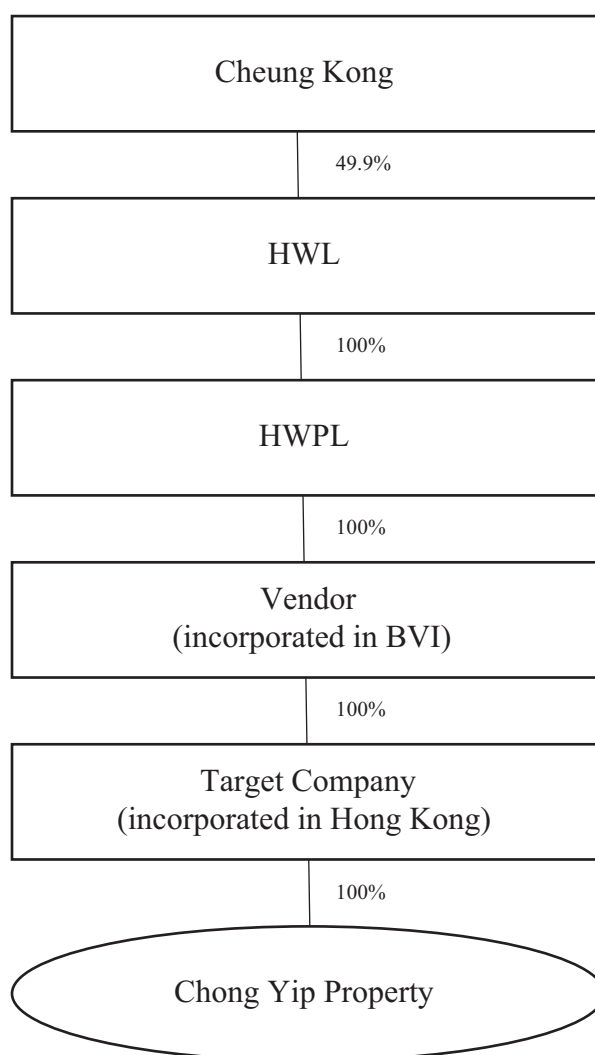
On 14 December 2013, the Purchaser, the Guarantor and the Vendor entered into the Share Purchase Agreement, pursuant to which the Vendor agreed to: (i) sell to the Purchaser (or the Nominee) the Target Company Shares with the rights attaching to them as at and from the Completion Date; and (ii) procure the assignment of the Existing Borrowings to the Purchaser (or the Nominee). Upon Completion, Prosperity REIT will (through the Target Company) hold the Chong Yip Property.

The purchase consideration for the Acquisition is HK\$1,010 million (which was arrived at after taking into account the valuation of the Chong Yip Property by the Independent Property Valuer), subject to the customary adjustments for the current assets and current liabilities referred to in section B.2 headed “Consideration”.

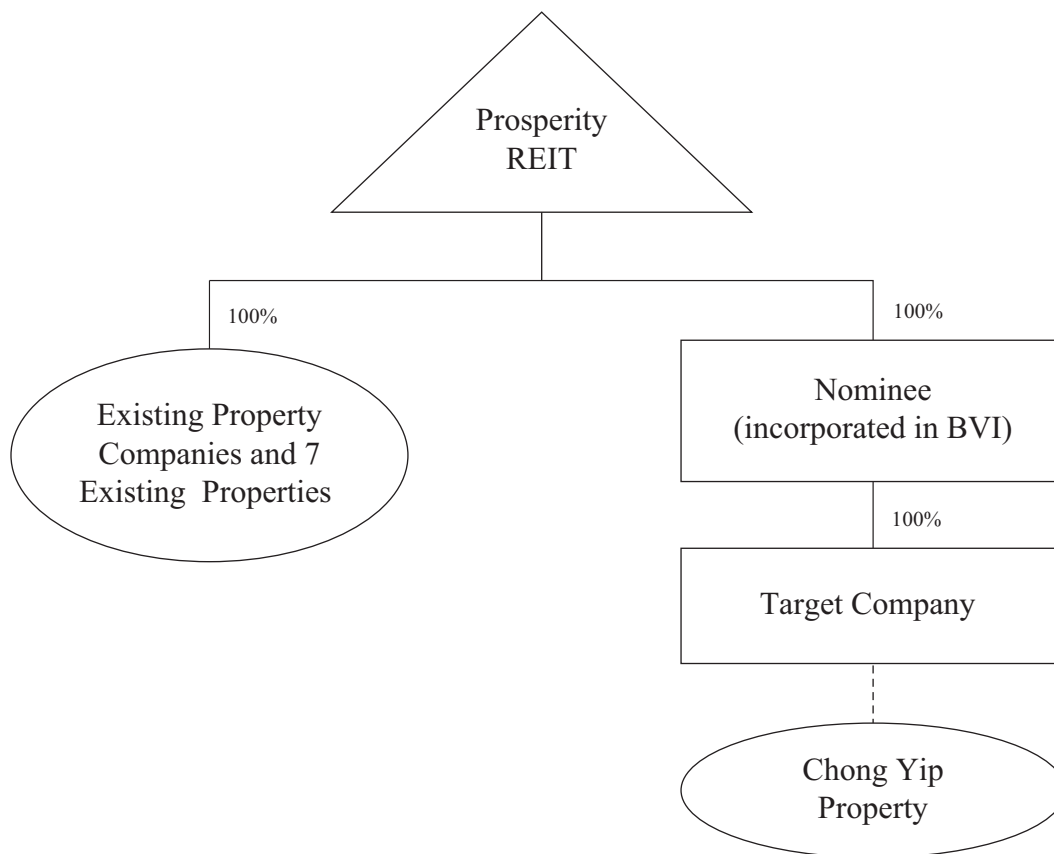
Further details regarding the Chong Yip Property are contained in section 5 of the Prosperity REIT Circular headed “Information on the Chong Yip Property”.

3. *Current and Expected Holding Structure*

Below is a chart showing the holding structure of the Chong Yip Property as at the date of this announcement:



The expected holding structure of the Chong Yip Property immediately after Completion is as follows:



B. Share Purchase Agreement

1. General

On 14 December 2013, the Purchaser, the Guarantor and the Vendor entered into the Share Purchase Agreement, pursuant to which the Vendor agreed to: (i) sell to the Purchaser (or the Nominee) the Target Company Shares with the rights attaching to them as at and from the Completion Date; and (ii) procure the assignment of the Existing Borrowings to the Purchaser (or the Nominee). Upon Completion, Prosperity REIT will (through the Target Company) hold the Chong Yip Property.

The Vendor is incorporated in the BVI and its principal business activity is investment holding.

The Chong Yip Property is sold on an “as-is” basis and subject to the existing leases, tenancies and licences. Immediately upon Completion, Prosperity REIT will hold good marketable legal and beneficial title in the Chong Yip Property. Based on the REIT Manager’s due diligence, it is not aware of any breaches of the Government Grant (including tenancies which do not conform with the uses stated in the Government Grant) or other regulatory breaches which affect the good and marketable nature of the Property.

The Guarantor has unconditionally and irrevocably guaranteed to the Purchaser the due and punctual payment of all amounts payable by the Vendor under the Share Purchase Agreement and the due and punctual performance and observance by the Vendor of all its obligations, commitments, undertakings, warranties and indemnities under or pursuant to the Share Purchase Agreement.

2. *Consideration*

The Consideration is HK\$1,010 million (which was arrived at after taking into account the valuation of the Chong Yip Property by the Independent Property Valuer), subject to a customary adjustment (the “**Current Adjustment**”) for:

- (a) the current assets (such as all receivables, refundable utility and other deposits placed with relevant authorities or suppliers, all cash and deposits at bank and all prepaid operating expenses); and
- (b) the current liabilities (such as all security deposits, all rental/licence fees received in advance in relation to the Chong Yip Property, all payments due to creditors and accruals of property and other relevant expenses and all provision for taxation)

of the Target Company as at Completion but excluding: (i) the Existing Borrowings; and (ii) any deferred tax liabilities and deferred tax assets of the Target Company.

The Existing Borrowings as at 30 November 2013 amounted to approximately HK\$389.7 million, but are subject to finalisation of the amounts as at Completion.

The deferred tax assets, if there are any at Completion, represent the tax loss recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised, which is equivalent to the deferred tax losses recognised. For illustration purposes, such deferred tax assets as at 30 June 2013 were approximately HK\$10.7 million. The details of such tax losses are disclosed in Note 20 of Appendix 2 to the Prosperity REIT Circular.

Out of the total tax losses of approximately HK\$151.0 million brought forward from the tax year of assessment 2012/13, the amount of approximately HK\$95 million has been agreed by the Inland Revenue Department, where the remaining amount of approximately HK\$56.0 million has not yet been agreed by the Inland Revenue Department. According to Deloitte Touche Tohmatsu, the tax consultant of the REIT Manager (the “**Tax Consultant**”), in the event that the Inland Revenue Department disallows deductions of the tax losses which were claimed in the previous years, which results in taxable profits in respect of the taxable years before Completion, the Target Company may be required to pay penalties and/or additional taxes in respect of such previous taxable profits. Nonetheless, any potential penalties and tax liabilities arising from any tax disallowance related to events prior to Completion will be borne by the Vendor under the Deed of Tax Covenant.

Additionally, according to the Tax Consultant, in the event that the Inland Revenue Department denies deduction of all or a portion of the tax losses so that the Target Company is no longer entitled to utilise such tax losses for set-off against future taxable profits, the Target Company may be required to pay up to the full amount of tax payable on its future taxable profits.

In light of the above, the Vendor and Purchaser have agreed to exclude the deferred tax assets from the Current Adjustment. Such exclusion effectively means that the Consideration will not be increased for such deferred tax assets, which is in the interests of the Unitholders.

For illustration purposes, the deferred tax liabilities as at 30 June 2013 were approximately HK\$10.7 million, which represent the tax allowances previously claimed by the Target Company in respect of the Chong Yip Property. As the Chong Yip Property is to be held by Prosperity REIT for long term investment purposes, the REIT Manager is of the view that the deferred tax liabilities are unlikely to be crystallised. In light of the above, as well as the reasons for exclusion of the deferred tax assets from the Current Adjustment, the Vendor and Purchaser have also agreed to exclude the deferred tax liabilities from the Current Adjustment.

Due to certain lease agency appointment letters entered into by the Target Company and members of the HWL Group subsequent to 30 June 2013, which are required under the Share Purchase Agreement to be terminated prior to Completion, the amount of unrecognised tax losses as at Completion may be further reduced by HK\$63.1 million, which will have no impact on the deferred taxation. Please refer to Note 26 of Appendix 2 to the Prosperity REIT Circular for further details of such lease agency appointment letters.

The Current Adjustment will be set out in a pro forma completion balance sheet to be provided by the Vendor to the REIT Manager and the Purchaser shortly prior to Completion. Such pro forma completion balance sheet sets out the projected adjusted asset value of the Target Company as at Completion. The Current Adjustment will be audited within 90 days after Completion with a view to making any final adjustments to reflect the final adjusted asset value of the Target Company (and such adjustments may be applicable either in favour of the Purchaser or the Vendor).

The Current Adjustment is the result of commercial negotiations between the parties. The Consideration as adjusted by the Current Adjustment shall, on Completion, be applied: (i) firstly, as payment on a dollar-for-dollar basis for the assignment to the Purchaser (or the Nominee) of the Existing Borrowings; and (ii) thereafter, as payment for the transfer of the Target Company Shares.

The final adjusted purchase consideration for the Chong Yip Property shall be announced by the REIT Manager as soon as practicable following the determination of the Current Adjustment, together with the quantum of the adjustment amounts. The Consideration is payable on Completion to the Purchaser (or the Nominee).

The Share Purchase Agreement does not contemplate any adjustments for non-current assets and liabilities, as there are no material non-current assets/liabilities (other than the Chong Yip Property) of the Target Company and the Share Purchase Agreement contains specific covenants in terms consistent with market practice that give a significant degree of negative control to the Purchaser in relation to the operation of the Target Company during the period between signing of the Share Purchase Agreement and Completion. For example, the Share Purchase Agreement contains covenants that, among others: (a) require the Target Company to carry on business only in the ordinary course of business, without the prior written consent of the Purchaser; (b) restrict the Target Company from entering into any agreement or incurring any commitment involving material expenditure (in an amount exceeding HK\$250,000), without the prior written consent of the Purchaser; and (c) save and except changes to the Existing Borrowings, restrict the Target Company from incurring additional borrowings or, otherwise than in the ordinary course of business, incur any other indebtedness without the prior written consent of the Purchaser. These contractual protections mitigate the risk to Prosperity REIT of any possible adverse changes to the assets and liabilities of the Target Company arising from acts or omissions of the Vendor.

The Consideration has been arrived at on a willing buyer and a willing seller arm's-length transaction basis after taking into account the Appraised Value (being HK\$1,064 million as at 30 September 2013). The Consideration represents a discount of 5.08% to the Appraised Value.

In arriving at the Appraised Value, the Independent Property Valuer has made use of the income capitalisation method cross-referenced with the direct comparison method. The income capitalisation method is based on the capitalisation of the current passing rental income and potential reversionary income over the remaining tenure of the property from the date of valuation at appropriate investment yields to arrive at the capital value. The direct comparison method is based on comparing the properties to be valued directly with other comparable properties which recently changed hands or leased. For further details on the methods and bases of the valuation, please refer to Appendix 4 headed "Independent Property Valuer's Valuation Report" to the Prosperity REIT Circular.

The fair value of the Chong Yip Property as at 31 December 2012 was determined by another independent professional valuer. The fair value of the Chong Yip Property as at 30 June 2013, which was based on the valuation determined by the Independent Property Valuer, was approximately HK\$589.5 million higher than the fair value as at 31 December 2012 (being approximately HK\$463.5 million). The REIT Manager notes that, although the valuation methodologies for the valuation of the Chong Yip Property adopted by the two independent valuers are similar, the assumptions including market yields, market rentals and capitalisation rates are different. **Accordingly, the difference in the independent valuations of the Chong Yip Property as at 31 December 2012 and as at 30 June 2013 was primarily due to the respective valuations being based on different assumptions. As such, investors should not rely on**

such difference in valuation as an indication of any upward trend of the market. For further details for the market trend of Grade-A office prices in Hong Kong, please refer to section 3.5 of Appendix 5 headed “Market Consultant’s Report” to the Prosperity REIT Circular. Such report shows an increasing trend that is more gradual than the difference in fair values as stated above. For further analysis on the valuation of the Chong Yip Property as at 30 September 2013 carried out by the Independent Property Valuer, please refer to section “3. Valuation of the Chong Yip Property” in the Letter from the Independent Financial Adviser of the Prosperity REIT Circular.

The Consideration is to be financed by drawing down on the New Facilities and the Existing Revolving Credit Facility.

3. Completion

Completion shall take place on the date following 14 days after the Conditions set out in section B.4 headed “Conditions Precedent” have been fulfilled (or such other date as the parties may mutually agree but not later than the date that falls three months after the date of the Share Purchase Agreement (the “**Long Stop Date**”), or such other date as the Vendor and the Purchaser may agree in writing) (the “**Completion Date**”).

As soon as practicable following Completion, the REIT Manager will issue an announcement to inform Unitholders that Completion has occurred. Such announcement will, among other things, contain further details regarding the Nominee and the Current Adjustment.

The Share Purchase Agreement also provides that prior to Completion, the Vendor will procure the Target Company to, at the costs and expenses of the Vendor, terminate the lease agency appointment letters entered into by the Target Company and members of the HWL Group with effect from the Completion Date. Pursuant to the terms of the lease agency appointment letters, the lease agency appointment letters can be terminated by the Target Company without penalty.

4. Conditions Precedent

Completion is subject to and conditional upon satisfaction of the following conditions (the “**Conditions**”):

- (1) the EGM Resolution in relation to the Transaction Matters Requiring Approval having been passed by the Independent Unitholders at the EGM, all in accordance with the requirements of the REIT Code;
- (2) no event or circumstance arising that prohibits or materially restricts the sale and purchase of the Target Company Shares and/or the Chong Yip Property and/or the assignment of the Existing Borrowings pursuant to the REIT Code and/or the Listing Rules;
- (3) the licences, authorisations, orders, grants, confirmations, consents, permissions, registrations and other approvals necessary for or in respect of the proposed acquisition of the Target Company by the Purchaser and the Borrowings Assignment having been obtained from third parties (including governmental or official authorities, courts or other regulatory bodies) on terms reasonably satisfactory to the Purchaser, acting on the recommendation of the REIT

Manager, and such licences, authorisations, orders, grants, confirmations, consents, permissions, registrations and other approvals remaining in full force and effect;

- (4) no statute, regulation or decision which would prohibit, restrict or materially delay or adversely affect the sale and purchase of the Target Company Shares or the operation of the Target Company having been proposed, enacted or taken by any governmental or official authority; and
- (5) the obtaining of the New Facilities and the New Facilities being in place and available for drawdown at Completion.

The Trustee shall (acting on the instructions of the REIT Manager) use all reasonable endeavours to procure the fulfilment of the conditions set out in paragraphs (1), (3) and (5) above.

In the event that any of the Conditions shall not have been fulfilled prior to the Long Stop Date, then neither the Purchaser nor the Vendor shall be bound to proceed with the Acquisition and the Share Purchase Agreement shall lapse (save for certain provisions such as confidentiality which shall remain binding as between the parties) and no party shall have any claim against any other party to the Share Purchase Agreement.

The Share Purchase Agreement also provides the Purchaser with the right to rescind or terminate (as the case may be) the Share Purchase Agreement by notice in writing to the Vendor, if on or before Completion:

- (a) the government or other competent authority shall acquire or give notice of acquisition or resumption or intended acquisition or resumption of the whole or a substantial part of the Chong Yip Property; or
- (b) it shall be found that any of the warranties under the Share Purchase Agreement was, when given, or will be or would be, at Completion not complied with or otherwise untrue or misleading in any material respect, and which will have a material adverse effect on the financial condition, earnings, business, undertaking or assets of the Target Company and/or the Chong Yip Property, taken as a whole.

In the event of such termination, the Share Purchase Agreement will terminate (save for certain provisions such as confidentiality which shall remain binding as between the parties). No party shall have any claims against the other in the event that the Share Purchase Agreement is terminated pursuant to (a) above. Failure on the part of the Purchaser to exercise its right under (b) above shall not constitute a waiver of any other rights of the Purchaser or its successors under (b) above provided that the Purchaser shall not be entitled to other rights or remedies including the right to claim damages for breach of warranties under the Share Purchase Agreement in the event that the Purchaser elects to terminate the Share Purchase Agreement pursuant to (b) above. The REIT Manager considers that this provision is on normal commercial terms.

5. *Representations and Warranties*

The Share Purchase Agreement contains certain customary representations and warranties given by the Vendor in respect of the Target Company and the Chong Yip Property, including, among others, that: (i) the Target Company Shares, Existing Borrowings and the Chong Yip Property shall at Completion be free from all encumbrances; and (ii) as at Completion, the Target Company has no employees.

The Share Purchase Agreement sets out limitations on the liability of the Vendor in respect of any breach of warranties. The maximum aggregate liability of the Vendor in respect of all claims under the Share Purchase Agreement shall not exceed the Consideration payable by the Purchaser (on behalf of Prosperity REIT and out of the Deposited Property) under the Share Purchase Agreement. The Purchaser shall not be entitled to recover from the Vendor under the Share Purchase Agreement more than once in respect of the same damage suffered. The Share Purchase Agreement also provides for a limitation period of 21 months from the Completion Date for all claims (other than claims relating to tax-related warranties, in which case the limitation period is seven years from the Completion Date). Such limitation period is the result of arm's length negotiations between the relevant parties. The REIT Manager considers that such limitations are on normal commercial terms following arm's length negotiations between the relevant parties, are consistent with transactions that other ARA-managed REITs have entered into with the Vendor in the past based on information in publicly available documents, are fair and reasonable, and are in the interests of Prosperity REIT, the Independent Unitholders, as well as Unitholders as a whole.

Pursuant to arm's length negotiations, the parties to the Share Purchase Agreement have agreed not to include in the Share Purchase Agreement an indemnity from the Vendor to the Purchaser against losses suffered by it or the Target Company arising out of or in connection with: (i) any breach of warranties by the Vendor; or (ii) any liabilities incurred by the Target Company or the Purchaser resulting from any outstanding legal proceedings relating to the Target Company as at Completion. If there is any such breach of warranties by the Vendor or liabilities arising from outstanding legal proceedings of the Target Company under the Share Purchase Agreement, Prosperity REIT may not be able to fully recover all losses suffered by it as it will be subject to the rules of damages at common law, including without limitation, the claimant's duty to prove its losses and take reasonable steps to minimize those losses. The amount of damages to be awarded will also be subject to the court's assessment. From the REIT Manager's due diligence in respect of the Target Company, it is not aware of any breach of warranties under the Share Purchase Agreement or of any litigation whereby the Target Company is a defendant as at the Latest Practicable Date.

6. *Deed of Tax Covenant*

Pursuant to the Share Purchase Agreement, the Vendor and the Guarantor will enter into a deed of tax covenant in favour of the Purchaser (or the Nominee) (the “**Deed of Tax Covenant**”) at Completion. Pursuant to the Deed of Tax Covenant, the Vendor will covenant to indemnify the Purchaser in respect of (among others):

- (1) any liability for taxation (including profit tax, stamp duty, penalty, surcharge and others) resulting from any payment, utilisation of loss or relief, transaction, act, omission, adoption of accounting policy or practice, accounting entries or occurrence of whatever nature occurring on or before Completion or in respect of any gross receipts, economic interest, income, profits or gains earned, accrued or received by the Target Company on or before Completion; and
- (2) all reasonable costs and expenses properly incurred (including legal and professional fees) and payable by the Target Company or the Purchaser in connection with a successful claim under the Deed of Tax Covenant.

The limitation period for claims under the Deed of Tax Covenant is seven years from the Completion Date.

The Guarantor has unconditionally and irrevocably guaranteed to the Purchaser (or the Nominee) the due and punctual payment of all amounts payable by the Vendor under the Deed of Tax Covenant and the due and punctual performance and observance by the Vendor of all its obligations, commitments and undertakings under or pursuant to the Deed of Tax Covenant.

7. *Deed of Rental Support*

As shown in the Market Consultant’s Report set out in Appendix 5 to the Prosperity REIT Circular, the average rental (based on internal floor area) for Grade-A office buildings in Kwun Tong increased from around HK\$33 per sq ft per month (in the third quarter of 2011) to around HK\$41 per sq ft per month (in the third quarter of 2013). Given the rapid pace of such increase, over 50% of Chong Yip Property tenancies are currently below market rental levels. Because of this, the Vendor, the Guarantor, the REIT Manager and the Trustee (or the Nominee) have agreed to enter into a Deed of Rental Support upon Completion, pursuant to which the Vendor will agree to provide rental support to Prosperity REIT for the period which commences from the Completion Date and ends two years after such date.

Such rental support will involve the Vendor making rental support payments to Prosperity REIT, which shall be determined as follows:

- (i) if the Rental Income (as reflected in the Semi-Annual Accounts and as notified by the Target Company to the Vendor in writing) is less than the agreed Rental Income support for the relevant six-month period, the Vendor shall pay to Prosperity REIT a cash amount that is equal to such shortfall within 15 Business Days after receipt of the invoice issued by or on behalf of Prosperity REIT to the Vendor;
- (ii) if the Rental Income (as reflected in the Target Company’s audited financial statements for the financial year ending 31 December of each financial year and as notified by the Target Company to the Vendor in writing) is less than the

agreed Rental Income support for that financial year, the Vendor shall pay to Prosperity REIT a cash amount that is equal to such shortfall (less any amount that has been paid to Prosperity REIT pursuant to paragraph (i) above) within 15 Business Days after receipt of the invoice issued by or on behalf of Prosperity REIT to the Vendor, provided that to the extent the amount paid to Prosperity REIT pursuant to paragraph (i) above (if any) is greater than the shortfall, the REIT Manager, the Trustee or the Nominee on behalf of Prosperity REIT shall pay to the Vendor a cash amount that is equal to such excess (the “**Rental Support Refund**”) within 15 Business Days after the issuance of an annual notice given by the Target Company for the relevant financial year; and

- (iii) if the Rental Income (as reflected in the Semi-Annual Accounts and as notified by the Target Company to the Vendor in writing or (as the case may be) as reflected in the Target Company’s audited financial statements for the financial year ending 31 December of each financial year and as notified by the Target Company to the Vendor) is equal to or greater than the agreed Rental Income support for the relevant six-month period or that financial year (as the case may be), the Vendor is not required to make any payments to Prosperity REIT.

The REIT Manager does not expect there to be any Rental Support Refund payable to the Vendor pursuant to the Deed of Rental Support. However, in the event any Rental Support Refund is payable to the Vendor, such Rental Support Refund will be financed by the Existing Revolving Credit Facility.

The agreed Rental Income support for each financial year is HK\$32.32 million, and the amount of agreed Rental Income support for the relevant six-month period is HK\$16.16 million (being half of the agreed Rental Income support for the full financial year). The rental support payments and agreed Rental Income support amount were determined by the Vendor and the REIT Manager after taking into consideration: (a) the average unit rent for the Chong Yip Property tenancies in the 2014 expiry profile; and (b) the market rent currently being charged for similar tenancies in the Kwun Tong district based on the Market Consultant’s Report.

Each rental support payment made by the Vendor to Prosperity REIT pursuant to paragraphs (i) and (ii) above, as well as the aggregate of such payments in respect of any one financial year during the period which commences from the Completion Date and ends two years after such date shall not exceed the Maximum Annual Rental Support Payment per annum. The Rental Income received in respect of the Chong Yip Property for the financial years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 were approximately HK\$11.9 million, HK\$19.6 million, HK\$22.4 million and HK\$12.7 million respectively. Based on the tenancy profile of the Chong Yip Property, the Maximum Annual Rental Support Payment is not expected to be reached during the relevant period (from the Completion Date to two years after such date).

The amount of rental support payments that may be payable by the Vendor to Prosperity REIT in accordance with:

- (a) paragraph (i) above in respect of the six months ending 30 June 2014 shall be calculated on a pro-rata basis by reference to the actual number of days from the Completion Date up to and including 30 June 2014 divided by the total number of days from 1 January 2014 to 30 June 2014 (both days inclusive);

- (b) paragraph (ii) above in respect of the financial year ending 31 December 2014 shall be calculated on a pro-rata basis by reference to the actual number of days from the Completion Date up to and including 31 December 2014 divided by the total number of days from 1 January 2014 to 31 December 2014 (both days inclusive); and
- (c) paragraph (i) above in respect of the six months ending 30 June 2016 shall be calculated on a pro-rata basis by reference to the actual number of days from 1 January 2016 to the end of the period which commences from the Completion Date and ends two years after such date, divided by the total number of days from 1 January 2016 to 30 June 2016 (both days inclusive),

provided that:

- (1) the Maximum Annual Rental Support Payment in respect of the six months ending 30 June 2014 and the financial year ending 31 December 2014, shall also be calculated on a pro-rata basis by reference to the actual number of days from the Completion Date up to and including 31 December 2014 divided by the total number of days from 1 January 2014 to 31 December 2014 (both days inclusive); and
- (2) the Maximum Annual Rental Support Payment in respect of the six months ending 30 June 2016, shall also be calculated on a pro-rata basis by reference to the actual number of days from 1 January 2016 to the end of the period which commences from the Completion Date and ends two years after such date, divided by the total number of days from 1 January 2016 to 31 December 2016 (both days inclusive).

Unitholders should note that the Maximum Annual Rental Support Payment of HK\$5 million per annum effectively serves as a cap on the liability of the Vendor under the Deed of Rental Support, and that, once the full amount of the Maximum Annual Rental Support Payment has been made, the Vendor will have no further liability under the Deed of Rental Support for that particular financial year.

The Guarantor has unconditionally and irrevocably guaranteed to the Trustee and the REIT Manager the due and punctual payment of all amounts payable by the Vendor under the Deed of Rental Support and the due and punctual performance and observance by the Vendor of all its obligations, commitments and undertakings under or pursuant to the Deed of Rental Support.

Details of the rental support payments (including the quantum of such payments) will be announced by the REIT Manager as soon as practicable after such payments have been determined, and will be disclosed in Prosperity REIT's interim and annual reports.

8. *Borrowings Assignment*

The Target Company is indebted to each of the entities listed below (collectively, the “**Existing Lenders**”) for the borrowed amounts, as at 30 November 2013 and for illustrative purposes only, as follows:

Existing Lenders	Principal Amount (HK\$)
Hutchison Whampoa Properties Limited	67,803,880.53
HWP Finance (Hong Kong) Limited	321,877,238.84

Pursuant to the Share Purchase Agreement, the Vendor has agreed to procure the Existing Lenders to assign their respective rights, title, interest and benefit in its respective portion of the Existing Borrowings to the Purchaser (or the Nominee) (as assignee, on behalf of Prosperity REIT and acting on the instructions of the REIT Manager) on a dollar-for-dollar basis upon Completion.

The Consideration (subject to the Current Adjustment) includes the consideration for the assignment of the Existing Borrowings.

9. *Deed of Ratification and Accession*

At Completion, the Target Company, the REIT Manager and the Property Manager will enter into a deed of ratification and accession (the “**Deed of Ratification and Accession**”). Pursuant to the Deed of Ratification and Accession, the operation, maintenance, management and marketing of the Chong Yip Property will be managed by the Property Manager, which is an indirect wholly-owned subsidiary of Cheung Kong, subject to the overall management by the REIT Manager pursuant to and in accordance with the terms of the Property Management Agreement.

The fees payable to the Property Manager under the Property Management Agreement (which have not been changed since the listing of Prosperity REIT on the Hong Kong Stock Exchange in December 2005) are as follows:

- (1) property and lease management fee of 3% per annum of Gross Property Revenue; and
- (2) commission of: (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 of the renewal term; and (d) 10% of the total licence fee for securing a licence for a duration of less than 12 months.

10. *Arm’s Length Terms*

The Share Purchase Agreement and other Transaction Documents have been entered into, or shall be entered into, by the parties thereto on normal commercial terms following arm’s length negotiations.

The REIT Manager has conducted, and is satisfied with the results of, due diligence in respect of the Chong Yip Property. Such due diligence has been carried out in accordance with the relevant provisions of the REIT Code and the REIT Manager's compliance manual. Immediately upon Completion, Prosperity REIT will hold good marketable legal and beneficial title in the Chong Yip Property.

11. Fees and Charges

The estimated total fees and charges payable by Prosperity REIT in relation to the Acquisition are HK\$37.5 million. Accordingly, the total cost of the Acquisition (being the Consideration plus the estimated total fees and charges) is estimated to amount to approximately HK\$1,047.5 million, subject to the Current Adjustment. This estimated total cost of the Acquisition (being the Consideration plus the estimated total fees and charges) represents approximately 16.6% of Prosperity REIT's unaudited NAV of HK\$6,296 million as at 30 June 2013 and 16.6% of such NAV of HK\$6,293 million as enlarged by the Acquisition.

12. Fees payable by Prosperity REIT to the REIT Manager in relation to the Acquisition

On Completion, the REIT Manager will be entitled under clause 14.2.1 of the Trust Deed to receive an acquisition fee of HK\$10.1 million, which is equal to 1.0% of the acquisition price (i.e. HK\$1,010 million) for the Chong Yip Property (the "Acquisition Fee"). The Acquisition Fee will not be subject to the Current Adjustment.

Pursuant to the Trust Deed, the REIT Manager may elect to receive the Acquisition Fee in the form of cash or, with the prior approval of Unitholders by an Ordinary Resolution, entirely in the form of Units or partly in cash and partly in the form of Units. When paid in the form of Units ("Acquisition Fee Units"), the REIT Manager shall be entitled to receive such number of Units as may be purchased for the relevant amount of the Acquisition Fee, at an issue price that is equal to the highest of the average closing price of Units in the 10 trading days of the Hong Kong Stock Exchange immediately prior to the earliest of the following events: (a) the entry into of the Share Purchase Agreement, (b) the announcement in respect of the Transaction, and (c) the completion of the Transaction.

The REIT Manager has elected to receive the Acquisition Fee entirely in the form of Acquisition Fee Units so as to preserve the distributable income available for distribution to the Unitholders. The Acquisition Fee Units will, upon issuance, rank *pari passu* in all respects with the then existing Units, and accordingly, will carry an entitlement to distributions for the six months ended 31 December 2013 (assuming the Acquisition Fee Units are issued before the record date for such distribution). The REIT Manager considers such distribution entitlement to be justifiable since the Acquisition Fee Unit issue price (and consequentially, the number of Acquisition Fee Units issued) is calculated by reference to a cum-distribution average market price, in accordance with the above formula specified in the Trust Deed.

In this regard, the REIT Manager intends to seek Independent Unitholders' approval at the EGM to receive the Acquisition Fee entirely in the form of Units. For illustration purposes, based on the average closing price of Units in the 10 trading

days on the Hong Kong Stock Exchange immediately prior to the Latest Practicable Date (being HK\$2.279), the REIT Manager would receive 4,431,768 Acquisition Fee Units.

As soon as practicable after the issuance of Acquisition Fee Units, the REIT Manager will issue an announcement setting out the number of the Acquisition Fee Units issued to the REIT Manager and the date of such issuance.

13. *Additional costs payable in relation to the Acquisition*

Prosperity REIT incurred or is expected to incur other estimated fees and expenses (including stamp duty, advisory fees, professional fees, origination fees and expenses) of HK\$27.4 million in connection with the Acquisition (“**Other Acquisition Fees and Expenses**”).

14. *Ongoing fees and charges payable to the REIT Manager and the Trustee in relation to the Chong Yip Property following Completion*

After Completion, and as disclosed in the Offering Circular:

- (a) the REIT Manager will be entitled under the Trust Deed to receive from the Deposited Property, management fees attributable to the Chong Yip Property comprising: (i) a base fee of 0.4% per annum of the value of the Chong Yip Property; and (ii) a variable fee of 3.0% per annum of the NPI (before deduction therefrom of the variable fee) attributable to the Chong Yip Property; and
- (b) the Trustee will receive a trustee fee, currently at the rate of 0.03% per annum of the value of the Deposited Property, which shall include the assets attributable to the Chong Yip Property, subject to a minimum amount of HK\$50,000 per month.

The REIT Manager and the Trustee will be entitled to such fees attributable to the Chong Yip Property in the future for so long as the Chong Yip Property continues to form part of the Deposited Property. Other than as mentioned in paragraph (b) above, no other fees are payable to the Trustee in respect of the Acquisition.

C. *Reasons for, and Benefits of the Acquisition*

The REIT Manager believes that the key benefits of the Acquisition are as follows:

(1) *Yield Accretive Acquisition*

The Acquisition is expected to be yield accretive and improve the earnings of Prosperity REIT and DPU to existing Unitholders. Based on the pro forma financials as set out in section E headed “Financial Effects of the Transaction”, if the Acquisition was completed on 1 January 2013 and based on the other assumptions in section E, Prosperity REIT’s pro forma DPU would have increased by 1.5% from HK\$0.0744 to HK\$0.0755 for the six months ended 30 June 2013, due to the stable income produced from the Chong Yip Property. The relatively low initial NPI of the Chong Yip Property is a result of over 50% of the tenancies, which are below current market rental, being due for expiry in 2014, thus offering substantial reversionary upside.

(2) Quality Asset in Strategic Location

The Chong Yip Property is located in the Kwun Tong district, which is a maturing decentralised business district with many new high specifications office developments. A decentralisation trend has been prevalent since 2009, with many multi-national corporations having relocated to the Kwun Tong business district. Other developments such as shopping malls and hotels have also been established in the area. There are more hotels and redevelopments in the pipeline. In 2011, the Hong Kong Government has implemented strategies to develop the Kwun Tong and Kowloon East district into another central business district in Hong Kong. As a result, the Kwun Tong district is evolving into a well-developed business district.

With the Kai Tak Development and Kwun Tong Town Centre renewal projects and transportation infrastructure including the Shatin-Central-Link connecting Shatin to Central via the Kai Tak Development and the monorail running within the Kowloon East area currently being established, Kowloon East is poised to further leverage on and benefit from these upcoming developments. Reputable banks, insurance companies and multi-national corporations are also settling in the Kowloon East district. Since the Kowloon East district has matured, it has lured more cost-conscious corporations to relocate.

(3) Market Diversification

The Acquisition will diversify the tenant base of Prosperity REIT's portfolio in the Kowloon East district, which currently includes Prosperity Place (commercial use), Prosperity Center (industrial and office use) and will include, upon Completion, the Chong Yip Property (office use). The broadened tenant base will reinforce Prosperity REIT's stable income stream in the long term.

(4) Operating Synergies

Prosperity REIT will benefit from the increased portfolio size that will create a stronger platform to spread fixed operating costs over a larger portfolio, thus achieving greater operating synergies and economies of scale in operation. Operating synergies can be achieved through the established property management teams carrying out leasing and building management functions for Prosperity REIT's two existing properties in the Kowloon East district.

D. Financing of the Acquisition

1. Overview

The purchase consideration for the Chong Yip Property is HK\$1,010 million (subject to the Current Adjustment) will be financed by drawing down on the New Facilities and the Existing Revolving Credit Facility. The Other Acquisition Fees and Expenses will be financed by bank balances, internal cash and drawing down on the Existing Revolving Credit Facility.

The fees payable by Prosperity REIT to the REIT Manager in relation to the Acquisition referred to in section B.12 headed "Fees payable by Prosperity REIT to the REIT Manager in relation to the Acquisition" will be paid to the REIT Manager in the form of Acquisition Fee Units.

2. *New Facilities*

The REIT Manager has on 14 December 2013 signed mandate letters with Standard Chartered Bank (Hong Kong) Limited in relation to the New Facilities in an aggregate amount of HK\$784 million, which will comprise:

- (1) a HK\$404 million term loan to be provided to a special purpose vehicle to be established and wholly-owned by Prosperity REIT as borrower, which will bear interest at a margin of 1.45% per annum over HIBOR. Such term loan will mature and become repayable 5 years from the date of the agreement in respect of such facility, and be secured by, among others:
 - (i) an unconditional and irrevocable guarantee from the Trustee, the Nominee and the Target Company;
 - (ii) a legal charge over the Chong Yip Property;
 - (iii) an assignment of all rights and benefits in the insurances (other than third party liability insurances) over the Chong Yip Property held by the Borrower, the Trustee, the Nominee, and/or the Target Company;
 - (iv) an assignment of the rights and benefits in the tenancy agreements of the Chong Yip Property held by the Borrower, the Trustee, the Nominee and/or the Target Company;
 - (v) an assignment of the rights and benefits in the Property Management Agreement held by the Borrower, the Trustee and/or Prosperity REIT;
 - (vi) a charge over rental deposits, rentals and all other income generated from the Chong Yip Property and sales proceeds otherwise received by the Borrower, the Trustee, the Nominee and/or the Target Company in respect of the Chong Yip Property;
 - (vii) a charge over all the shares of the Borrower, the Nominee and/or the Target Company; and
 - (viii) charge over all assets of the Borrower, the Nominee and the Target Company in relation to the Chong Yip Property.

and

- (2) an unsecured loan of HK\$380 million to be provided to a special purpose vehicle to be established and wholly-owned by Prosperity REIT, which will bear interest at a margin of 1.50% per annum over HIBOR, and will mature and become repayable 3 years from the date of the agreement in respect of such facility.

(collectively, the “**New Facilities**”).

The Trustee will provide an unconditional and irrevocable guarantee in favour of the lenders. The above HK\$404 million term loan and HK\$380 million unsecured loan are intended to be drawn down at Completion and will be used to finance the payment of part of the Consideration.

The terms and conditions of the New Facilities described in this announcement are indicative only, and may be subject to change, depending on the market conditions at the time the New Facilities are finalised and the relevant loan agreement(s) are signed, and do not represent the complete set of the actual terms and conditions. The actual terms and conditions of the New Facilities may differ from, or may comprise additional or fewer terms and conditions as compared with the indicative terms and conditions described in this announcement. To the extent that there are any material changes to the indicative terms and conditions described in this announcement, the REIT Manager will issue an announcement to provide details of such changes.

3. *Existing Revolving Credit Facility*

Prosperity REIT intends to draw down HK\$226 million under the Existing Revolving Credit Facility prior to or upon Completion to finance the remaining part of the Consideration. The remaining amount available for drawdown under the Existing Revolving Credit Facility as at the Latest Practicable Date is HK\$405 million. The Existing Revolving Credit Facility is for a term of five years expiring on 16 August 2015 and bears interest at a rate of 0.81% above HIBOR. It will be repaid on each interest payment date and can be redrawn upon maturity.

4. *Expected Gearing Ratio*

Based on the Consideration and Other Acquisition Fees and Expenses which will be funded by debt and internal cash, the Gearing Ratio of Prosperity REIT will increase from 20.9% (as at 30 June 2013) to approximately 29.4% immediately following Completion. Such Gearing Ratio is below the 45% limit permitted under the REIT Code.

E. Financial Effects of the Transaction

1. *Pro Forma Financial Effects of the Acquisition*

The pro forma financial effects of the Acquisition on DPU and NAV below are strictly for illustrative purposes and were prepared based on:

- (a) the unaudited consolidated financial statements of Prosperity REIT for the six months ended 30 June 2013; and
- (b) the audited financial statements of the Target Company for the six months ended 30 June 2013 as set out in Appendix 2 to the Prosperity REIT Circular headed "Accountants' Report in respect of the Target Company",

and assuming:

- (i) Prosperity REIT had acquired the Chong Yip Property on 1 January 2013 and that it was valued at the Consideration on such date;
- (ii) the Consideration was HK\$1,010 million and a Current Adjustment of HK\$8.536 million was made;
- (iii) the Consideration and Other Acquisition Fees and Expenses were funded by the HK\$404 million term loan bearing interest at a margin of 1.45% per annum over HIBOR, the unsecured loan of HK\$380 million bearing interest at a margin of

1.50% per annum over HIBOR under the New Facilities, the revolving credit facility of HK\$430 million bearing interest at a rate of 0.81% above HIBOR under the Existing Revolving Credit Facility, bank balances and internal cash; and

- (iv) 4,431,768 Acquisition Fee Units were issued to the REIT Manager in satisfaction of the Acquisition Fee at HK\$2.279 per Unit, being the average closing price of Units in the 10 trading days of the Hong Kong Stock Exchange immediately prior to the Latest Practicable Date.

The REIT Manager considers the above assumptions to be appropriate and reasonable as at the date of this announcement. However, Unitholders should consider the information outlined below in light of such assumptions and make their own assessment of the future performance of Prosperity REIT.

Based on the pro forma financial effects of the Transaction as stated in this section as well as Appendix 3 to the Prosperity REIT Circular headed “Pro Forma Financial Information of the Enlarged Group” which provides a more detailed illustration of the financial effects of the Transaction, the REIT Manager does not foresee any material adverse impact on the financial position of Prosperity REIT as a result of the Transaction.

2. *Pro Forma DPU*

The pro forma financial effects of the Acquisition on the DPU for the six months ended 30 June 2013, as if the Acquisition was completed on 1 January 2013, and Prosperity REIT had held and operated the Chong Yip Property through to 30 June 2013, are as follows:

	Before the Acquisition	After the Acquisition
Distributable Income (<i>HK\$'000</i>)	103,568 ⁽¹⁾	105,391
Issued Units (<i>'000</i>)	1,391,684 ⁽²⁾	1,396,760 ⁽³⁾
DPU (<i>HK\$</i>)	0.0744 ⁽⁴⁾	0.0755 ⁽⁵⁾

Notes:

- (1) Based on unaudited financial statements of Prosperity REIT for the six months ended 30 June 2013.
- (2) Number of Units in issue as at 30 June 2013 plus the number of Units to be issued after the relevant distribution period to the REIT Manager as manager’s fee for its service in the second quarter of 2013.
- (3) Includes: (i) 4,297,872 new Acquisition Fee Units at an assumed issue price of HK\$2.35 per Unit; and (ii) 777,925 new Units issued as part payment of the REIT Manager’s management fee for the Chong Yip Property for the six months ended 30 June 2013 at an assumed issued price of HK\$2.47 per Unit.
- (4) Actual DPU of Prosperity REIT for the period from 1 January 2013 to 30 June 2013.
- (5) Computed based on the distributable income of the Enlarged Group for the six months ended 30 June 2013 over the number of Units issued and issuable by the Enlarged Group as at six months ended 30 June 2013.

3. *Pro Forma NAV per Unit*

The pro forma financial effects of the Acquisition on the NAV per Unit as at 30 June 2013, as if the Acquisition and was completed on 30 June 2013, are as follows:

	Before the Acquisition	After the Acquisition⁽¹⁾
NAV (<i>HK\$'000</i>)	6,295,525 ⁽²⁾	6,292,895
Issued Units (<i>'000</i>)	1,391,684	1,395,773 ⁽³⁾
NAV per Unit (<i>HK\$</i>)	4.52	4.51

Notes:

- (1) The financial position of the Enlarged Group is based on: (i) the unaudited financial position of Prosperity REIT and the audited financial position of the Target Company as at 30 June 2013; and (ii) assuming the acquisition of the Chong Yip Property was completed on 30 June 2013.
- (2) Based on the unaudited financial statements for the financial year ended 30 June 2013.
- (3) Includes 4,089,069 new Acquisition Fee Units at an assumed issued price of HK\$2.47 per Unit.

Pro Forma Capitalisation

The following table sets forth the pro forma capitalisation of Prosperity REIT (excluding the origination fees in respect of bank facilities) as at 30 June 2013, as if Prosperity REIT had completed the Acquisition on 30 June 2013.

	Actual (<i>HK\$'000</i>)	After the Acquisition (<i>HK\$'000</i>)
Short-term debt		
Existing Revolving Credit Facility	10,000	236,000
Total short-term debt	<u>10,000</u>	<u>236,000</u>
Long-term debt:		
Secured debt	1,770,000	2,174,000
Unsecured debt	—	380,000
Total long-term debt	<u>1,770,000</u>	<u>2,554,000</u>
Total debt:	1,780,000	2,790,000
Net assets attributable to Unitholders	<u>6,295,525</u>	<u>6,292,895</u>
Total capitalisation	<u><u>8,075,525</u></u>	<u><u>9,082,895</u></u>

F. Connected Party Transactions as a Result of the Transaction

In connection with or following the Transaction, the REIT Manager, the Trustee, the Nominee, the Target Company and/or the Guarantor have entered or will enter into a number of transactions with certain Connected Persons of Prosperity REIT. These transactions include the following.

1. *Share Purchase Agreement*

The Purchaser entered into the Share Purchase Agreement with the Vendor and the Guarantor on 14 December 2013. For further details of the Share Purchase Agreement, please refer to section B “Share Purchase Agreement”.

2. *Deed of Tax Covenant*

The Vendor, the Guarantor, the Nominee and the Purchaser will enter into a Deed of Tax Covenant in favour of the Purchaser (or the Nominee) at Completion. For further details of the Deed of Tax Covenant, please refer to section B.6 headed “Deed of Tax Covenant”.

3. *Deed of Rental Support*

The Vendor, the Guarantor, the Nominee, the REIT Manager and the Trustee will enter into the Deed of Rental Support at Completion. For details of the Deed of Rental Support, please refer to section B.7 headed “Deed of Rental Support”.

4. *Borrowings Assignment*

The Target Company, the Existing Lenders, and the Nominee will enter into the Borrowings Assignment at Completion. For details of the Borrowings Assignment, please refer to section B.8 headed “Borrowings Assignment”.

5. *Deed of Ratification and Accession*

The Target Company, the REIT Manager and the Property Manager will enter into the Deed of Ratification and Accession at Completion. For details of the Deed of Ratification and Accession, please refer to section B.9 headed “Deed of Ratification and Accession”.

6. *Tenancy and Licence Agreements*

The Target Company has entered into various tenancy and licence agreements with members of the Cheung Kong Connected Persons Group in respect of the Chong Yip Property, which will continue to subsist post-Completion. The REIT Manager believes that such agreements were made on normal commercial terms and are not prejudicial to the interests of Prosperity REIT and the Unitholders.

G. New Continuing Connected Party Transactions

As part of the transaction, the REIT Manager has applied to the SFC for a modification and extension of the Existing CKH/Manager CPT Waiver from strict compliance with the disclosure and unitholders' approval requirements under Chapter 8 of the REIT Code, in respect of the New Continuing Connected Party Transactions. The REIT Manager is seeking Independent Unitholders' approval for the Waiver Modification and Extension, the details of which are set out below in this Section G.

1. *Connected Persons of Prosperity REIT*

The Prosperity REIT Group has entered or will enter into continuing transactions (which will constitute continuing connected party transactions within the meaning of the REIT Code) with the following Connected Persons:

Cheung Kong Connected Persons Group

For the purpose of the REIT Code, Cheung Kong is a Significant Holder (that is, a holder of 10% or more of the outstanding Units) of Prosperity REIT, and is therefore a Connected Person of Prosperity REIT under paragraph 8.1(d) of the REIT Code.

Any person who is connected to Cheung Kong as described in paragraphs 8.1(e), (f) or (g) of the REIT Code is also a Connected Person of Prosperity REIT, and these persons include: (i) any director, senior executive or officer of Cheung Kong; (ii) any associate (as defined in the REIT Code) of Cheung Kong or of any director, senior executive or officer of Cheung Kong; and (iii) any controlling entity, holding company, subsidiary or associated company (as defined in the REIT Code) of Cheung Kong (collectively, and together with Cheung Kong, the "**Cheung Kong Connected Persons Group**").

Manager Group

The REIT Manager is a Connected Person of Prosperity REIT under paragraph 8.1(a) of the REIT Code.

Any person who is connected to the REIT Manager as described in paragraphs 8.1(e), (f) or (g) of the REIT Code is also a Connected Person of Prosperity REIT, and these persons include: (i) any director, senior executive or officer of the REIT Manager; (ii) any associate (as defined in the REIT Code) of any director, senior executive or officer of the REIT Manager; and (iii) any controlling entity, holding company, subsidiary or associated company (as defined in the REIT Code) of the REIT Manager (collectively, and together with the REIT Manager, the "**Manager Group**").

Trustee Connected Persons

The Trustee and companies within the same group of, or otherwise "associated" with, the Trustee are each also within the definition of a Connected Person in the REIT Code (the "**Trustee Connected Persons**"). As a result, the list of Connected Persons of Prosperity REIT will include HSBC Holdings plc, and other members of its group (including The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries and, unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries (being the subsidiaries of the Trustee but excluding those

subsidiaries formed in its capacity as the trustee of Prosperity REIT) (the “**HSBC Group**”) because the Trustee is an indirect wholly-owned subsidiary of HSBC Holdings plc.

2. *Existing Waivers in respect of Chapter 8 of the REIT Code*

Continuing Transactions with the Cheung Kong Connected Persons Group and/or the Manager Group

On 21 June 2011, the SFC granted a further extension to the 2008 Extended Waiver (being the “**Existing CKH/Manager CPT Waiver**”), subject to certain terms and conditions, from strict compliance with the disclosure and unitholders’ approval requirements under Chapter 8 of the REIT Code in respect of certain continuing connected party transactions that are referred to in the Further Extension Circular (the “**Existing Continuing Connected Party Transactions**”). Such Existing CKH/Manager CPT Waiver is due to expire on 31 December 2014 (the “**Existing CPT Waiver Expiry Date**”).

Continuing Transactions with the Trustee Connected Persons

On 30 November 2005, the SFC also granted a waiver (being the “**Existing Trustee CPT Waiver**”), subject to certain terms and conditions, from strict compliance with the disclosure and unitholders’ approval requirements under Chapter 8 of the REIT Code, in respect of certain continuing connected party transactions between the Prosperity REIT Group on the one hand, and the Trustee Connected Persons on the other hand. As at the date of this announcement, such waiver remains in place. For further details of the waiver and the conditions that apply to it, please see the section headed “Modifications, Waivers and Licensing Conditions” of the Offering Circular.

3. *Reasons for Modification of the Existing CKH/Manager CPT Waiver*

If the Acquisition is completed, and assuming that the various transactions and arrangements in relation to the Chong Yip Property will continue to be conducted with the Cheung Kong Connected Persons Group and/or the Trustee Connected Persons, more continuing connected party transactions will arise.

In respect of the resulting continuing transactions with the Cheung Kong Connected Persons Group, the nature of such transactions will be the same as the Existing Continuing Connected Party Transactions in respect of which the Existing CKH/Manager CPT Waiver was granted. The Acquisition will accordingly increase the scale of the continuing connected party transactions with the Cheung Kong Connected Persons Group.

As is the case for the Existing Continuing Connected Party Transactions, the REIT Manager considers that it will be unduly burdensome and not in the interests of the Unitholders for Prosperity REIT to be subject to strict compliance with the requirements under Chapter 8 of the REIT Code with respect to such transactions in relation to the Chong Yip Property, on each and every occasion when they arise.

In accordance with its terms, the Existing CKH/Manager CPT Waiver may be extended beyond the Existing CPT Waiver Expiry Date, and/or the terms and conditions of the Existing CKH/Manager CPT Waiver may be modified from time to time, provided that the conditions below are complied with:

- (i) the approval of Independent Unitholders is obtained by way of an ordinary resolution passed in a general meeting of Unitholders;
- (ii) disclosure of details of the proposed extension and/or modification (as the case may be) will be made by way of an announcement by the REIT Manager of such proposal, and a circular and notice will be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (iii) any extension of the period of the Existing CKH/Manager CPT Waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year-end date of Prosperity REIT after the date on which the approval referred to in (i) above is obtained.

Accordingly, the REIT Manager would like to take the opportunity of the EGM for Independent Unitholders to approve modifications and extensions to the Existing CKH/Manager CPT Waiver (the “**Waiver Modification and Extension**” and the resulting modified and extended waiver being the “**Modified and Extended CPT Waiver**”) so as to:

- (i) expand the scope of the Existing Continuing Connected Party Transactions to additionally include continuing connected party transactions with the Cheung Kong Connected Persons Group and/or the REIT Manager Group in respect of the Chong Yip Property (the “**Additional Continuing Connected Party Transactions**” and together with the Existing Continuing Connected Party Transactions, the “**New Continuing Connected Party Transactions**”) as described in section G.4 headed “New Continuing Connected Party Transactions” below;
- (ii) set new annual monetary limits to accommodate the New Continuing Connected Party Transactions for the financial years ending 31 December 2014, 31 December 2015 and 31 December 2016 (the “**Proposed Caps**”) as described in section G.5 headed “Proposed Caps” below. The Proposed Caps increase the previous caps set in 21 June 2011, to cover the New Continuing Connected Party Transactions relating to the Chong Yip Property (beyond those contemplated when the previous caps were set) to be entered into; and
- (iii) extend the Existing CKH/Manager CPT Waiver which is due to expire on 31 December 2014, so that the waiver will apply for the New CPT Waiver Period as described in section G.6 headed “Waiver Extension” below.

The proposed Waiver Modification and Extension is subject to Completion and the approval of the SFC. In the event that the EGM Resolution regarding the Waiver Modification and Extension is not approved by the Independent Unitholders, the Existing CKH/Manager CPT Waiver will continue to apply for the remainder of its duration.

For completeness, in respect of the resulting continuing transactions with the Trustee Connected Persons, the nature of such transactions will be the same as the transactions in respect of which the Existing Trustee CPT Waiver was granted. However, as the Existing Trustee CPT Waiver is not subject to an annual cap or time limitation, no new waiver packages in respect of the subject transactions are required to be proposed to Unitholders.

4. *New Continuing Connected Party Transactions*

The New Continuing Connected Party Transactions are connected party transactions entered into or to be entered into between the Prosperity REIT Group on the one hand, and the Cheung Kong Connected Persons Group and/or the Manager Group (as the case may be) on the other hand. The two categories of the New Continuing Connected Party Transactions are as follows:

Revenue Transactions

(1) Leasing/Licensing Transactions

As part of the Prosperity REIT Group's ordinary and usual course of business, each Property Company which is a direct owner of a Property (including, upon Completion, the Target Company), is either already a party to, or may from time to time enter into, leases or licences with members of the Cheung Kong Connected Persons Group (the "**Cheung Kong Connected Persons Group Leases/Licences**") or members of the Manager Group (the "**Manager Group Leases/Licences**") and together with the Cheung Kong Connected Persons Group Leases/Licences, the "**CKH/Manager Group Leases/Licences**") in respect of its properties.

All the CKH/Manager Group Leases/Licences subsisting are on normal arm's length commercial terms and at market levels. The details of the subsisting CKH/Manager Group Leases/Licences in respect of the Existing Properties are set out in Prosperity REIT's latest Interim Report.

Expenditure Transactions

Prosperity REIT and members of the Cheung Kong Connected Persons Group have entered into various continuing connected party transactions relating to property management and other operational transactions in respect of Prosperity REIT and its assets and operations (the "**Property Management Transactions**"). This has resulted and may in the future result in expenditures being paid by Prosperity REIT to the Cheung Kong Connected Persons Group, comprising the following:

(1) Property Management Transactions

Under the Property Management Agreement dated 29 November 2005 entered into between the REIT Manager and the Property Manager, 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, which is an indirect wholly-owned subsidiary of Cheung Kong.

Pursuant to a property management extension letter from the Property Manager to the REIT Manager dated 1 December 2010, the Property Management Agreement has been extended for a further term of 5 years to 15 December 2015. As noted in section B.9 headed “Deed of Ratification and Accession”, the parties to the Property Management Agreement intend to extend the scope of the property management services so as to include the Chong Yip Property pursuant to the Deed of Ratification and Accession.

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. In addition, the Property Manager is also entitled to commissions for the provision of marketing services, such commissions are derived at by reference to the duration of the relevant leases/licences entered into or renewed and the total rental/licence fees paid. For further details regarding the Property Management Agreement, please refer to the section headed “Material Agreements and Other Documents Relating to Prosperity REIT — Property Management Agreement” in the Offering Circular.

(2) Third Party Services

Under the Property Management Agreement, the Property Manager, as agent for the relevant Property Companies, 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 properties held by Prosperity REIT. Some of these third party service providers are and may be members of the Cheung Kong Connected Persons Group. In consideration for such services, Prosperity REIT will pay fees to such contractors. The anticipated amounts of these fees will form part of the New Continuing Connected Party Transactions.

It is the current intention of the parties that after Completion, the Property Manager, as agent for the Target Company, will enter into contracts with such third party service providers which may include members of the Cheung Kong Connected Persons Group in respect of the provision of property management-related services in connection with the Chong Yip Property. Those third party service providers may include those companies who have been providing such services in respect of the Chong Yip Property.

5. *Proposed Caps*

In any relevant financial year, the annual value of the New Continuing Connected Party Transactions shall not exceed the respective annual monetary limits stated in the table below. Set out below are the historical transaction amounts of the Existing Continuing Connected Party Transactions in respect of the Cheung Kong Connected Persons Group Leases/Licences for each of the financial years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2013.

The Proposed Caps have been determined with general reference to the historical transaction amounts (including but not limited to latest available data as at 30 September 2013), and are based on the anticipated aggregate value of such transactions during the relevant financial years subsequent to the completion of the

Acquisition (i.e. including the Cheung Kong Connected Persons Group Leases/Licences that would arise in connection with the Acquisition), with an appropriate buffer for contingencies such as changes in rental or other market conditions.

Categories of New Continuing Connected Party Transactions	Connected Person	Historical transaction amounts				Proposed Caps		
		For the financial year ending 31 December 2010 (HK\$)	For the financial year ending 31 December 2011 (HK\$)	For the financial year ending 31 December 2012 (HK\$)	For the nine months ended 30 September 2013 (HK\$)	For the financial year ending 31 December 2014 (HK\$)	For the financial year ending 31 December 2015 (HK\$)	For the financial year ending 31 December 2016 (HK\$)
I. Revenue								
Leasing/licensing transactions (Note 1)	Cheung Kong Connected Persons Group	20,400,000	16,000,000	1,500,000	1,100,000	33,000,000	33,000,000	33,000,000
Leasing/licensing transactions	Manager Group	—	—	—	—	5,100,000	5,100,000	5,100,000
II. Expenditure								
Property management arrangements, third party services and other operational transactions	Cheung Kong Connected Persons Group	14,900,000	18,000,000	20,600,000	13,600,000	32,300,000	33,900,000	35,600,000

Note (1): In respect of the Proposed Caps, based on the relative Gross Rentable Area for the Chong Yip Property and the Existing Properties of Prosperity REIT, approximately 10% of the Proposed Caps for the Cheung Kong Connected Persons Group Leases/Licences can be attributable to the Chong Yip Property.

(1) In respect of Cheung Kong Connected Persons Group Leases/Licences

The proposed annual caps for the financial years ending 31 December 2014, 2015 and 2016 have been determined based on:

- (i) the sum of the highest annual transaction amounts for each of the financial years ended 31 December 2006 to 2012 and the annualised transaction amount for the nine months ended 30 September 2013 incurred for the Existing Properties in respect of each tenant from the Cheung Kong Connected Persons Group Leases/Licences, which was approximately HK\$24.8 million. The REIT Manager confirmed that each of the aforesaid tenants had not occupied the same units from Prosperity REIT during the relevant period; and
- (ii) applying a 33% buffer over such sum referred to in paragraph (i) above, of which: (a) 13% is attributable to the acquisition of the Chong Yip Property; (b) 15% is attributable to the increase in market rental in respect of the Cheung Kong Connected Persons Group Leases/Licences referred to in paragraph (i) above; and (c) 5% is attributable to flexibility required to facilitate additional Cheung Kong Connected Persons Group Lease/Licences to be entered into in respect of the Existing Properties and the Chong Yip Property in the future.

(2) In respect of the Manager Group Leases/Licences

The Manager Group does not currently have any leases/licences of premises comprising Prosperity REIT's portfolio. However, it is possible that such leases/licences may be entered into at some time during the New CPT Waiver Period.

As such, the REIT Manager intends to maintain the proposed annual caps for each of the financial years ending 31 December 2014, 2015 and 2016 at the amount which is equivalent to the annual cap of HK\$5.1 million for the financial year ending 31 December 2014. The REIT Manager considers that such proposed annual cap will allow for a reasonable level of cap amount to cater for additional Manager Group Leases/Licences should the Manager Group look for office premises for expansion in Hong Kong.

(3) In respect of property management arrangements, third party services and other operational transactions

The REIT Manager anticipates that the annual value of the relevant Additional Continuing Connected Party Transaction in respect of Property Management Transactions with the Cheung Kong Connected Persons Group for the financial year ending 31 December 2014 will not exceed the annual caps for the same as set in the Existing CKH/Manager CPT Waiver. No change is therefore proposed for the annual caps in respect of the financial year ending 31 December 2013, although the same is set out above for ease of comparison.

The proposed annual cap for the financial year ending 31 December 2014 has been determined based on:

- (i) the sum of the highest annual transaction amounts for each of the financial years ended 31 December 2009 to 2012 and the annualised transaction amounts for the nine months ended 30 September 2013 incurred for the Existing Properties in respect of each category of the Property Management Transactions, which was approximately HK\$21.5 million;
- (ii) the sum of the highest annual transaction amounts for each of the financial years ended 31 December 2011 and 2012 and the annualised transaction amounts for the six months ended 30 June 2013 incurred for the Chong Yip Property in respect of each category of the Property Management Transactions, which was approximately HK\$3.8 million;
- (iii) applying a 5% inflationary increment to the relevant amounts resulting from paragraphs (i) and (ii) above; and
- (iv) applying an increment of 21% to the amount resulting from paragraph (iii) above, by taking into account possible contingency as buffer upon Completion.

The proposed annual caps for the financial years ending 31 December 2015 and 2016 have been determined by applying a 5% increment to the figure proposed for the immediately preceding financial year. The 5% increment factor has been applied after taking into account the inflation, possible increase in costs and wages, the general economy environment of Hong Kong, together with an appropriate buffer for contingencies, for instance, possible increase in marketing

service fees payable to the Property Manager as a result of additional tenancies secured by the Property Manager, and possible increase in management fees as a result of the increase of gross revenue generated from Properties during the New CPT Waiver Period.

(4) Historical transaction amounts

The annual value of the Existing Connected Party Transactions entered into between the Prosperity REIT Group on the one hand, and the Cheung Kong Connected Persons Group and/or the Manager Group (as the case may be) on the other hand for the past two financial years and for the six months ended 30 June 2013 have been published in the reports as follows:

- (i) the annual value of the Existing Connected Party Transactions of Prosperity REIT for the year ended 31 December 2011 is disclosed in the annual report of Prosperity REIT for the year ended 31 December 2011 published on 10 April 2012, from pages 60 to 66;
- (ii) the annual value of the Existing Connected Party Transactions of Prosperity REIT for the year ended 31 December 2012 is disclosed in the annual report of Prosperity REIT for the year ended 31 December 2012 published on 22 March 2013, from pages 67 to 72; and
- (iii) the value of the Existing Connected Party Transactions of Prosperity REIT for the six months ended 30 June 2013 is disclosed in the interim report of Prosperity REIT for the six months ended 30 June 2013 published on 30 August 2013, from pages 15 to 20.

6. Waiver Extension

As noted above, the Existing CKH/Manager CPT Waiver will expire on 31 December 2014. It is proposed that Existing CPT Waiver Expiry Date be extended (the “**Waiver Extension**”), so that the waiver will apply for the three financial years ending 31 December 2016 (the “**New CPT Waiver Period**”). The Waiver Extension shall be effective from the Completion Date.

7. Waiver Conditions

The REIT Manager undertakes that it will continue to comply with the waiver conditions of the Existing CKH/Manager CPT Waiver, subject to the proposed revisions to the annual monetary limits and waiver expiry date described above. The waiver conditions of the Modified and Extended CPT Waiver will be as follows:

(1) Independent Unitholders’ Approval

The EGM Resolution having been approved by the Independent Unitholders and adopted as set out in the EGM Notice, without material amendments thereto and Completion.

(2) Supersede the Existing CKH/Manager Waiver

The Modified and Extended CPT Waiver will supersede the Existing CKH/Manager Waiver and will commence as from the Completion Date and continues until 31 December 2016.

(3) Modification or Extension

The Modified and Extended CPT Waiver may be extended beyond the New CPT Waiver Period, and/or the terms and conditions of the Modified and Extended CPT Waiver may be modified from time to time, provided that:

- (a) Independent Unitholders' approval — the approval of Independent Unitholders is obtained by way of an ordinary resolution passed in a general meeting of Unitholders;
- (b) Disclosure — disclosure of details of the proposed extension and/or modifications (as the case may be) shall be made by way of an announcement by the REIT Manager of such proposal, and a circular and notice will be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (c) Extension period — any extension of the period of the Modified and Extended CPT Waiver shall, on each occasion of such extension, be for a period which will expire not later than the third full financial year-end date of Prosperity REIT after the date on which the approval referred to in (a) is obtained.

For the avoidance of doubt, any material change to the transactions covered under the Modified and Extended CPT Waiver (including without limitation the scope or nature of the transactions) in the application based on which the waiver is sought and granted must be approved by the Independent Unitholders as referred to in (a) above and details of the proposed changes shall be disclosed in the manner as referred to in (b) above.

(4) Annual caps

In any relevant financial year, the annual value of the New Continuing Connected Party Transactions shall not exceed the respective annual monetary limits stated in section G.5 headed "Proposed Caps".

In respect of leasing/licensing transactions, an independent valuation will be conducted for each of such leasing/licensing transactions except where they are conducted on standard or published rates.

(5) Disclosure in Interim and Annual Reports

Details of the New Continuing Connected Party Transactions will be disclosed in Prosperity REIT's interim and annual reports, as required under paragraph 8.14 of the REIT Code.

(6) Auditors' Review Procedures

In respect of each relevant financial year, the REIT Manager will engage and agree with the auditors of Prosperity REIT to perform certain review procedures on the New Continuing Connected Party Transactions. The auditors will then report to the REIT Manager on the factual findings based on the work performed by them (and a copy of such report will be provided to the SFC), confirming whether all such New Continuing Connected Party Transactions:

- (a) have received the approval of the board of directors of the REIT Manager (including the independent non-executive Directors);
- (b) are in accordance with the pricing policies of Prosperity REIT;
- (c) have been entered into in accordance with the terms of the agreements governing the transactions; and
- (d) the total value in respect of which has not exceeded the respective annual monetary limits (where applicable) as set out above.

(7) Review by the Independent Non-Executive Directors of the REIT Manager

The independent non-executive Directors of the REIT Manager will review the relevant New Continuing Connected Party Transactions annually and confirm in Prosperity REIT's annual report for the relevant financial year that such transactions have been entered into:

- (a) in the ordinary and usual course of business of Prosperity REIT;
- (b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Prosperity REIT than terms available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreement governing them (if any) on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

(8) Auditors' Access to Books and Records

The REIT Manager will allow, and will procure the counterparty to the relevant continuing connected party transactions to allow, the auditors of Prosperity REIT sufficient access to their records for the purpose of reporting on the transactions.

(9) Notification to the SFC

The REIT Manager will promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors and/or the independent non-executive Directors will not be able to confirm the matters set out in sections G.7(6) headed "Auditors' Review Procedures" and G.7(7) headed "Review by the Independent Non-Executive Directors of the REIT Manager" respectively.

(10) Subsequent Increases in Annual Caps with Independent Unitholders' Approval

If necessary, for example, where there are further asset acquisitions by Prosperity REIT thereby increasing the scale of its operations generally, or where there are changes in market or operating conditions, the REIT Manager may, from time to time in the future, seek to increase one or more of the Proposed Caps referred to above, provided that:

- (a) Independent Unitholders' approval — the approval of Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
- (b) Disclosure — disclosure of details of the proposal to increase the relevant Proposed Caps shall be made by way of an announcement by the REIT Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (c) Other compliance requirements — all the waiver terms and conditions in paragraphs 7(3) to 7(9) above shall continue to apply to the relevant transactions, save that the relevant increased annual cap amounts shall apply.

8. *Paragraph 8.14 of the REIT Code*

The REIT Manager will comply with all requirements under paragraph 8.14 of the REIT Code where there is any material change to the terms of the relevant connected party transactions or where there is any subsequent change to the REIT Code which may impose stricter requirements in respect of disclosure and/or Unitholders' approval.

Details of the New Continuing Connected Party Transactions shall be disclosed in the interim and annual reports of Prosperity REIT in the relevant financial year as required under paragraph 8.14 of the REIT Code. The independent non-executive Directors shall review the New Continuing Connected Party Transactions annually and confirm whether such transactions are carried out in the ordinary and usual course of business of Prosperity REIT based on normal commercial terms and in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Unitholders.

9. *Opinion of the Board*

The Board (including all the independent non-executive Directors) confirms that for purposes of the REIT Code:

- (1) in its opinion, the Modified and Extended CPT Waiver and the Proposed Caps, and the basis for the Modified and Extended CPT Waiver (including the Proposed Caps and the basis of arriving at the same), are fair and reasonable so far as the Independent Unitholders are concerned and are in the interests of Prosperity REIT and the Independent Unitholders, as well as the Unitholders as a whole;

- (2) in its opinion, each of the New Continuing Connected Party Transactions subsisting as at the Latest Practicable Date (including the Additional Continuing Connected Party Transactions to be assumed by Prosperity REIT as a result of the Acquisition): (i) has been entered into in the ordinary and usual course of business of Prosperity REIT and is consistent with the investment objectives and strategy of Prosperity REIT; (ii) has been entered into on terms which are normal commercial terms at arm's length; and (iii) is fair and reasonable so 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; and
- (3) in its opinion, that each of the New Continuing Connected Party Transactions to be entered into after the Latest Practicable Date: (i) is entered into in the ordinary and usual course of business of Prosperity REIT and is consistent with the investment objectives and strategy of Prosperity REIT; (ii) is entered into on terms which are normal commercial terms at arm's length; and (iii) is fair and reasonable so 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.

H. Implications Under the REIT Code and the Trust Deed

1. Connected Party Transactions

Clause 15.1 of the Trust Deed requires any connected party transaction to be carried out in accordance with the provisions of the REIT Code and any conditions (including any conditions of any waiver and exemptions from the operation of the REIT Code from time to time) imposed by the SFC from time to time. Under paragraph 8.1 of the REIT Code, Connected Persons of Prosperity REIT include, among others, a Significant Holder (that is, a holder of 10% or more of the outstanding Units) and associated companies. Cheung Kong is deemed to hold approximately 19.71% of the Units and therefore is a Significant Holder of Prosperity REIT. HWL and the Property Manager are associated companies of Cheung Kong within the meaning of the REIT Code. The Vendor, the Guarantor and the Target Company are wholly-owned subsidiaries of HWL, which pursuant to the REIT Code, also makes them an associated companies of Cheung Kong. As a result, the Vendor, the Guarantor, the Target Company and the Property Manager are each a Connected Person of Prosperity REIT within the meaning of the REIT Code. Accordingly, each of the following constitutes a connected party transaction of Prosperity REIT under paragraph 8.5 of the REIT Code:

- (1) the entering into and performance of the Share Purchase Agreement;
- (2) the entering into and performance of the Deed of Tax Covenant;
- (3) the entering into and performance of the Deed of Rental Support;
- (4) the entering into and performance of the Borrowings Assignment; and
- (5) the entering into and performance of the Deed of Ratification and Accession.

As the Consideration exceeds 5.0% of the latest audited NAV of Prosperity REIT, as disclosed in its latest published audited accounts, and adjusted for any subsequent transaction since their publication, pursuant to paragraph 8.11 of the REIT Code and the Trust Deed, each of the above transactions will require Independent Unitholders' approval by way of an Ordinary Resolution at the EGM.

2. *Major Acquisition*

In addition, as the Consideration represents approximately 31.9% of the total market capitalisation of Prosperity REIT, based on the average closing price of Prosperity REIT on the Hong Kong Stock Exchange for the five trading days immediately preceding the Latest Practicable Date, the Transaction also constitutes a major acquisition by Prosperity REIT under the relevant Hong Kong rules and regulations.

3. *Issuance of Acquisition Fee Units to the REIT Manager*

Pursuant to the Trust Deed, the REIT Manager may elect to receive the Acquisition Fee in the form of cash or, with the prior approval of Unitholders by an Ordinary Resolution, entirely in the form of Units or partly in cash and partly in the form of Units.

In this regard, the REIT Manager is seeking Independent Unitholders' approval at the EGM to receive the Acquisition Fee entirely in the form of Units.

Please refer to section B.12 headed "Fees payable by Prosperity REIT to the REIT Manager in relation to the Acquisition" for further details regarding the payment of Acquisition Fee in the form of Units.

4. *New Continuing Connected Party Transactions*

The Board is seeking Independent Unitholders' approval for the Waiver Modification and Extension, which will accommodate the increase in size and the number of varieties of the continuing connected party transactions of Prosperity REIT following Completion.

Please refer to section G headed "New Continuing Connected Party Transactions" for further details regarding the Waiver Modification and Extension. Details of the relevant connected party transactions will be disclosed in Prosperity REIT's semi-annual and annual reports, as required under paragraph 8.14 of the REIT Code.

5. *Ordinary Resolution*

The REIT Manager takes the view that the Transaction, the issuance of the Acquisition Fee Units and the Waiver Modification and Extension are linked to each other and part and parcel of a significant proposal, as the issuance of Acquisition Fee Units and the Waiver Modification and Extension only arise from the consummation of the Transaction and will not be required but for the entering into of the agreements underlying the Transaction.

Please refer to the EGM Notice for the proposed EGM Resolution in relation to the Transaction Matters Requiring Approval. As soon as practicable after the EGM, the REIT Manager will issue an announcement setting out the results of the EGM, including whether the proposed EGM Resolution has been passed.

6. *Restrictions on Voting*

Paragraph 9.9(f) of the REIT Code provides that where a Unitholder has a material interest in the resolution tabled for approval, and that interest is different from that of all other Unitholders, such Unitholder shall abstain from voting.

Further, under paragraph 3.2 of Schedule 1 to the Trust Deed, where a Unitholder has a material interest in the resolution tabled for approval at a general meeting of the Unitholders, and that interest is different from the interests of other Unitholders, such Unitholder shall be prohibited from voting its Units or being counted in the quorum for the general meeting.

Members of the Cheung Kong Connected Persons Group, the HWL Group and the Manager Group are parties to one or more of the Transactions and the New Continuing Connected Party Transactions, and as such, have a material interest in the EGM Resolution.

Pursuant to the REIT Code and the Trust Deed:

- (a) Cheung Kong has agreed to abstain, and will procure that each member of the Cheung Kong Connected Persons Group will abstain, from voting on the EGM Resolution, except pursuant to a proxy where a specific direction by an Independent Unitholder as to voting is given;
- (b) HWL has agreed to abstain, and will procure that each member of the HWL Group and its associates will abstain, from voting on the EGM Resolution, except pursuant to a proxy where a specific direction by an Independent Unitholder as to voting is given; and
- (c) ARA (being the holding company of the REIT Manager) has agreed to abstain, and will procure that each member of the Manager Group will abstain, from voting on the EGM Resolution, except pursuant to a proxy where a specific direction by an Independent Unitholder as to voting is given.

To the best of the REIT Manager's knowledge, information and belief, after having made reasonable enquiries, the REIT Manager takes the view that save as disclosed above, no other Unitholders are required to abstain from voting at the EGM in respect of the EGM Resolution.

7. *Purchaser has Discretion*

Given the Acquisition is dependent on the satisfaction of the Conditions, for the avoidance of doubt, Unitholders should note that the Purchaser has the discretion, after consultation with and taking instructions from the REIT Manager, to not proceed with the Acquisition if any of the Conditions shall not have been fulfilled prior to the Long Stop Date.

8. *Waiver applications and submissions made to the SFC in respect of Chapter 8 of the REIT Code in relation to the New Continuing Connected Party Transactions*

The REIT Manager applied to the SFC for a modification and extension of the Existing CKH/Manager CPT Waiver from strict compliance with the disclosure and unitholders' approval requirements under Chapter 8 of the REIT Code, in respect of

the New Continuing Connected Party Transactions, subject to Completion taking place, and subject to various conditions under the waiver. For further details regarding the Waiver Modification and Extension, please refer to section G.3 headed “Reasons for Modification of the Existing CKH/Manager CPT Waiver”.

I. Disclosure of Interests in Units

Unit Capital

The total number of issued units as at the Latest Practicable Date is 1,396,178,197 Units.

Holdings of Significant Holders and Other Unitholders

As at the Latest Practicable Date, each of the following persons was considered a “Significant Holder”, and hence a Connected Person of Prosperity REIT, for the purpose of the REIT Code:

<u>Name</u>	<u>Direct interest</u>		<u>Deemed interest</u>	
	<u>Number of Units held long position</u>	<u>Percentage of Unitholdings</u>	<u>Number of Units held long position</u>	<u>Percentage of Unitholdings</u>
Cheung Kong ⁽¹⁾	—	—	275,211,688	19.71%
Hutchison Whampoa Limited ⁽¹⁾	—	—	98,883,559	7.08%
Total Win Group Limited	176,328,129	12.63%	—	—
Wide Option Investments Limited	98,883,559	7.08%	—	—

Notes:

- (1) Total Win Group Limited (“**Total Win**”) was a connected person of Prosperity REIT as it was a significant holder (as defined under the REIT Code) of Prosperity REIT. Total Win was a direct wholly-owned subsidiary of Cheung Kong Investment Company Limited, which was therefore deemed to hold 176,328,129 units held by Total Win. Total Win was an indirect wholly-owned subsidiary of Cheung Kong. Wide Option Investments Limited (“**Wide Option**”) was a connected person of Prosperity REIT as it was an associate (as defined under the REIT Code) of Total Win. Wide Option was a wholly-owned subsidiary of HWL, which in turn was 49.9% owned by Cheung Kong. Cheung Kong was therefore deemed to hold 275,211,688 units, of which 176,328,129 units were held by Total Win and 98,883,559 units were held by Wide Option.

Interests of the REIT Manager, Directors and Senior Executives

As at the Latest Practicable Date, the REIT Manager held 5,360,975 Units, or approximately 0.38% of the issued units of Prosperity REIT.

No person is proposed to be appointed as a Director of the REIT Manager in connection with the Acquisition or any other transactions contemplated in relation to the Acquisition.

Save as disclosed above, none of the REIT Manager, the Directors and the Chief Executive of the REIT Manager is interested (or deemed to be interested) in Units, or held any short position in Units, and the REIT Manager is not aware of any Connected Persons of Prosperity REIT who were interested (or deemed to be interested) in Units as at the Latest Practicable Date.

So far as is known to the Directors or chief executive of the REIT Manager, save as disclosed in this announcement, none of the Directors or chief executives of the REIT Manager had any interests or short positions in the Units of Prosperity REIT or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be disclosed to the REIT Manager and the Hong Kong Stock Exchange pursuant to Divisions 7, 8 and 9 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), which the Trust Deed, subject to certain exceptions, deems to apply to the Directors and chief executive of the REIT Manager, the REIT Manager and each Unitholder and all persons claiming through or under them.

J. Documents Available for Inspection

Copies of the following documents are available for inspection at no charge during normal business hours at the offices of the REIT Manager from 9:00 a.m. to 5:00 p.m. on Business Days, from the date of the Prosperity REIT Circular, up to and including the date falling three months after the date of the Prosperity REIT Circular:

- (a) the Share Purchase Agreement (and the attachments thereto, and all material contracts relating to the Acquisition mentioned in this announcement and the Prosperity REIT Circular);
- (b) the consolidated audited accounts of Prosperity REIT for the period from 1 January 2012 to 31 December 2012, and the consolidated unaudited accounts of Prosperity REIT for the period from 1 January 2013 to 30 June 2013;
- (c) the Accountants' Report;
- (d) the unaudited pro forma financial information of the Enlarged Group disclosed under Appendix 3 to the Prosperity REIT Circular headed "Pro Forma Financial Information of the Enlarged Group";
- (e) the Letter from the Independent Board Committee;
- (f) the Letter from the Independent Financial Adviser;
- (g) the Independent Property Valuer's Property Valuation Report;
- (h) the Market Consultant's Report;
- (i) the Offering Circular;
- (j) the written consents referred to in section 6 headed "Experts and Consents" of Appendix 7 to the Prosperity REIT Circular headed "General Information";
- (k) the announcement dated 15 December 2013 made by the REIT Manager in relation to the Transaction;

- (l) the annual reports of Prosperity REIT for the 3 years ended 31 December 2012 and the interim report of Property REIT for the six months ended 30 June 2013 referred to in Appendix 1 to the Prosperity REIT Circular headed “Financial Information of Prosperity REIT”; and
- (m) all material contracts disclosed under section 8 headed “Material Contracts” of Appendix 7 to the Prosperity REIT Circular headed “General Information”.

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.

K. General

The Prosperity REIT Circular containing, among other things: (1) a letter from the Board to the Unitholders containing details of, among other things, the Transaction and the New Continuing Connected Party Transactions; (2) a letter from the Independent Board Committee to Unitholders in relation thereto; (3) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee, the Independent Unitholders and the Trustee in relation thereto; and (4) the EGM Notice, will be sent to the Unitholders as soon as practicable.

Unitholders who do not receive the Prosperity REIT Circular within a week from the date of this announcement may obtain a copy of the same from the Hong Kong Unit Registrar of Prosperity REIT, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.

L. Notice of Book Closure Period

In connection with the EGM, the Register of Unitholders will be closed from Saturday, 11 January 2014 to Wednesday, 15 January 2014 (both days inclusive), during which period no transfers of Units will be effected to determine which Unitholders will qualify to attend and vote at the EGM. For those Unitholders who are not already on the Register of Unitholders, in order to qualify to attend and vote at the EGM, all duly completed transfer of Units accompanied by the relevant Unit certificates must be lodged with the Unit Registrar of Prosperity REIT, Computershare Hong Kong Investor Services Limited, Rooms 1712–1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration by 4:30 p.m. on Friday, 10 January 2014.

M. Indicative Timetable

Please see below an indicative timetable showing the key dates of the relevant events for this Transaction:

Event	Date and Time
Latest date and time for lodging transfers of Units to participate and vote in the EGM	10 January 2014 at 4:30 p.m.
Book closure period (both days inclusive) to determine the eligibility of Unitholders to participate and vote in the EGM	11 January 2014 to 15 January 2014

Latest date and time for lodging proxy forms for the EGM	13 January 2014 at 10:30 a.m.
EGM Record Date	Close of business on 15 January 2014
Date and time of the EGM	15 January 2014 at 10:30 a.m.

If the approvals sought at the EGM are obtained:

Drawdown under the New Facilities	To be determined by the REIT Manager (but within one month(s) from the date of signing of the loan agreement(s) in respect of the New Facilities)
Completion of the Acquisition	To be determined by the REIT Manager (but no later than the Long Stop Date)

Further announcement(s) will be made by the REIT Manager in relation to those events which are scheduled to take place after the EGM as and when appropriate in accordance with applicable regulatory requirements.

The completion of the Acquisition is subject to and conditional upon satisfaction of certain conditions (as set out in section B.4 of this announcement headed “Conditions Precedent”), which includes Independent Unitholders’ approval for the EGM Resolution being obtained at the EGM, and accordingly, the Acquisition may or may not complete. Unitholders, as well as any prospective investors of Prosperity REIT, are advised to exercise caution when dealing in the Units.

DEFINITIONS

In this announcement, 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:

“2008 Extended Waiver”	The resulting modified and extended Initial Waiver granted by the SFC on 19 November 2008 as more fully described in the circular dated 28 October 2008 issued by Prosperity REIT to the Unitholders.
“Accountants’ Report”	The accountants’ report in respect of the Target Company as set out in Appendix 2 to the Prosperity REIT Circular headed “Accountants’ Report in respect of the Target Company”.
“Acquisition”	The proposed acquisition by the Purchaser (or the Nominee) from the Vendor of the Target Company Shares, and the proposed assignment of the Existing Borrowings by the Existing Lenders to the Purchaser (or the Nominee) pursuant to the Share Purchase Agreement.
“Acquisition Fee”	The acquisition fee which the REIT Manager will be entitled to receive from Prosperity REIT upon completion of the Acquisition.

“Additional Continuing Connected Party Transactions”	The continuing connected party transactions with the Cheung Kong Connected Persons Group and/or the Manager Group in respect of the Chong Yip Property.
“Appraised Value”	The value of the Chong Yip Property as at 30 September 2013 as appraised by the Independent Property Valuer, being HK\$1,064 million.
“ARA”	ARA Asset Management Limited.
“Board”	The board of Directors.
“Borrower”	A special purpose vehicle of Prosperity REIT which will be the borrower under the New Facilities.
“Borrowings Assignment”	The borrowings assignment deed to be entered into by the Target Company, the Existing Lenders and the Nominee at Completion.
“Business Day”	Any day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks are open for business in Hong Kong and the Hong Kong Stock Exchange is open for trading.
“BVI”	British Virgin Islands.
“CCASS”	The Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited.
“Charge-Out Collections”	The air conditioning charges, management fees, promotional charges, government rates, government rents, utilities charges, cleaning and other charges payable by the tenants and licencees of the Properties.
“Cheung Kong”	Cheung Kong (Holdings) Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 001).
“Cheung Kong Connected Person Group”	Together with Cheung Kong, any person who is connected to Cheung Kong (as described in paragraphs 8.1(e), (f) or (g) of the REIT Code) and these persons include: <ul style="list-style-type: none"> (i) any director, senior executive or officer of Cheung Kong; (ii) any associate (as defined in the REIT Code) of Cheung Kong or of any director, senior executive or officer of Cheung Kong; and (iii) any controlling entity, holding company, subsidiary or associated company (as defined in the REIT Code) of Cheung Kong.
“Cheung Kong Connected Persons Group Leases/Licences”	The leases or licences entered into by Prosperity REIT Group with members of the Cheung Kong Connected Persons Group as more particularly described in section G.4 headed “New Continuing Connected Party Transactions”.

“Chong Yip Property”	The property comprising a 25-storey Grade-A office building, 64 private car parking spaces, 5 motor cycle parking spaces and 4 loading/unloading spaces located at 9 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong.
“Completion”	Completion of the Acquisition pursuant to the Share Purchase Agreement.
“Completion Date”	The date on which Completion occurs, as more particularly described in section B.3 headed “Completion”.
“Conditions”	The conditions precedent to Completion, as more particularly described in section B.4 headed “Conditions Precedent”.
“Connected Person”	Has the meaning ascribed to this term in the REIT Code.
“Consideration”	The purchase consideration payable by the Purchaser (out of the Deposited Property) for the Acquisition pursuant to the Share Purchase Agreement, which is agreed to be HK\$1,010 million, subject to the Current Adjustment.
“Current Adjustment”	<p>Has the meaning ascribed to this term in section B.2 headed “Consideration”, being the customary adjustment to the agreed sum of HK\$1,010 million for:</p> <ul style="list-style-type: none"> (i) the current assets (such as all receivables, refundable utility and other deposits placed with relevant authorities or suppliers, all cash and deposits at bank and all prepaid operating expenses); and (ii) the current liabilities (such as all security deposits, all rental/licence fees received in advance in relation to the Chong Yip Property, all payments due to creditors and accruals of property and other relevant expenses and all provision for taxation) <p>of the Target Company as at Completion but excluding: (i) the Existing Borrowings; and (ii) any deferred tax liabilities and deferred tax assets of the Target Company.</p>
“Deed of Ratification and Accession”	The deed of ratification and accession to be entered into between the Target Company, the REIT Manager and the Property Manager at Completion, pursuant to which, the operation, maintenance, management and marketing of the Chong Yip Property will be managed by the Property Manager subject to the overall management by the REIT Manager pursuant to and in accordance with the terms of the Property Management Agreement.
“Deed of Rental Support”	The deed of rental support to be entered into between the Vendor, the Guarantor, the REIT Manager, the Trustee and the Nominee at Completion in respect of the rental support payment arrangement as further described in section B.7 headed “Deed of Rental Support”.

“Deed of Tax Covenant”	The deed of tax covenant to be entered into between the Vendor, the Guarantor, the Nominee and the Purchaser at Completion as further described in section B.6 headed “Deed of Tax Covenant”.
“Deposited Property”	The gross assets of Prosperity REIT, including the Existing Properties held in Prosperity REIT’s portfolio and, from and after Completion, the Chong Yip Property.
“Directors”	The directors of the REIT Manager.
“DPU”	Distribution per Unit.
“EGM”	The extraordinary general meeting of Unitholders convened by and referred to in the EGM Notice.
“EGM Notice”	The notice included in this Circular in respect of the EGM to consider and, if thought fit, approve the EGM Resolution.
“EGM Record Date”	15 January 2014, being the date by reference to which the eligibility of the Unitholders to participate in the EGM will be determined.
“EGM Resolution”	The Ordinary Resolution to be passed at the EGM, as set out in the EGM Notice and explained in the Prosperity REIT Circular.
“Enlarged Group”	Collectively, Prosperity REIT and, upon Completion, the Target Company.
“Existing Borrowings”	The aggregate amount of indebtedness of the Target Company for borrowed monies owing to the Existing Lenders, as at Completion, details of which as at 30 November 2013 are set out in section B.8 headed “Borrowings Assignment”.
“Existing CKH/ Manager CPT Waiver”	The resulting modified and extended 2008 Extended Waiver granted by the SFC on 21 June 2011 that is summarised in the Further Extension Circular.
“Existing Continuing Connected Party Transactions”	Has the meaning ascribed to it in section G.2 headed “Existing Waivers in respect of Chapter 8 of the REIT Code”.
“Existing CPT Waiver Expiry Date”	31 December 2014.
“Existing Facility Borrower”	Progain Group Limited, being the borrower of the Existing Revolving Credit Facility.
“Existing Lenders”	All of the entities listed as a lender in the table set out in section B.8 headed “Borrowings Assignment”, and “Existing Lender” means any one of them.

“Existing Properties”	The seven properties held by Prosperity REIT as at the Latest Practicable Date, as described in the annual report of Prosperity REIT for the year ended 31 December 2012 published on 22 March 2013.
“Existing Property Companies”	Each special purpose vehicle which is the direct or indirect owner of an Existing Property.
“Existing Revolving Credit Facility”	The existing syndicated revolving credit facility of HK\$430 million provided by syndicate banks which includes (among others) Standard Chartered Bank (Hong Kong) Limited and Sumitomo Mitsui Banking Corporation.
“Existing Trustee CPT Waiver”	The waiver granted by the SFC on 30 November 2005 from strict compliance with the disclosure and unitholders’ approval requirements under Chapter 8 of the REIT Code, in respect of certain continuing connected party transactions between the Prosperity REIT Group on the one hand, and the Trustee Connected Persons on the other hand subject to certain terms and conditions.
“financial year”	A period of 12 months from 1 January to 31 December.
“Further Extension Circular”	The circular of Prosperity REIT dated 21 April 2011 in relation to the Existing CKH/Manager CPT Waiver.
“Gearing Ratio”	The aggregate borrowings of Prosperity REIT (as calculated under the Trust Deed) as a percentage of the total gross asset value of the Deposited Property (as calculated under the Trust Deed). Pursuant to the Trust Deed and in compliance with paragraph 7.9 of the REIT Code, the Gearing Ratio of Prosperity REIT shall not at any time exceed 45%.
“Government”	The Government of the Hong Kong Special Administrative Region.
“Government Grant”	A Government Lease of Kwun Tong Inland Lot No.444 dated 21 June 1972 made between the Queen Elizabeth II of the one part and Poon Wing Kong of the other part as varied or modified by two Modification Letters registered at the Land Registry by Memorial Nos.UB7366101 and UB8727252.
“Grade-A office building”	An office building that is professionally managed and maintained, attracts high-quality tenants and commands upper-tier rental rates consisting of a modern structure or structures that have been modernised to compete with newer buildings, high-quality finishes, a flexible lay-out, large floor plates, spacious lobbies and circulation areas, effective central air-conditioning and lifts zoned for passengers and deliveries of goods, with parking facilities normally available.

“Gross Floor Area”	In respect of a Property, the gross floor area of that Property being the area contained within the external walls of the building measured at each floor level (including any floor below the level of the grounds), together with the area of each balcony in the building, which shall be calculated from the overall dimensions of the balcony (including the thickness of the sides thereof), and the thickness of external walls of the building excluding any floor space that is constructed or intended to be used solely for parking motor vehicles, loading or unloading of motor vehicles, or for refuse storage chambers, refuse storage and material recovery chambers, material recovery chambers, refuse storage and material recovery rooms, refuse chutes, refuse hopper rooms and other types of facilities provided to facilitate the separation of refuse, or for access facilities for telecommunications and broadcasting services, or occupied solely by machinery or equipment for any lift, air-conditioning or heating system or any similar service.
“Gross Property Revenue”	Gross Revenue less Charge-Out Collections and car park revenues.
“Gross Rentable Area”	In respect of a Property, that portion of the Gross Floor Area of the relevant Property determined by the Property Manager at any given time to be rentable.
“Gross Rental Income”	Consists of rental income and licence income due from tenancies but excludes turnover rent.
“Gross Revenue”	<p>All income accruing or resulting from the operation of real estate property for that financial year or part thereof, including but not limited to its base rental income, turnover rent, licence fees, Charge-Out Collections and other sums (after deduction for all rebates, refunds, credits or discounts and rebates for rent free periods) due from tenants, licensees and concessionaires, business interruption insurance payments, car park income, atrium income, interest income, advertising and other income attributable to the operation of such real estate property, but shall exclude the following:</p> <ul style="list-style-type: none"> (i) proceeds derived or arising from the sale and/or disposal of the real estate property and/or the operating equipment, or any part thereof; (ii) all proceeds from insurances taken out (but excluding business interruption insurance payments which shall form part of Gross Revenue); (iii) all rental deposits and other refundable security deposits; and

(iv) all goods and services or value added taxes (whether in force at present or in the future), charged to tenants, licensees and users of the real estate property for the sale or supply of services or goods, which taxes are accountable by the Trustee or the relevant special purpose vehicles (as the case may be) to the tax authorities;

“Group Companies”	The companies which are, from time to time, directly or indirectly owned by the Trustee, and “Group Company” means any one of them.
“HIBOR”	The rate of interest offered on Hong Kong dollar loans by banks in the Hong Kong interbank market for a specified period ranging from overnight to one year.
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong.
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China.
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“HSBC Group”	The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries and, unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries (being the subsidiaries of the Trustee but excluding those subsidiaries formed in its capacity as the trustee of Prosperity REIT).
“HWL”	Hutchison Whampoa Limited, a company incorporated in Hong Kong with limited liability, which is owned as to 49.9% by Cheung Kong and whose shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 013).
“HWL Group”	HWL and its subsidiaries.
“HWPL or Guarantor”	Hutchison Whampoa Properties Limited, a company incorporated in Hong Kong with limited liability and which is a wholly-owned subsidiary of HWL.
“Independent Board Committee”	The independent committee of the Board established to advise the Independent Unitholders on the Transaction Matters Requiring Approval, comprising Dr. Lan Hong Tsung, David, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Mr. Wong Kwai Lam, being all three of the independent non-executive Directors of the REIT Manager.
“Independent Financial Adviser”	Somerley Limited, a corporation licenced to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO and in its capacity as the independent financial adviser for the purpose of paragraph 10.10(p) of the REIT Code.

“Independent Property Valuer”	Colliers International (Hong Kong) Limited.
“Independent Property Valuer’s Property Valuation Report”	The valuation report dated 16 December 2013 issued by the Independent Property Valuer in respect of the Chong Yip Property, the text of which is set out in Appendix 4 to the Prosperity REIT Circular headed “Independent Property Valuer’s Property Valuation Report”.
“Independent Unitholders”	Unitholders other than those who have a material interest in the relevant transactions and who are entitled to vote at the EGM.
“Initial Waiver”	The waiver from strict compliance with the requirements of Chapter 8 of the REIT Code granted by the SFC on 30 November 2005 in respect of certain connected party transactions of Prosperity REIT as more fully described in the Offering Circular.
“Latest Practicable Date”	13 December 2013, being the latest practicable date prior to the printing of this Circular for the purpose of ascertaining certain information contained in this Circular.
“Listing Rules”	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.
“Long Stop Date”	The date that falls three months after the date that the Share Purchase Agreement was signed (or such other date as the Vendor and the Purchaser may agree in writing).
“Manager Group”	The REIT Manager and any person who is connected to the REIT Manager as described in paragraphs 8.1(e), (f) or (g) of the REIT Code.
“Manager Group Leases/Licences”	The leases or licences entered into by Prosperity REIT Group with members of the Manager Group as more particularly described in the section G.4 headed “New Continuing Connected Party Transactions”.
“Manager’s Variable Fee”	An annual variable fee of 3% per annum from each of the Property Companies of the Net Property Income of the relevant Property Company.
“Market Consultant”	Knight Frank Petty Limited.
“Market Consultant’s Report”	The letter dated 16 December 2013 from the Market Consultant, the form of which is set out in Appendix 5 to the Prosperity REIT Circular headed “Market Consultant’s Report”.
“Maximum Annual Rental Support Payment”	HK\$5 million.

“Modified and Extended CPT Waiver”	The resulting modified and extended CKH/Manager CPT Waiver, if the proposed modifications and extensions to the Existing CKH/Manager CPT Waiver are approved by the Independent Unitholders at the EGM.
“NAV”	Net asset value.
“Net Property Income”	Gross Revenue less property operating expenses.
“New Continuing Connected Party Transactions”	The continuing connected party transactions with the Cheung Kong Connected Persons Group and/or the Manager Group in respect of the Chong Yip Property and the existing continuing connected party transactions that are summarised in the Further Extension Circular.
“New CPT Waiver Period”	The extended waiver period in respect of the Existing CKH/Manager CPT Waiver, being three financial years ending on 31 December 2016.
“New Facilities”	The bank loans of up to an aggregate principal amount of HK\$784 million to be provided to special purposes vehicle(s) to be established and wholly-owned by Prosperity REIT, details of which are further set out in section D.2 headed “New Facilities”.
“Nominee”	A special purpose vehicle of Prosperity REIT, to be nominated by the Purchaser pursuant to the Share Purchase Agreement that will directly hold the Target Company Shares and the Existing Borrowings to be assigned pursuant to the Borrowings Assignment.
“NPI”	Net property income.
“Offering Circular”	The offering circular dated 5 December 2005 of Prosperity REIT in connection with the placing and public offering of Units on the Hong Kong Stock Exchange.
“Ordinary Resolution”	A resolution proposed and passed as such by a simple majority at a meeting of Unitholders duly convened under the provisions of the Trust Deed.
“Other Acquisition Fees and Expenses”	Other estimated fees and expenses (including stamp duty, advisory fees, origination fees, professional fees and expenses) of HK\$27.4 million in connection with the Acquisition.
“Properties”	The Existing Properties and the Chong Yip Property, and “Property” means any one of them.
“Property Companies”	The Existing Property Companies and the Target Company, and “Property Company” means any one of them.
“Property Management Agreement”	The property management agreement dated 29 November 2005 entered into between the REIT Manager and the Property Manager, as amended, supplemented, acceded to, ratified and/or otherwise modified or extended from time to time.

“Property Manager”	Goodwell-Prosperity Property Service Limited, an indirect wholly-owned subsidiary of Cheung Kong, a Connected Person of Prosperity REIT and a company incorporated in Hong Kong.
“Proposed Caps”	The annual monetary limits specified in section G.5 headed “Proposed Caps”.
“Prosperity REIT”	Prosperity Real Estate Investment Trust.
“Prosperity REIT Group”	Prosperity REIT and companies or entities held or controlled by it.
“REIT”	Real Estate Investment Trust.
“REIT Code”	The Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being.
“REIT Manager”	ARA Asset Management (Prosperity) Limited, a wholly-owned subsidiary of ARA, in its capacity as manager of Prosperity REIT.
“Rental Income”	The aggregate of all rental, licence fees and other income from the leasing or licensing of the Chong Yip Property and income from the car park including rental, licence fees and hourly parking fees reflected as “rental/licence income from property” and “car park rental income”, in the Target Company’s accounts or audited financial statements (as applicable).
“Semi-Annual Accounts”	The Target Company’s accounts for the six months ending 30 June 2014, 2015 and/or 2016, as applicable.
“SFC”	The Securities and Futures Commission of Hong Kong.
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).
“Share Purchase Agreement”	The share purchase agreement entered into between the Vendor, the Guarantor and the Purchaser, pursuant to which the Vendor agrees to: (i) sell to the Purchaser (or the Nominee) the Target Company Shares with the rights attaching to them as at and from the Completion Date; and (ii) procure the assignment of the Existing Borrowings to the Purchaser (or the Nominee).
“Significant Holder”	Has the meaning ascribed to this term in the REIT Code.
“sq. ft.”	Square feet.
“Target Company”	Clifton Properties Limited, a company incorporated in Hong Kong and the owner of the Chong Yip Property.
“Target Company Gross Revenue”	Gross revenue of the Target Company.

“Target Company Shares”	The entire issued share capital of the Target Company.
“Transaction”	Collectively, (1) the Acquisition and entering into and performance of the Share Purchase Agreement; (2) the entering into and performance of the Deed of Tax Covenant; (3) the entering into and performance of the Borrowings Assignment; (4) the entering into and performance of the Deed of Rental Support; and (5) the entering into and performance of the Deed of Ratification and Accession.
“Transaction Documents”	Collectively: (1) the Share Purchase Agreement; (2) the Deed of Tax Covenant; (3) the Borrowings Assignment; and (4) the Deed of Rental Support; and (5) the Deed of Ratification and Accession, details of which are set out in section B headed “Share Purchase Agreement”.
“Transaction Matters Requiring Approval”	Collectively: (1) the Transaction; (2) the issuance of Acquisition Fee Units to the REIT Manager; and (3) the Waiver Modification and Extension.
“Trust Deed”	The trust deed entered into between the Trustee and the REIT Manager constituting Prosperity REIT, dated 29 November 2005 and as amended, varied and supplemented from time to time.
“Trustee or Purchaser”	HSBC Institutional Trust Services (Asia) Limited, a company incorporated in Hong Kong, in its capacity as the 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 instructions of the REIT Manager.
“Trustee Connected Persons”	Has the meaning ascribed to it in section G.1 headed “Connected Persons of Prosperity REIT”.
“Unit”	One undivided unit in Prosperity REIT.
“Unit Registrar”	Computershare Hong Kong Investor Services Limited, in its capacity as the unit registrar of Prosperity REIT.
“Unitholder”	Any person registered as holding a Unit and any person holding Units through CCASS.
“Vendor”	Cactus Holdings Limited, a company incorporated in the BVI, which is owned in the manner described in section A.3 headed “Current and Expected Holding Structure”.
“Waiver Extension”	The proposed extension to the Existing CKH/Manager CPT Waiver, which is otherwise due to expire on 31 December 2014.

- “Waiver Modification and Extension”** The modifications and extensions to the Existing CKH/Manager CPT Waiver to:
- (i) expand the scope of the Existing Continuing Connected Party Transactions to additionally include continuing connected party transactions with the Cheung Kong Connected Persons Group and/or the Manager Group in respect of the Chong Yip Property;
 - (ii) set new annual monetary limits to accommodate the New Continuing Connected Party Transactions for the financial years ending 31 December 2014, 31 December 2015 and 31 December 2016; and
 - (iii) extend the Existing CKH/Manager CPT Waiver, which is otherwise due to expire on 31 December 2014, so that the extended waiver will apply for the New CPT Waiver Period.

“%” Per cent or percentage.

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, 15 December 2013

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