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IF IN DOUBT, PLEASE SEEK PROFESSIONAL ADVICE.**

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

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

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Prosperity Real Estate Investment Trust

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

(Stock Code: 808)

Managed by



ARA Asset Management (Prosperity) Limited

CIRCULAR TO UNITHOLDERS IN RELATION TO

- (1) EXTENSION OF CONTINUING CONNECTED PARTY TRANSACTION WAIVER
AND PROPOSED NEW ANNUAL CAPS
FOR CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS;**
- (2) CONTINUAL SERVICE OF RELEVANT
INDEPENDENT NON-EXECUTIVE DIRECTORS;**
- (3) PROPOSED GRANT OF GENERAL MANDATE TO BUY BACK UNITS;
AND**
- (4) NOTICE OF EGM AND CLOSURE OF REGISTER OF UNITHOLDERS**

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



A letter to the Unitholders is set out on pages 8 to 25 of this Circular.

A notice convening the EGM to be held at 2:45 p.m. on 6 May 2016 (or immediately after the conclusion of the AGM which is scheduled to be held on the same day at 2:30 p.m.), at Exhibition Venue A on Level 7, Fortune Metropolis, 6 Metropolis Drive, Hung Hom, Kowloon, Hong Kong is set out on pages N-1 to N-4 of this Circular. Whether or not you are able to attend and vote at the EGM in person, please complete and return the accompanying form of proxy to the Unit Registrar of Prosperity REIT, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

5 April 2016

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CORPORATE INFORMATION

Prosperity REIT	Prosperity Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO subject to applicable conditions from time to time.
REIT Manager	ARA Asset Management (Prosperity) Limited Units 5508–5509, 55th Floor, The Center 99 Queen’s Road Central Hong Kong
Directors of the REIT Manager	<i>Non-executive Directors</i> Dr. Chiu Kwok Hung, Justin (<i>Chairman</i>) Mr. Lim Hwee Chiang Mr. Ma Lai Chee, Gerald <i>Executive Director</i> Ms. Wong Lai Hung <i>Independent Non-Executive Directors</i> Dr. Lan Hong Tsung, David Mrs. Sng Sow-Mei (alias Poon Sow Mei) Mr. Wong Kwai Lam
Trustee	HSBC Institutional Trust Services (Asia) Limited 1 Queen’s Road Central Hong Kong
Unit Registrar	Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre 183 Queen’s Road East, Wanchai Hong Kong
Legal Advisers to the REIT Manager	Baker & McKenzie 14th Floor, Hutchison House 10 Harcourt Road, Central Hong Kong
Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee	GF Capital (Hong Kong) Limited 29th and 30th Floors, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong

DEFINITIONS

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

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 the REIT Manager to the Unitholders.
2011 Extended Waiver	The resulting modified and extended 2008 Extended Waiver granted by the SFC on 21 June 2011 as more fully described in the circular dated 21 April 2011 issued by the REIT Manager to the Unitholders.
2013 Circular	The circular dated 16 December 2013 issued by the REIT Manager to the Unitholders.
2014 Extended Waiver	The resulting modified and extended 2011 Extended Waiver granted by the SFC on 15 January 2014 as more fully described in the 2013 Circular.
2015 Modified Waiver	The resulting modified 2014 Extended Waiver granted by the SFC on 3 June 2015 as more fully described in the announcement dated 3 June 2015 issued by the REIT Manager to the Unitholders.
2016 Extended Waiver	Has the meaning ascribed to it in section 2.3 of this Circular headed “Extension of the 2015 Modified Waiver”.
2016 Waiver Extension	Has the meaning ascribed to it in section 2.3 of this Circular headed “Extension of the 2015 Modified Waiver”.
AGM	The annual general meeting of Unitholders to be convened on Friday, 6 May 2016 at 2:30 p.m., at Exhibition Venue A on Level 7, Fortune Metropolis, 6 Metropolis Drive, Hung Hom, Kowloon, Hong Kong.
ARA	ARA Asset Management Limited.
Articles of Association	The articles of association of the REIT Manager.
Audit Committee	The audit committee of the REIT Manager.
Board	The board of directors of the REIT Manager.
Buy-back Mandate	The general mandate authorising the buy-back by Prosperity REIT of up to 10% of the Units in issue at the date of passing the relevant EGM Resolution, on the Hong Kong Stock Exchange, as more fully described in this Circular.

DEFINITIONS

CCASS	The Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited.
CK Hutchison Holdings Limited	A company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 0001).
CK Property	Cheung Kong Property Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1113).
CK Property Connected Persons Group	Has the meaning ascribed to it in section 2.1 of this Circular headed “Existing waivers in relation to certain continuing connected party transactions under Chapter 8 of the REIT Code”.
CK Property Connected Persons Group Leases/Licences	Has the meaning ascribed to it in section 2.3 of this Circular headed “Extension of the 2015 Modified Waiver”.
Compliance Manual	The compliance manual of the REIT Manager.
Connected Person	Has the meaning ascribed to it in the REIT Code.
Continuing Connected Party Transactions	Has the meaning ascribed to it in section 2.1 of this Circular headed “Existing waivers in relation to certain continuing connected party transactions under Chapter 8 of the REIT Code”.
Designated (Finance) Committee	The Designated (Finance) Committee of the REIT Manager.
Directors	The directors of the REIT Manager.
Disclosures Committee	The disclosures committee of the REIT Manager.
EGM	The extraordinary general meeting of Unitholders convened by and referred to in the EGM Notice.
EGM Notice	The notice included in the Circular in respect of the EGM to consider and, if thought fit, approve the EGM Resolutions.
EGM Record Date	6 May 2016, being the date by reference to which the eligibility of the Unitholders to participate in the EGM will be determined.

DEFINITIONS

EGM Resolutions	The Ordinary Resolutions to be passed at the EGM, as set out in the EGM Notice and explained in this Circular.
Existing Properties	The eight 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 2015.
Hong Kong	The Hong Kong Special Administrative Region of the People's Republic of China.
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited.
Independent Board Committee	The independent committee of the Board established to advise the Independent Unitholders on the 2016 Waiver Extension and the New Annual Caps, comprising Dr. Lan Hong Tsung, David, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Mr. Wong Kwai Lam, being all three of the INEDs.
Independent Financial Adviser	GF Capital (Hong Kong) Limited, a corporation licensed to carry out type 6 (advising on corporate finance) 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 Unitholders	Unitholders other than those who have a material interest in the relevant resolutions and who are entitled to vote at the EGM.
INED	Independent Non-executive Director of the REIT Manager.
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	22 March 2016 being the latest practicable date prior to the printing of this Circular for the purpose of ascertaining certain information contained in this Circular.
Listing Date	The date on which Prosperity REIT was listed on the Hong Kong Stock Exchange, i.e. 16 December 2005.
Listing Rules	The Rules Governing the Listing of Securities on Hong Kong Stock Exchange.

DEFINITIONS

Manager Group	Has the meaning ascribed to it in section 2.1 of this Circular headed “Existing waivers in relation to certain continuing connected party transactions under Chapter 8 of the REIT Code”.
Manager Group Leases/ Licences	Has the meaning ascribed to it in section 2.3 of this Circular headed “Extension of the 2015 Modified Waiver”.
Matters Requiring Approval	Has the meaning ascribed to it in section 1 of this Circular headed “Introduction”.
New Annual Caps	Has the meaning ascribed to it in section 2.4 of this Circular headed “2016 Waiver Extension and New Annual Caps”.
New CPT Waiver Period	Has the meaning ascribed to it in section 2.3 of this Circular headed “Extension of the 2015 Modified Waiver”.
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.
Property Management Transactions	Has the meaning ascribed to it in section 2.3 of this Circular headed “Extension of the 2015 Modified Waiver”.
Property Manager	Goodwell-Prosperity Property Services Limited, an indirect wholly-owned subsidiary of CK Property, a Connected Person of Prosperity REIT and a company incorporated in Hong Kong.
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.

DEFINITIONS

REIT Manager	ARA Asset Management (Prosperity) Limited, a wholly-owned subsidiary of ARA, in its capacity as manager of Prosperity REIT.
Relevant INEDs Continual Service	The proposed continual service of each of Dr. Lan Hong Tsung, David and Mrs. Sng Sow-Mei (alias Poon Sow Mei) as an INED until the third annual general meeting of Unitholders following the forthcoming EGM.
SFC	The Securities and Futures Commission of Hong Kong.
SFC Circular	Has the meaning ascribed to it in section 4 of this Circular headed “Proposed Grant of General Mandate to Buy Back Units”.
SFO	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).
Takeovers Code	The Hong Kong Code on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified for the time being.
Trust Deed	The trust deed entered into between the Trustee and the REIT Manager constituting Prosperity REIT, dated 29 November 2005 and as amended, varied and supplemented from time to time.
Trustee	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.
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.

DEFINITIONS

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

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

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



Prosperity Real Estate Investment Trust

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

(Stock Code: 808)

Managed by



ARA Asset Management (Prosperity) Limited

Directors of the REIT Manager:

Non-Executive Directors

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

Executive Director

Ms. Wong Lai Hung

Independent Non-Executive Directors

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

Registered Office of the REIT Manager:

Units 5508–5509, 55th Floor
The Center
99 Queen's Road Central
Hong Kong

5 April 2016

To: Unitholders of Prosperity REIT

Dear Sir or Madam,

- (1) EXTENSION OF CONTINUING CONNECTED PARTY TRANSACTION WAIVER
AND PROPOSED NEW ANNUAL CAPS
FOR CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS;
(2) CONTINUAL SERVICE OF RELEVANT
INDEPENDENT NON-EXECUTIVE DIRECTORS;
(3) PROPOSED GRANT OF GENERAL MANDATE TO BUY BACK UNITS;
AND
(4) NOTICE OF EGM AND CLOSURE OF REGISTER OF UNITHOLDERS**

1. INTRODUCTION

References are made to the announcement dated 5 April 2016 by the REIT Manager in connection with, among other things: (i) the 2016 Waiver Extension and the New Annual Caps; (ii) the Relevant INEDs Continual Service; and (iii) the Buy-back Mandate (collectively, the

LETTERS TO UNITHOLDERS

“**Matters Requiring Approval**”). The purposes of this Circular are to: (1) provide you with further information in respect of, among other things, the Matters Requiring Approval; (2) set out the recommendation of the Independent Board Committee in relation to the 2016 Waiver Extension and the New Annual Caps; (3) set out the recommendation of the Independent Financial Adviser to the Independent Board Committee, the Independent Unitholders and the Trustee in relation to the 2016 Waiver Extension and the New Annual Caps; and (4) serve notice of the EGM.

The EGM Resolutions seek: (a) Independent Unitholders’ approval for the 2016 Waiver Extension and the New Annual Caps; (b) Unitholders’ approval for the Relevant INEDs Continual Service; and (c) Unitholders’ approval for the Buy-back Mandate, in each case as more particularly described in this Circular.

2. 2016 WAIVER EXTENSION AND NEW ANNUAL CAPS

2.1 Existing waivers in relation to certain continuing connected party transactions under Chapter 8 of the REIT Code

As disclosed in the Offering Circular, the REIT Manager applied for the Initial Waiver, and the SFC granted the Initial Waiver from strict compliance with the requirements of Chapter 8 of the REIT Code in respect of certain connected party transactions of Prosperity REIT on 30 November 2005. As disclosed in subsequent circulars and announcements, this waiver was subsequently modified and extended on 19 November 2008, 21 June 2011 and 15 January 2014, following which, the 2014 Extended Waiver covered the categories of continuing connected party transactions set out in section 9.4 of the 2013 Circular (the “**Continuing Connected Party Transactions**”) and will expire on 31 December 2016.

The REIT Manager applied for a modification to the 2014 Extended Waiver, and the SFC further granted a modification to the 2014 Extended Waiver on 3 June 2015, so as to ensure that from a technical perspective, the Continuing Connected Party Transactions continue to be covered under the waiver following the restructuring of the entities now under CK Hutchison Holdings Limited. As a result, the 2015 Modified Waiver applies in respect of Continuing Connected Party Transactions entered into between the Prosperity REIT Group and: (i) the CK Property Connected Persons Group; and/or (ii) the Manager Group, whereby:

- (a) “**CK Property Connected Persons Group**” means CK Property, and any person who is connected to CK Property (as described in 8.1(e), (f) or (g) of the REIT Code), and these persons include: (a) any director, senior executive or officer of CK Property; (b) any associate (as defined in the REIT Code) of CK Property or of any director, senior executive or officer of CK Property; and (c) any controlling entity, holding company, subsidiary or associated company (as defined in the REIT Code) of CK Property (except in respect of the period prior to 3 June 2015, in which case the “CK Property Connected Persons Group” shall have the same meaning as the definition of “Cheung Kong Connected Person Group” in the 2013 Circular); and

LETTERS TO UNITHOLDERS

- (b) “**Manager Group**” means the REIT Manager and any person who is connected to the REIT Manager (as described in 8.1(e), (f) or (g) of the REIT Code), and these persons include: (a) any director, senior executive or officer of the Manager; (b) any associate (as defined in the REIT Code) of the Manager or of any director, senior executive or officer of the Manager; and (c) any controlling entity, holding company, subsidiary or associated company (as defined in the REIT Code) of the Manager.

2.2 Expiration of the 2015 Modified Waiver

The 2015 Modified Waiver will expire on 31 December 2016. In accordance with the terms of the 2015 Modified Waiver, the 2015 Modified Waiver may be extended beyond 31 December 2016, and/or the terms and the conditions of the 2015 Modified Waiver may be modified from time to time, provided that:

- (a) the due approval of Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
- (b) disclosure of details of the proposed extension and/or modification (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 shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (c) any extension of the period of the 2015 Modified 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 in paragraph (a) above is obtained.

2.3 Extension of the 2015 Modified Waiver

The REIT Manager expects that Continuing Connected Party Transactions will continue to be conducted between the Prosperity REIT Group, and the CK Property Connected Persons Group and/or the Manager Group, beyond the expiry of the 2015 Modified Waiver.

Given the regular, ordinary and ongoing nature of the Continuing Connected Party Transactions, the REIT Manager is of the view 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 the Continuing Connected Party Transactions on each and every occasion they arise, and accordingly, the REIT Manager has applied to the SFC for an extension of the 2015 Modified Waiver (the “**2016 Waiver Extension**”) so that the resulting extended waiver (the “**2016 Extended Waiver**”) applies for the three financial years ending 31 December 2019 (the “**New CPT Waiver Period**”). The 2016 Extended Waiver shall cover the New CPT Waiver Period, and as part of its submission, the REIT Manager has also proposed New Annual Caps for the New CPT Waiver Period which are more particularly described in section 2.4 headed “2016 Waiver Extension and New Annual Caps” below.

LETTERS TO UNITHOLDERS

The categories of continuing connected party transactions (including scope and nature) with respect to which the 2016 Extended Waiver is sought are the same as the continuing connected party transactions in respect of which the 2015 Modified Waiver was granted. The categories of continuing connected party transactions are:

- (a) Leasing or licensing transactions entered into by the Prosperity REIT Group with members of the CK Property Connected Persons Group (the “**CK Property Connected Persons Group Leases/Licences**”);
- (b) Leasing or licensing transactions entered into by the Prosperity REIT Group with members of the Manager Group (the “**Manager Group Leases/Licences**”); and
- (c) Property management arrangements, third party services and other operational transactions in respect of Prosperity REIT and its assets and operations entered into by the Prosperity REIT Group and members of the CK Property Connected Persons Group (the “**Property Management Transactions**”).

Please refer to the 2013 Circular for details of the CK Property Connected Persons Group Leases/Licences, the Manager Group Leases/Licences and the Property Management Transactions.

2.4 2016 Waiver Extension and New Annual Caps

2.4.1 Historical Transaction Amount and Proposed New Annual Caps

The table below states: (i) the historical transaction amounts in respect of the Continuing Connected Party Transactions for the three financial years ended 31 December 2015 and the two months ended 29 February 2016; and (ii) the proposed annual monetary limits for Continuing Connected Party Transactions falling within the New CPT Waiver Period (“**New Annual Caps**”). The New Annual Caps have been determined with general reference to the historical transaction amounts, and are based on the anticipated aggregate value of such transactions for the three financial years ending 31 December 2017, 2018 and 2019, with a buffer for contingencies such as changes in rental or other market conditions.

LETTERS TO UNITHOLDERS

Categories of Continuing Connected Party Transactions	Connected Person	Historical transaction amounts				New Annual Caps		
		For the financial year ended 31 December 2013 (HK\$)	For the financial year ended 31 December 2014 (HK\$)	For the financial year ended 31 December 2015 (HK\$)	For the two months ended 29 February 2016 (Note) (HK\$)	For the financial year ending 31 December 2017 (HK\$)	For the financial year ending 31 December 2018 (HK\$)	For the financial year ending 31 December 2019 (HK\$)
I. Revenue								
Leasing/licensing transactions	CK Property Connected Persons Group	1,540,380	2,199,675	2,245,958	454,497	—	—	—
Annual Cap		51,800,000	33,000,000	33,000,000	33,000,000	33,000,000	33,000,000	33,000,000
Leasing/licensing transactions	Manager Group	0	0	0	0	—	—	—
Annual Cap		5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000
II. Expenditure								
Property management arrangements, third party services and other operational transactions	CK Property Connected Persons Group	18,942,517	22,962,416	24,826,055	3,553,378	—	—	—
Annual Cap		32,300,000	32,300,000	33,900,000	35,600,000	37,400,000	39,300,000	41,300,000

Note: As at the Latest Practicable Date, only figures up to 29 February 2016 are available.

2.4.2 In respect of the CK Property Connected Persons Group Leases/Licences

The proposed New Annual Caps in respect of the CK Property Connected Persons Group Leases/Licences for the three years ending 31 December 2019 remain the same as the cap amount of HK\$33,000,000 for the year ending 31 December 2016. The following factors were taken into account:

- (a) the sum of the highest transaction amounts for the financial years between the Listing Date to 31 December 2015 incurred for the Existing Properties in respect of each of the tenants/licensees from the CK Property Connected Persons Group Leases/Licences (provided that the same unit was occupied by only one such tenant/licensee at any time during such period), which was HK\$25,511,622;
- (b) an increment factor of 24.2% which is derived from the average rental reversion rate of 32.1% and 16.3% for the years ended 31 December 2014 and 2015, respectively, representing the steady rental growth of Prosperity REIT, and resulting in HK\$31,685,435 after multiplying by the aforesaid increment factor; and
- (c) a buffer of 4.1% built on top of the resulting amount as stated in paragraph (b) above which caters for the flexibility required to facilitate additional CK Property Connected Persons Group Leases/Licences to be entered into in respect of the Existing Properties in the future as a result of potential and growing demand from CK Property Connected Persons Group for leasing/licensing services which are expected to be driven by further business development of CK Property.

LETTERS TO UNITHOLDERS

2.4.3 In respect of the Manager Group Leases/Licences

The Manager Group does not currently have any leases/licences in respect of the Existing Properties. 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 considers it is unnecessary to increase the New Annual Caps and intends to maintain the proposed annual caps for each of the financial years ending 31 December 2017, 2018 and 2019 at the amount which is equivalent to the annual cap of HK\$5,100,000 for each of the three financial years ending 31 December 2016. The REIT Manager considers that such proposed annual cap will allow for a reasonable level of cap amount to cater for the Manager Group Leases/Licences should the Manager Group look for office premises for expansion in Hong Kong.

2.4.4 In respect of property management arrangements, third party services and other operational transactions

The New Annual Cap in respect of property management arrangements, third party services and other operational transactions for the three financial years ending 31 December 2019 has been determined based on:

- (a) the sum of the highest annual transaction amounts for the financial years between the Listing Date to 31 December 2015 incurred for each of the Existing Properties in respect of each category of the Property Management Transactions, which was HK\$25,781,594;
- (b) an increment factor of 38.1% built on top of the abovementioned sum of highest annual transaction amounts to mainly cater for the anticipated increase in marketing service fees and property management fees as a result of the increase of gross revenue generated from the Existing Properties (including that generated from the possible additional CK Property Connected Persons Group Leases/Licences and possible Manager Group Leases/Licences) during the New CPT Waiver Period; and
- (c) a buffer of 5%, which takes into account the inflation, and possible increase in costs and wages.

LETTERS TO UNITHOLDERS

2.5 Historical transaction amounts

The annual value of the Continuing Connected Party Transactions entered into between the Prosperity REIT Group on the one hand, and the CK Property Connected Persons Group and/or the Manager Group (as the case may be) on the other hand for the past three financial years have been published in the reports as follows:

- (i) the annual value of the Continuing Connected Party Transactions of Prosperity REIT for the year ended 31 December 2013 is disclosed in the annual report of Prosperity REIT for the year ended 31 December 2013;
- (ii) the annual value of the Continuing Connected Party Transactions of Prosperity REIT for the year ended 31 December 2014 is disclosed in the annual report of Prosperity REIT for the year ended 31 December 2014; and
- (iii) the annual value of the Continuing Connected Party Transactions of Prosperity REIT for the year ended 31 December 2015 is disclosed in the annual report of Prosperity REIT for the year ended 31 December 2015.

2.6 Waiver Conditions of the 2016 Extended Waiver

The REIT Manager undertakes that it will comply with the waiver conditions of the 2016 Extended Waiver, which will be the same as the waiver conditions of the 2015 Modified Waiver except for the proposed revisions to the annual monetary limits and waiver expiry date described above. The waiver conditions of the 2016 Extended Waiver will be as follows:

2.6.1 Due approval by Independent Unitholders

The due approval by Independent Unitholders, and adoption of the EGM Resolution in respect of the 2016 Waiver Extension and the New Annual Caps as set out in the EGM Notice, without material amendments thereto.

2.6.2 Modification or Extension

The 2016 Extended Waiver may be extended beyond 31 December 2019, and/or the terms and conditions of the 2016 Extended Waiver may be modified from time to time, provided that:

- (a) Independent Unitholders' approval — the due 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 modification (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 shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and

LETTERS TO UNITHOLDERS

- (c) Extension period — any extension of the period of the 2016 Extended 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 (a) above is obtained.

For the avoidance of doubt, any material change to the transactions covered under the 2016 Extended Waiver (including without limitation the scope or nature of the transactions) as set out in this Circular and the Announcement 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.

2.6.3 Annual caps

The annual value of the Continuing Connected Party Transactions shall not exceed the respective New Annual Cap stated in section 2.4 headed “2016 Waiver Extension and New Annual Caps”.

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

2.6.4 Disclosure in Interim and Annual Reports

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

2.6.5 Auditors’ Review Procedures

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

- (a) have received the approval of the board of directors of the REIT Manager (including its INEDs);
- (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.

LETTERS TO UNITHOLDERS

2.6.6 Review by the INEDs

The INEDs shall review the 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 and the REIT Manager's internal procedures governing them (if any) on terms that are fair and reasonable and in the interests of Independent Unitholders, as well as the Unitholders as a whole.

2.6.7 Auditors' Access to Books and Records

The REIT Manager shall allow, and shall 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.

2.6.8 Notification to the SFC

The REIT Manager shall promptly notify the SFC and publish an announcement if it knows or has reason to believe that the auditors and/or the INEDs will not be able to confirm the matters set out in sections 2.6.5 headed "Auditors' Review Procedures" and 2.6.6 headed "Review by the INEDs".

LETTERS TO UNITHOLDERS

2.6.9 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 annual limits set out in the 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 annual cap amounts 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 described above shall continue to apply to the relevant transactions, save that the relevant increased annual cap amounts shall apply.

2.6.10 8.14 of the REIT Code

The REIT Manager shall comply with all requirements under 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 Continuing Connected Party Transactions shall be disclosed in the interim and annual reports of Prosperity REIT in the relevant financial year as required under 8.14 of the REIT Code. The INEDs shall review the 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.

LETTERS TO UNITHOLDERS

3. CONTINUAL SERVICE OF RELEVANT INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board notes that both Dr. Lan Hong Tsung, David (currently an INED and the chairman of the Audit Committee and a member of the Disclosures Committee and the Designated (Finance) Committee) and Mrs. Sng Sow-Mei alias Poon Sow Mei (currently an INED and a member of the Audit Committee) have served on the Board for more than nine years. In the interests of good corporate governance, separate Ordinary Resolutions will be proposed for Unitholders to consider, and if thought fit, approve the continual service of Dr. Lan and Mrs. Sng until the third annual general meeting of Unitholders following the forthcoming EGM.

Dr. Lan and Mrs. Sng have always contributed objectively in advising and giving independent guidance to the Board in their capacity as INEDs and as members of different Board committees. Both directors place great importance on the REIT Manager observing high standards of corporate governance, and expressed impartial views with their relevant expertise and experience in financial investment, business development and macroeconomics. The REIT Manager has also received annual confirmations from Dr. Lan and Mrs. Sng regarding their independence in accordance with Rule 3.13 of the Listing Rules (as if they were applicable to Prosperity REIT) and the Compliance Manual, and the Board is of the view that both directors will continue to meet the Director's independence requirements stated therein.

Taking into consideration the above, the Board is of the view that the lengths of service of each of Dr. Lan and Mrs. Sng has not, in any way, diminished their independence, and that each of Dr. Lan and Mrs. Sng is independent notwithstanding the fact that each of them has served on the Board for more than nine years as at the date of this Circular. Accordingly, the Board believes that each of Dr. Lan and Mrs. Sng possesses the required character, integrity and experience to continue fulfilling their respective roles as INEDs, and their continued tenures will continue to bring valuable insights and expertise to the Board. As such, the Board believes that each of Dr. Lan and Mrs. Sng should continue to serve as INEDs beyond the forthcoming EGM, and that the Relevant INEDs Continual Service is in the best interests of Prosperity REIT and the Unitholders as a whole.

Subject to the passing of the abovementioned Ordinary Resolutions, the continual service of Dr. Lan and Mrs. Sng shall be subject to the annual retirement and re-election requirements under the Articles of Association applicable to all Directors.

Biographical details and other relevant information of each of Dr. Lan and Mrs. Sng are set out in Appendix I and Appendix II to this Circular respectively.

LETTERS TO UNITHOLDERS

4. PROPOSED GRANT OF GENERAL MANDATE TO BUY BACK UNITS

Under the Trust Deed, the REIT Manager shall not repurchase any Units until permitted to do so under the guidelines issued by the SFC from time to time. Pursuant to a circular dated 31 January 2008 issued by the SFC (the “**SFC Circular**”), an SFC-authorized REIT may purchase its own units on the Hong Kong Stock Exchange provided that the REIT has followed the requirements as set out in the SFC Circular, including, *inter alia*, the despatch of an explanatory statement of the repurchase mandate to the unitholders and a specific approval or a general mandate to make such repurchase(s) has been obtained from the unitholders of the REIT.

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

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

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

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

LETTERS TO UNITHOLDERS

5. VOTING AT THE EGM

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 CK Property Connected Persons Group and the Manager Group are parties to one or more of the Continuing Connected Party Transactions, and as such, have a material interest in the EGM Resolution to approve the 2016 Waiver Extension and the New Annual Caps. Further, Dr. Lan is interested in 350,000 Units, and as such, has a material interest in the EGM Resolution to approve his continual service as an INED until the third annual general meeting of Unitholders following the forthcoming EGM.

Pursuant to the REIT Code and the Trust Deed:

- (a) CK Property has agreed to abstain, and will procure that each member of the CK Property Connected Persons Group will abstain, from voting on the EGM Resolution to approve the 2016 Waiver Extension and the New Annual Caps, except pursuant to a proxy where a specific direction by an Independent Unitholder as to voting is given;
- (b) ARA (being the ultimate 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 to approve the 2016 Waiver Extension and the New Annual Caps, except pursuant to a proxy where a specific direction by an Independent Unitholder as to voting is given; and
- (c) Dr. Lan has agreed to abstain from voting on the EGM Resolution to approve his continual service as an INED until the third annual general meeting of Unitholders following the forthcoming EGM, except pursuant to a proxy where a specific direction by an Independent Unitholder as to voting is given.

As at the Latest Practicable Date, to the best of the REIT Manager's knowledge, information and belief, after having made reasonable enquiries, the REIT Manager takes the view that, save as disclosed above, no other Unitholder is required to abstain from voting at the EGM in respect of the EGM Resolutions.

6. RECOMMENDATIONS

6.1 Directors

Having regard to the reasons for, terms of, and factors and other information taken into consideration in relation to the Matters Requiring Approval as described in this Circular, the Board (including all the INEDs) considers that:

- (1) the 2016 Extended Waiver and the basis for the 2016 Extended Waiver (including the New Annual Caps and the basis for arriving at the same) are fair and reasonable as far as the Independent Unitholders are concerned and in the interests of Prosperity REIT, the Independent Unitholders, as well as the Unitholders as a whole;
- (2) each of the Continuing Connected Party Transactions subsisting as at the Latest Practicable Date has been entered into: (i) in the ordinary and usual course of business of Prosperity REIT and is consistent with the investment objectives and strategy of Prosperity REIT; (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable as far as the Independent Unitholders are concerned and in the interests of Prosperity REIT, the Independent Unitholders, as well as the Unitholders as a whole; and
- (3) each of the Continuing Connected Party Transactions to be entered into after the Latest Practicable Date for the three financial years ending 31 December 2017, 31 December 2018 and 31 December 2019: (i) shall be entered into in the ordinary and usual course of business of Prosperity REIT and shall be consistent with the investment objectives and strategy of Prosperity REIT; (ii) shall be entered into on terms which are normal commercial terms at arm's length and be fair and reasonable as far as the Independent Unitholders are concerned and shall be in the interests of Prosperity REIT, the Independent Unitholders, as well as the Unitholders as a whole,

and accordingly, the Board recommends Independent Unitholders to vote in favour of the EGM Resolution in respect of the 2016 Waiver Extension and the New Annual Caps.

Further, the Board considers that (i) the continual service of each of Dr. Lan and Mrs. Sng as an INED until the third annual general meeting of Unitholders following the forthcoming EGM is in the interests of Prosperity REIT and the Unitholders as a whole; and (ii) the granting of the Buy-back Mandate is in the interests of Prosperity REIT and the Unitholders as a whole, and accordingly, recommends all Unitholders to vote in favour of the EGM Resolutions in respect of the Relevant INEDs Continual Service and the Buy-back Mandate.

LETTERS TO UNITHOLDERS

6.2 Independent Board Committee

The Independent Board Committee (which comprises all three of the current INEDs) has been established by the Board to advise the Independent Unitholders on the 2016 Extended Waiver and the basis for the 2016 Extended Waiver (including the New Annual Caps and the basis for arriving at the same). The Independent Financial Adviser has been appointed to advise the Independent Board Committee, the Independent Unitholders and the Trustee as to whether (among other things) the 2016 Extended Waiver and the New Annual Caps are fair and reasonable.

Your attention is drawn to: (i) the “Letter from the Independent Board Committee” set out in this Circular, which contains the Independent Board Committee’s recommendation to the Independent Unitholders; and (ii) the “Letter from the Independent Financial Adviser” set out in this Circular which contains among other things: (1) the Independent Financial Adviser’s advice to the Independent Board Committee, the Independent Unitholders and the Trustee; and (2) the principal factors taken into consideration by the Independent Financial Adviser, and assumptions and qualifications adopted by the Independent Financial Adviser in arriving at such opinion.

The Independent Board Committee, having taken into account the opinion of the Independent Financial Adviser and the principal factors considered by it, considers that:

- (1) the 2016 Extended Waiver and the basis for the 2016 Extended Waiver (including the New Annual Caps and the basis for arriving at the same) are fair and reasonable as far as the Independent Unitholders are concerned and in the interests of Prosperity REIT, the Independent Unitholders, as well as the Unitholders as a whole; and
- (2) each of the Continuing Connected Party Transactions subsisting as at the Latest Practicable Date has been entered into: (i) in the ordinary and usual course of business of Prosperity REIT and is consistent with the investment objectives and strategy of Prosperity REIT; and (ii) on terms which are normal commercial terms at arm’s length and are fair and reasonable as far as the Independent Unitholders are concerned and in the interests of Prosperity REIT, the Independent Unitholders, as well as the Unitholders as a whole,

and accordingly, the Independent Board Committee recommends Independent Unitholders to vote in favour of the EGM Resolution in respect of the 2016 Waiver Extension and the New Annual Caps.

6.3 Independent Financial Adviser

GF Capital (Hong Kong) Limited has been appointed as the independent financial adviser for the purposes of paragraph 10.10(p) of the REIT Code to advise the Independent Board Committee, the Independent Unitholders and the Trustee on whether (among other things) the 2016 Extended Waiver and the New Annual Caps are fair and reasonable. In this regard, the Independent Financial Adviser considers that:

LETTERS TO UNITHOLDERS

- (1) the 2016 Extended Waiver and the basis for the 2016 Extended Waiver (including the New Annual Caps and the basis for arriving at the same) are fair and reasonable as far as the Independent Unitholders are concerned and in the interests of Prosperity REIT, the Independent Unitholders, as well as the Unitholders as a whole; and
- (2) each of the Continuing Connected Party Transactions subsisting as at the Latest Practicable Date has been entered into: (i) in the ordinary and usual course of business of Prosperity REIT and is consistent with the investment objectives and strategy of Prosperity REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable as far as the Independent Unitholders are concerned and in the interests of Prosperity REIT, the Independent Unitholders, as well as the Unitholders as a whole,

and accordingly, the Independent Financial Adviser recommends Independent Unitholders to vote in favour of the EGM Resolution in respect of the 2016 Waiver Extension and the New Annual Caps.

Details of the Independent Financial Adviser's opinion, together with the principal factors taken into consideration, and assumptions and qualifications in arriving at such opinion, are set out in the "Letter from Independent Financial Adviser" in this Circular.

6.4 Trustee

Based on and in sole reliance upon: (1) the opinion of the Board in this letter and the information and assurances provided by the REIT Manager; (2) the Letter from the Independent Financial Adviser; and (3) the Letter from the Independent Board Committee, the Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code, is of the view that the 2016 Extended Waiver and New Annual Caps are fair and reasonable and in the interests of Prosperity REIT, the Independent Unitholders, as well as the Unitholders as a whole. This view is being furnished for the sole purpose of complying with paragraph 10.10(o) of the REIT Code, and is not to be taken as a recommendation or representation by the Trustee of the merits of the 2016 Extended Waiver and the New Annual Caps.

Further, the Trustee has confirmed that the Buy-back Mandate complies with the requirements in the Trust Deed and, subject to Unitholders' approval, the Trustee does not have any objection to the buy-back of Units pursuant to the Buy-back Mandate. The Trustee's confirmation is being furnished for the sole purpose of complying with the SFC Circular, and is not to be taken as a recommendation or representation by the Trustee of the merits of the Buy-back Mandate or of any statements or information made or disclosed in this Circular.

The Trustee has not made any assessment of the merits or impact of the 2016 Extended Waiver, the New Annual Caps or the Buy-back Mandate, other than for the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the REIT Code.

LETTERS TO UNITHOLDERS

Accordingly, the Trustee urges all Unitholders, including those who are in any doubt as to the merits or impact of the 2016 Extended Waiver, the New Annual Caps or the Buy-back Mandate, to seek their own financial or other professional advice.

7. RESPONSIBILITY STATEMENTS OF THE REIT MANAGER AND THE DIRECTORS

For the purposes of paragraphs 5.2A and 10.10(t) of the REIT Code, the REIT Manager and the Directors, collectively and individually, accept full responsibility for the accuracy of the information contained in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this Circular misleading.

8. EXTRAORDINARY GENERAL MEETING AND CLOSURE OF REGISTER OF UNITHOLDERS

The EGM will be held at 2:45 p.m. on 6 May 2016 (or immediately after the conclusion of the AGM which is scheduled to be held on the same day at 2:30 p.m.), at Exhibition Venue A on Level 7, Fortune Metropolis, 6 Metropolis Drive, Hung Hom, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing with or without amendments, each of the Ordinary Resolutions set out in the EGM Notice, which is set out on pages N-1 to N-4 of this Circular.

The Register of Unitholders will be closed from 30 April 2016 to 6 May 2016 (both days inclusive), during which no transfer 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 transfers of Units accompanied by the relevant Unit certificates must be lodged with the Unit Registrar of Prosperity REIT, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by 4:30 p.m. on 29 April 2016.

You can vote at the EGM if you are a Unitholder on 6 May 2016 which is referred to in this Circular as the EGM Record Date. You will find enclosed with this Circular the EGM Notice (please refer to pages N-1 to N-4 of this Circular) and a form of proxy for use for the EGM.

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

LETTERS TO UNITHOLDERS

9. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this Circular.

Yours faithfully,
By Order of the Board

ARA ASSET MANAGEMENT (PROSPERITY) LIMITED
(as manager of Prosperity Real Estate Investment Trust)
Wong Lai Hung
Executive Director and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



Prosperity Real Estate Investment Trust

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

(Stock Code: 808)

Managed by



ARA Asset Management (Prosperity) Limited

5 April 2016

To: The Independent Unitholders

Dear Sir/Madam,

**EXTENSION OF CONTINUING CONNECTED PARTY TRANSACTION WAIVER
AND PROPOSED NEW ANNUAL CAPS
FOR CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS**

We have been appointed as members of the Independent Board Committee to advise you in connection with the 2016 Waiver Extension and the New Annual Caps, details of which are set out in the “Letter to Unitholders” in the circular dated 5 April 2016 (the “**Circular**”) from the REIT Manager to the Unitholders, of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

The Independent Financial Adviser has been appointed to advise us, the Independent Unitholders and the Trustee as to whether (among other things) the 2016 Extended Waiver and the New Annual Caps are fair and reasonable. Details of their opinion, together with the principal factors taken into consideration, and assumptions and qualifications in arriving at such opinion, are set out in the “Letter from the Independent Financial Adviser” the text of which is contained in the Circular.

Having taken into account the opinion of the Independent Financial Adviser and the principal factors considered by them, we consider that:

- (1) the 2016 Extended Waiver and the basis for the 2016 Extended Waiver (including the New Annual Caps and the basis for arriving at the same) are fair and reasonable as far as the Independent Unitholders are concerned and in the interests of Prosperity REIT, the Independent Unitholders, as well as the Unitholders as a whole; and

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

- (2) each of the Continuing Connected Party Transactions subsisting as at the Latest Practicable Date has been entered into: (i) in the ordinary and usual course of business of Prosperity REIT and is consistent with the investment objectives and strategy of Prosperity REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable as far as the Independent Unitholders are concerned and in the interests of Prosperity REIT, the Independent Unitholders, as well as the Unitholders as a whole,

and accordingly, we recommend that the Independent Unitholders vote in favour of the EGM Resolution in respect of the 2016 Waiver Extension and the New Annual Caps.

Yours faithfully,
Independent Board Committee of
ARA Asset Management (Prosperity) Limited
(as manager of Prosperity Real Estate Investment Trust)

Lan Hong Tsung, David
*Independent Non-executive
Director*

Sng Sow-Mei
(alias Poon Sow Mei)
*Independent Non-executive
Director*

Wong Kwai Lam
*Independent Non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice to the Independent Board Committee, the Independent Unitholders and the Trustee from the Independent Financial Adviser which has been prepared for inclusion in this Circular.



29–30/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

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

5 April 2016

Dear Sirs,

EXTENSION OF CONTINUING CONNECTED PARTY TRANSACTION WAIVER AND PROPOSED NEW ANNUAL CAPS FOR CERTAIN CONTINUING CONNECTED PARTY TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee, the Independent Unitholders and the Trustee on the 2016 Waiver Extension and the New Annual Caps. Details of the 2016 Waiver Extension are set out in the Letter to the Unitholders contained in the circular to the Unitholders dated 5 April 2016 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

We are independent of Prosperity REIT, the REIT Manager, the principal valuer of Prosperity REIT, the Trustee, each of the significant Unitholders and their respective connected persons and each of the other connected persons of Prosperity REIT. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the REIT Manager or any other party to the Continuing Connected Party Transactions.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all INEDs, namely Dr. Lan Hong Tsung, David, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Mr. Wong Kwai Lam, has been formed to advise the Independent Unitholders as to the 2016 Waiver Extension and the New Annual Caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In forming our opinion as to whether the 2016 Waiver Extension and the New Annual Caps are fair and reasonable and in the interests of Prosperity REIT, the Independent Unitholders, as well as the Unitholders as a whole, we have relied on the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true, accurate and complete at the time when they were made and continued to be true, accurate and complete as at the date of the Circular.

We have also assumed that all statements of belief, opinion and intention made by the Board contained in the Circular were reasonably made by them after their due enquiry and careful consideration and that there are no other facts the omission of which would make any statement in the Circular misleading in any material respect.

Our review and analysis were based upon the discussion with and understanding from the REIT Manager in relation to the reasons for the Continuing Connected Party Transactions and the basis for determining the New Annual Caps and the information provided by the Directors and the management of the REIT Manager (the “**Management**”) which includes, among others, the property management agreement entered into by the REIT Manager and the Property Manager on 29 November 2005, a supplemental property management agreement dated 8 November 2010, the extension letters signed between the same parties on 1 December 2010 and 1 December 2015 (collectively, the “**Property Management Agreement**”), the 2014 Extended Waiver and the 2015 Modified Waiver, all subsisting lease and licence agreements entered into or obtained by Prosperity REIT with or from those of the CK Property Connected Persons Group, relevant leasing agreements between Prosperity REIT and independent third parties in respect of similar leasing/licensing transactions, as well as the independent valuation reports during the three years ended 31 December 2015, the Offering Circular, the annual report of Prosperity REIT for the year ended 31 December 2014 (the “**2014 Annual Report**”), the interim report of Prosperity REIT for the six months ended 30 June 2015 (the “**2015 Interim Report**”), the final results announcement of Prosperity REIT for the year ended 31 December 2015 (the “**2015 Final Results Announcement**”), interim report of CK Property (together with its subsidiaries, the “**CK Property Group**”) for the six months ended 30 June 2015 (the “**CK Property 2015 Interim Report**”), and the final results announcement of CK Property for the year ended 31 December 2015.

We consider that we have reviewed sufficient information to reach a reasonably informed view to justify our reliance on the accuracy of the information contained in the Circular as aforesaid and to provide reasonable grounds for our advice. In addition, we have no reason to doubt the truth, accuracy and/or completeness of the information and representations as provided to us by the Directors and the Management and we have not conducted any independent in-depth investigation into nor have we carried out any independent verification on the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in relation to the 2016 Waiver Extension and the New Annual Caps, we have considered the following principal factors and reasons:

1. Background of the Continuing Connected Party Transactions and the business of Prosperity REIT Group

The Continuing Connected Party Transactions include (i) leasing/licensing transactions with the CK Property Connected Persons Group and with the Manager Group; and (ii) the Property Management Transactions with the CK Property Connected Persons Group.

(i) Background of the Continuing Connected Party Transactions

As disclosed in the Offering Circular, the REIT Manager applied for the Initial Waiver, and the SFC granted the Initial Waiver from strict compliance with the requirements of Chapter 8 of the REIT Code in respect of certain connected party transactions of Prosperity REIT on 30 November 2005. As disclosed in subsequent circulars and announcements, this waiver was subsequently modified and extended on 19 November 2008, 21 June 2011 and 15 January 2014, following which, the 2014 Extended Waiver covered the categories of the Continuing Connected Party Transactions and will expire on 31 December 2016.

The REIT Manager applied for a modification to the 2014 Extended Waiver, and the SFC further granted a modification to the 2014 Extended Waiver on 3 June 2015, so as to ensure that from a technical perspective, the Continuing Connected Party Transactions continue to be covered under the waiver following the restructuring of the entities now under CK Hutchison Holdings Limited. As a result, the 2015 Modified Waiver applies in respect of Continuing Connected Party Transactions entered into between the Prosperity REIT Group and: (i) the CK Property Connected Persons Group; and/or (ii) the Manager Group.

In accordance with the terms of the 2015 Modified Waiver, the 2015 Modified Waiver may be extended beyond 31 December 2016, and/or the terms and the conditions of the 2015 Modified Waiver may be modified from time to time, provided that:

- (a) the due approval of Independent Unitholders is obtained by way of an Ordinary Resolution passed in a general meeting of Unitholders;
- (b) disclosure of details of the proposed extension and/or modification (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 shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (c) any extension of the period of the 2015 Modified 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 in paragraph (a) above is obtained.

As the REIT Manager expects that the Continuing Connected Party Transactions will continue after the 2015 Modified Waiver expires on 31 December 2016, the REIT Manager will seek approval from the Independent Unitholders for the 2016 Waiver Extension and the New Annual Caps for the three years ending 31 December 2019.

The REIT Manager has applied to the SFC for the 2016 Waiver Extension so that the 2016 Extended Waiver applies for New CPT Waiver Period. As part of its submission, the REIT Manager has also proposed New Annual Caps for the New CPT Waiver Period.

Pursuant to the REIT Code and the Trust Deed:

- (a) CK Property has agreed to abstain, and will procure that each member of the CK Property Connected Persons Group will abstain, from voting on the EGM Resolution to approve the 2016 Waiver Extension and the New Annual Caps, except pursuant to a proxy where a specific direction by an Independent Unitholder as to voting is given; and
- (b) ARA (being the ultimate 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 to approve the 2016 Waiver Extension and the New Annual Caps, except pursuant to a proxy where a specific direction by an Independent Unitholder as to voting is given.

The details of each category of the Continuing Connected Party Transactions are as follows:

(a) *Revenue: Leasing/licensing transactions*

The leasing/licensing transactions include transactions entered into in the ordinary and usual course of the leasing business of Prosperity REIT and transacted on normal commercial terms and based on arm's length negotiation with the CK Property Connected Persons Group and the Manager Group.

(b) *Expenditure: Property Management Transactions*

The Property Management Transactions include various continuing connected party transactions entered into between Prosperity REIT and members of the CK Property Connected Persons Group relating to property

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management and other operational transactions in respect of Prosperity REIT and its assets and operations, as more particularly described in the 2013 Circular.

(ii) Business of Prosperity REIT Group

As stated in the 2015 Final Result Announcement, the principal activity of Prosperity REIT and its subsidiaries is to own and invest in a portfolio of commercial properties, comprising office, commercial, industrial/office and industrial buildings located in Hong Kong with the objective of producing stable and sustainable distributions to Unitholders and to achieve long term growth in the net asset value per unit of Prosperity REIT.

We also noted from the 2015 Final Results Announcement that: (i) rental revenues generated from Existing Properties (which include rental income from leasing/licensing transactions with the CK Property Connected Persons Group) for the years ended 31 December 2014 and 31 December 2015 were approximately HK\$326,229,000 and HK\$357,181,000, and represented about 80.9% and 81.4% of the total revenues, respectively; and (ii) the attentive property management services provided by the CK Property Connected Persons Group is indispensable to a high quality workplace for the tenants of Prosperity REIT and led to revenue and net property income increasing by 8.8% and 10.7% to HK\$438,723,000 and HK\$345,479,000, respectively, for the year ended 31 December 2015.

Based on the above, we are of the view that each of the Continuing Connected Party Transactions has been entered into in the ordinary course of business of Prosperity REIT and consistent with the investment objectives and strategy of Prosperity REIT.

2. Terms of the Connected Party Transactions

(i) Leasing/licensing transactions

In respect of leasing/licensing transactions, an independent valuation will be conducted for each of such leasing and licensing transactions in so far as it is practicable except where they are conducted on standard or published rates.

(ii) Property Management Transactions

Under the Property Management Agreement, the Property Manager is entitled to a fee of 3% per annum of the gross property revenue (being the gross revenue less charge out collections and car park revenues) 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, and such commissions are arrived at by reference to the duration of the relevant leases/licences entered into or renewed and the total rental/licence fees paid.

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Furthermore, under the Property Management Agreement, the Property Manager, as agent for the relevant property companies (being the “**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 CK Property Connected Persons Group. In consideration for such services, Prosperity REIT will pay fees to those third-party service providers in return. The anticipated amounts of these fees will form part of the Continuing Connected Party Transactions.

In respect of all the Continuing Connected Party Transactions, the Directors have confirmed that each of the transactions subsisting as the Latest Practicable Date has been entered into (i) in the ordinary and usual course of business of Prosperity REIT and is consistent with its investment objectives and strategy of Prosperity REIT; and (ii) on terms which are normal commercial terms at arm’s length and are fair and reasonable as far as the Independent Unitholders are concerned and in the interests of Prosperity REIT, the Independent Unitholders, as well as the Unitholders as a whole.

As part of our due diligence exercise, we have reviewed the relevant documents in relation to the Continuing Connected Party Transactions subsisting as at the Latest Practicable Date. In respect of leasing/licensing transactions with CK Property Connected Persons Group, we have reviewed all the subsisting agreements entered into between the Property Companies and members of the CK Property Connected Persons Group, randomly selected samples of relevant agreements entered into between the Property Companies and independent third parties in respect of similar leasing/licensing transactions (in terms of location, rental area and timing of the lease) and noted both the terms and rentals are comparable to those entered into with CK Property Connected Persons Group, and confirmation letters issued by independent valuers confirming that the respective rents were in line with the then prevailing market rates and market condition. In respect of the Property Management Transactions, we have reviewed the (i) major terms of the Property Management Agreement and terms of similar transactions regarding property management related services of other Hong Kong listed REITs; and (ii) confirmation letters issued by independent valuers confirming that the respective fees were reasonable and at market level. Based on the review of the terms of similar transactions regarding property management related services of other Hong Kong listed REITs, we noted that the key terms, including property management fees, commission range for marketing services and arrangements regarding third party services, are in general comparable to terms of the Property Management Agreement. Given the fact that the Prosperity REIT Group has not engaged an independent third party for the provision of property management services of a similar nature, we are not able to compare the terms of the Property Management Agreement to property management agreements entered into between the Prosperity REIT Group and its independent third parties. We also conducted due diligence interviews with the independent valuers to understand the basis and specific work performed in connection with their

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confirmation letters and obtained their confirmation in respect of their independence. In respect of leasing/licensing transactions with the Manager Group, given the fact that Prosperity REIT did not enter into any leasing/licensing transaction with the Manager Group in the three years ended 31 December 2015, there was no subsisting agreement available for review. According to our review of above-mentioned documents, the Continuing Connected Party Transactions were entered into on terms which were (i) on normal commercial terms and carried out at arm's length; and (ii) no less favourable to the Prosperity REIT Group than those in respect of similar transactions with independent third parties. Therefore, we are of the view that each of the Continuing Connected Party Transactions subsisting as at the Latest Practicable Date has been entered into: (i) in the ordinary and usual course of business of Prosperity REIT and is consistent with the investment objectives and strategy of Prosperity REIT; and (ii) on terms which are normal commercial terms at arm's length and are fair and reasonable as far as the Independent Unitholders are concerned and in the interests of Prosperity REIT, the Independent Unitholders, as well as the Unitholders as a whole.

3. Basis of determination of the New Annual Caps

The table below shows: (i) the historical transaction amounts in respect of the Continuing Connected Party Transactions for the three financial years ended 31 December 2015; (ii) the previously approved annual caps; and (iii) the New Annual Caps.

(i) *Leasing/licensing transactions with the CK Property Connected Persons Group*

Categories of Continuing Connected Party Transactions	Historical transaction amounts				New Annual Caps		
	For the financial year ended 31 December 2013 (HK\$)	For the financial year ended 31 December 2014 (HK\$)	For the financial year ended 31 December 2015 (HK\$)	For two months ended 29 February 2016 (HK\$)	For the financial year ending 31 December 2017 (HK\$)	For the financial year ending 31 December 2018 (HK\$)	For the financial year ending 31 December 2019 (HK\$)
Leasing/licensing transactions with the CK Property Connected Persons Group	1,540,380	2,199,675	2,245,958	454,497	—	—	—
Annual Cap	51,800,000	33,000,000	33,000,000	33,000,000	33,000,000	33,000,000	33,000,000
% of utilization	3.0%	6.7%	6.8%	N/A (Note 1)	—	—	—
% of increase in annual caps	—	—	—	—	0.0%	0.0%	0.0%

Note 1: The figure for two months is insignificant for comparison of full year annual cap purpose.

The proposed New Annual Caps in respect of the CK Property Connected Persons Group Leases/Licences for the three years ending 31 December 2019 remain the same as the cap amount of HK\$33,000,000 for the year ended 31 December 2016. The following factors were taken into account:

- (a) the sum of the highest annual transaction amounts for the financial years between the Listing Date to 31 December 2015 (the “**Relevant Period**”) incurred for the Existing Properties in respect of each of the tenants/licensees from the CK Property Connected Persons Group Leases/Licences, which was HK\$25,511,622;

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- (b) an increment factor of 24.2% which is derived from the average rental reversion rate of 32.1% and 16.3% for the years ended 31 December 2014 and 2015, respectively, representing the steady rental growth of Prosperity REIT, and resulting in HK\$31,685,435 after multiplying by the aforesaid increment factor; and
- (c) a buffer of 4.1% built on top of the resulting amount as stated in paragraph (b) above which caters for the flexibility required to facilitate additional CK Property Connected Persons Group Leases/Licences to be entered into in respect of the Existing Properties in the future as a result of potential and growing demand from CK Property Connected Persons Group for leasing/licensing services which are expected to be driven by further business development of CK Property.

We have reviewed the historical leasing/licensing transactions of the Prosperity REIT Group with members of the CK Property Connected Persons Group entered into in the Relevant Period and noted that the REIT Manager made reference to the aggregate of the highest annual rental income amounts in respect of each of the tenants/licensees from the CK Property Connected Persons Group Leases/Licences (provided that the same unit was occupied by only one such tenant/licensee at any time during the Relevant Period) incurred for the Existing Properties during the Relevant Period to allow flexibility for Prosperity REIT to prepare for any return of those tenants/licensees at the prevailing market rent. We noted that one of the members of the CK Property Connected Persons Group had previously leased a sizable floor space in the Existing Properties for six years, although such lease has since expired, and is not reflected in the table in (i) above. As advised by the Management, it is possible that members of the CK Property Connected Persons Group may take up sizable spaces, based on the prevailing market rent, which is higher than that previously charged in respect of the same areas. We have also reviewed the lease expiry profile in terms of gross rental income as at 31 December 2015 provided by the Management, and noted that leases expiring in 2017 and 2018 accounted for significant portion of approximately 65.6%. We also understood from the Management that the tenure for most leases is for 2 to 3 years. Therefore, most of the leases entered into in 2016 will expire in 2018 and 2019, and thus the expiry profile for the New CPT Waiver Period will be much higher than 65.6%. Taking into account the potential vacancies of properties arising from the leases expiring in the New CPT Waiver Period, the New Annual Caps provide flexibility for entering into new leasing/licensing transactions with the CK Property Connected Persons Group. The flexibility offered by the New Annual Caps will ensure that future business opportunities in relation to the leases expiring in the New CPT Waiver Period will not be diminished. Therefore, we concur with the Management that the New Annual Caps can provide flexibility to capture the potential business opportunity with the CK Property Connected Persons Group.

Further, we have reviewed the 2014 Annual Report and the 2015 Final Results Announcement. As stated in the 2014 Annual Report and the 2015 Final Results Announcement, the rental incomes of Prosperity REIT for the year ended 31

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December 2014 and the year ended 31 December 2015 were HK\$326,229,000 and HK\$357,181,000, respectively, representing an increase of 20.1% and 9.5%, respectively, over the respective preceding financial year, and the rental reversion rates of Prosperity REIT for the year ended 31 December 2014 and the year ended 31 December 2015 were 32.1% and 16.3%, respectively.

We also reviewed the CK Property 2015 Interim Report and noted that CK Property was recently listed on the Main Board of the Hong Kong Stock Exchange on 3 June 2015 combining property businesses of both the Cheung Kong Group (which refers to CK Hutchison Holdings Limited and its subsidiaries up to 2 June 2015) and the Hutchison Group (which refers to Hutchison Whampoa Limited and its subsidiaries up to 2 June 2015) pursuant to a reorganisation and spin-off targeted to realise maximum business synergies. Based on our review of the CK Property 2015 Interim Report, we noted that the above-mentioned combination of property businesses by CK Property broadens its business prospects, and enables it to grow on a stronger platform for sustainable development. As advised by the Management, the stronger platform of further business development of CK Property has the potential to drive its demand for leasing additional space from the Prosperity REIT Group in the future. Based on our communication with the REIT Manager, we understand that the Property Manager is currently under preliminary discussions with certain members of the CK Property Connected Person Group as regards the leasing/licensing of additional spaces of the Existing Properties.

Having regard to the above, we concur with the REIT Manager that notwithstanding the utilization of the annual cap in the three years ended 31 December 2015, the proposed New Annual Caps are appropriate and reasonable level of cap amount to cater for any additional CK Property Connected Persons Group Leases/Licences.

As part of our due diligence exercise, we examined the industry trend by reviewing a recent industry report issued by Jones Lang LaSalle Limited in January 2016 and noted that demand for office space in Hong Kong from mainland corporates has been steadily rising as the growing needs to diversify and internationalise business operations under the current Chinese government economic policies has led ever-more firms to establish a physical presence in Hong Kong. In addition, we also reviewed the 2016 Policy Address of Hong Kong and noted that the new supporting policies and development plan for Kowloon East, where a large portion of Prosperity REIT's office buildings are situated in, including, among others, (a) adoption of the concepts of sustainable development and "smart city" in respect of information dissemination, traffic management, architectural design and facility management; (b) a pilot scheme of waiving the land premium for lease modification; and (c) development plan to help turn Kowloon East into a quality business district have the potential to support the rent level of and demand for office buildings in Kowloon East. As advised by the Management and stated in the 2015 Final Result Announcement, Prosperity REIT's portfolio is primarily located in Kowloon East decentralized area, which is progressively transforming into a mature commercial hub, will continue to be attractive to corporations looking for high

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quality office space, and is expected to increase the Prosperity REIT Group's rental income from its tenants including those who are members of the CK Property Connected Persons Group.

Based on the above, we are of the view that the proposed New Annual Caps for leasing/licensing transactions with the CK Property Connected Persons Group are determined by the REIT Manager after due and careful consideration and are fair and reasonable and in the interests of the Independent Unitholders as a whole.

(ii) Leasing/licensing transactions with the Manager Group

Categories of Continuing Connected Party Transactions with the Manager Group	Historical transaction amounts				New Annual Caps		
	For the financial year ended 31 December 2013 (HK\$)	For the financial year ended 31 December 2014 (HK\$)	For the financial year ended 31 December 2015 (HK\$)	For two months ended 29 February 2016 (HK\$)	For the financial year ending 31 December 2017 (HK\$)	For the financial year ending 31 December 2018 (HK\$)	For the financial year ending 31 December 2019 (HK\$)
Leasing/licensing transactions	0	0	0	0	—	—	—
Annual Cap	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000	5,100,000
% of utilization	0.0%	0.0%	0.0%	0.0%	—	—	—
% of increase in annual caps	—	—	—	—	0.0%	0.0%	0.0%

The proposed New Annual Caps for the three years ending 31 December 2019 remain the same as the cap amount of HK\$5,100,000 for the year ending 31 December 2016.

We noted that the Manager Group does not currently have any leases/licences in respect of the Existing Properties. However, as stated in the Letter to the Unitholders, 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 considers it is unnecessary to increase the New Annual Caps and intends to maintain the proposed annual caps for each of the financial years ending 31 December 2017, 2018 and 2019 at the amount which is equivalent to the annual cap of HK\$5,100,000 for each of the three financial years ending 31 December 2016. The REIT Manager considers that such proposed annual cap will allow for a reasonable level of cap amount to cater for the Manager Group Leases/Licences should the Manager Group look for office premises for expansion in Hong Kong. We have reviewed the aforementioned lease expiry profile by gross rental income as at 31 December 2015 provided by the Management showing that a large portion of leases in Prosperity REIT portfolio will expire in the New CPT Waiver Period, and therefore concur with the Management that sizable spaces expiring during the New CPT Waiver Period will be available to be taken up by the Manager Group.

As part of our due diligence exercise, we have also reviewed the results announcement for the year ended 31 December 2015 of ARA and noted that ARA, whose businesses are mainly in Asia Pacific region, including Hong Kong, will continue to proactively enhance the properties in its REIT portfolio, pursue opportunistic acquisitions and divestments. Furthermore, we noted from the public information released by ARA that ARA reported an asset under management growth of approximately 11.9% to US\$21.1 billion for the financial year ended 31 December

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2015, which also reflected the continuing business expansion of ARA. Considering the possible future expansion of ARA as well as the Manager Group in Hong Kong, we agree with the REIT Manager's view that it is appropriate to reserve the cap amount of HK\$5,100,000 for each of the three years ending 31 December 2019 as the same with the three years ending on 31 December 2016.

We also noted that the New Annual Caps in respect of the leasing/licensing transactions with the Manager Group of HK\$5,100,000 for each of the three financial years ending 31 December 2019 represent approximately 1.2% of the revenue of Prosperity REIT (i.e. HK\$438,723,000) for the year ended 31 December 2015 and 0.1% of the net asset value of Prosperity REIT (i.e. HK\$7,155,735,000) as at 31 December 2015. We are of the view that the proposed New Annual Caps in respect of the leasing/licensing transactions with the Manager Group only accounted for a less significant portion of the business of Prosperity REIT and the adoption of such amount of annual caps is a prudent approach by the REIT Manager when considering the future possible Continuing Connected Party Transactions for the leasing/licensing transactions with the Manager Group. The New Annual Caps are sufficient to avoid any shortage of annual caps in case of occurrence of substantial leasing/licensing transactions with the Manager Group.

Based on the above, we are of the view that the proposed New Annual Caps for leasing/licensing transactions with the Manager Group are determined by the REIT Manager after due and careful consideration and are fair and reasonable and in the interests of the Independent Unitholders as a whole.

(iii) Property Management Transactions with the CK Property Connected Persons Group

Categories of Continuing Connected Party Transactions	Historical transaction amounts				New Annual Caps		
	For the financial year ended 31 December 2013 (HK\$)	For the financial year ended 31 December 2014 (HK\$)	For the financial year ended 31 December 2015 (HK\$)	For two months ended 29 February 2016 (HK\$)	For the financial year ending 31 December 2017 (HK\$)	For the financial year ending 31 December 2018 (HK\$)	For the financial year ending 31 December 2019 (HK\$)
Property Management Transactions	18,942,517	22,962,416	24,826,055	3,553,378	—	—	—
Annual Cap	32,300,000	32,300,000	33,900,000	35,600,000	37,400,000	39,300,000	41,300,000
% of utilization	58.6%	71.1%	73.2%	N/A (Note 2)	—	—	—
% of increase in annual caps	—	—	—	—	5%	5%	5%

Note 2: The figure for two months is insignificant for comparison of full year annual cap purpose.

As stated in the Letter to the Unitholders, the New Annual Cap in respect of property management arrangements, third party services and other operational transactions for the three financial years ending 31 December 2019 has been determined based on:

- (a) the sum of the highest annual transaction amounts for the Relevant Period incurred for each of the Existing Properties in respect of each category of the Property Management Transactions, which was HK\$25,781,594;

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- (b) an increment factor of 38.1% built on top of the abovementioned sum of highest annual transaction amounts to mainly cater for the anticipated increase in marketing service fees and property management fees as a result of the increase of gross revenue generated from the Existing Properties (including that generated from the possible additional CK Property Connected Persons Group Leases/Licences and possible Manager Group Leases/Licences) during the New CPT Waiver Period; and
- (c) a buffer of 5%, which take into account the inflation, and possible increase in costs and wages.

We have reviewed the historical Property Management Transactions of the Prosperity REIT Group with the CK Property Connected Persons Group and noted that the REIT Manager made reference to the aggregate of the highest annual expense amounts in respect of each category of the Property Management Transactions during the Relevant Period, which, as advised by the Management, was due to the fact that the amounts of the Property Management Transactions were based on an annual rate of 3% of the gross property revenue for the provision of property and lease management services and such gross property revenue has steadily increased over the last ten years. Therefore, we concur with the REIT Manager that the Relevant Period is relevant in determining the proposed New Annual Caps and the aggregate of the highest annual expense amounts in respect of each category of the Property Management Transactions reflected the latest market condition despite that such aggregate amount were calculated based on the Relevant Period and that it is appropriate to allow maximum flexibility for Prosperity REIT to prepare for any reversion to historical hikes of property management expenses by having reference to historical transaction amounts.

In assessing the increment factor of 38.1%, which mainly caters for the anticipated increase in marketing service fees and property management fees as a result of the increase of gross revenue generated from the Existing Properties (including that generated from the possible additional CK Property Connected Persons Group Leases/Licences and possible Manager Group Leases/Licences) during the New CPT Waiver Period, we understand from the Management that Prosperity REIT portfolio is primarily located in Kowloon East decentralized area, which is progressively transforming into a mature commercial hub, and will continue to be attractive to corporations looking for high quality office space. Also, according to the aforementioned review of the 2016 Policy Address of Hong Kong, we noted that the new supporting policies and development plan for Kowloon East have the potential to support and increase the rent level for office buildings in that district. This will potentially increase the property management fees which are based on an annual rate of 3% of the gross property revenue, and the marketing service fees which are based on the monthly rental of leases secured by the Property Manager. Based on the above, we consider that the increment factor of 38.1% is in line with the business development of the Prosperity REIT Group and the recent policy trends, and is fair and reasonable.

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As part of our due diligence exercise, we also reviewed the latest public information and statistics released by Census and Statistics Department of Hong Kong and noted that (i) overall consumer prices in 2015 rose by 3.0% and 2.5% in nominal terms and real terms, respectively, over 2014; (ii) the average wage rate as measured by the wage index in September 2015 increased by 4.4% and 2.3% in nominal terms and real terms, respectively, over the same month a year earlier; and (iii) the GDP growth rate of Hong Kong in Q3 2015 is 6.0% and 2.3% in nominal terms and real terms, respectively, over the same period a year earlier. Based on the above, we consider that the 5% buffer reserved for each of the New Annual Caps for the three years ending 31 December 2019 based on the preceding annual cap for possible increase in property management fees is basically in line with the inflation, and the possible increase in costs and wages, and therefore fair and reasonable.

Therefore, we are of the view that the proposed New Annual Caps in respect of the Property Management Transactions are determined by the REIT Manager after due and careful consideration and are fair, proper and reasonable, and in the interests of the Independent Unitholders as a whole.

4. Compliance with the Waiver and measures to safeguard the interests of the Unitholders

As stated in the Letter to the Unitholders, the Continuing Connected Party Transactions are subject to annual review by the auditor of Prosperity REIT and the INEDs (the “**Annual Review**”). Details of the Annual Review are set out in sections 2.6.5 and 2.6.6 of the Letter to the Unitholders. We reviewed the 2014 Annual Report and noted that the INEDs confirmed that they have reviewed the terms of all relevant connected party transactions in the year ended 31 December 2014 and are satisfied that these transactions have been entered into:

- (i) in the ordinary and usual course of business of Prosperity REIT;
- (ii) 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
- (iii) in accordance with the relevant agreement governing them (if any) on terms that are fair and reasonable and in the interests of the Unitholders of Prosperity REIT as a whole.

We also noted from the 2014 Annual Report that Messrs. Deloitte Touche Tohmatsu, auditor of Prosperity REIT, was engaged to report on Prosperity REIT and its subsidiaries’ continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), and the

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auditor has issued his unqualified letter containing his findings and conclusions in respect of, among others, the continuing connected transactions on leasing/licensing transactions, property management arrangements, third party services and other operational transactions.

We also reviewed the unqualified letter issued by Messrs. Deloitte Touche Tohmatsu on 3 March 2016, and noted that it conducted the engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the HKICPA and expressed the findings and conclusions in respect of the continuing connected transactions Prosperity REIT entered into with members of the CK Property Connected Persons Group and the Manager Group in the year ended 31 December 2015.

Given the above, we consider that the Annual Review can provide appropriate measures to govern Prosperity REIT in carrying out the Continuing Connected Transactions and safeguard the interests of the Independent Unitholders thereunder.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (1) the 2016 Extended Waiver and the basis for the 2016 Extended Waiver (including the New Annual Caps and the basis for arriving at the same) are fair and reasonable as far as the Independent Unitholders are concerned and in the interests of Prosperity REIT, the Independent Unitholders, as well as the Unitholders as a whole; and (2) each of the Continuing Connected Party Transactions subsisting as at the Latest Practicable Date has been entered into: (i) in the ordinary and usual course of business of Prosperity REIT and is consistent with the investment objectives and strategy of Prosperity REIT; and (ii) on terms which are normal commercial terms at arm’s length and are fair and reasonable as far as the Independent Unitholders are concerned and in the interests of Prosperity REIT, the Independent Unitholders, as well as the Unitholders as a whole. Accordingly, we have advised the Independent Board Committee to recommend and we ourselves also recommend that the Independent Unitholders vote in favour of the Ordinary Resolution to approve the 2016 Waiver Extension and the New Annual Caps at the EGM.

Yours faithfully,
For and on behalf of
GF Capital (Hong Kong) Limited

Brian Lee
Managing Director

Mr. Brian Lee is a licensed person registered with the Securities and Futures Commission as a responsible officer of GF Capital (Hong Kong) Limited to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has over ten years of experience in advising corporate finance transactions including giving independent financial advisory opinions on connected transactions.

Dr. LAN Hong Tsung, David, aged 75, has been an INED since 2 October 2005. He is the Chairman of the Audit Committee and a member of each of the Disclosures Committee and Designated (Finance) Committee. He is also an Independent Non-executive Director of ARA Asset Management (Fortune) Limited as the manager of Fortune Real Estate Investment Trust (listed in Hong Kong and Singapore), Cheung Kong Infrastructure Holdings Limited (listed in Hong Kong), Hutchison Telecommunications Hong Kong Holdings Limited (listed in Hong Kong) and SJM Holdings Limited (listed in Hong Kong). Dr. Lan is currently the Chairman of David H T Lan Consultants Ltd., Supervisor of Nanyang Commercial Bank (China), Limited and holds a directorship at Nanyang Commercial Bank Ltd. as well as being a Senior Advisor of Mitsui & Company (Hong Kong) Limited. Dr. Lan is the President of the International Institute of Management. He is also a Chartered Secretary and a Fellow Member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

Dr. Lan was the Secretary for Home Affairs of the Government of the Hong Kong Special Administrative Region until his retirement in July 2000. He had served as civil servant in various capacities for 39 years and was awarded the Gold Bauhinia Star Medal (GBS) on 1 July 2000. He was appointed to the 10th and 11th sessions of the National Committee Member of the Chinese People's Political Consultative Conference of the People's Republic of China. Dr. Lan was previously an Independent Non-executive Director of China Oceanwide Holdings Limited (formerly known as "Hutchison Harbour Ring Limited") (listed in Hong Kong) and a Non-executive Director and Co-Chairman of Aurum Pacific (China) Group Limited (listed in Hong Kong). Save as disclosed above, Dr. Lan has not held any other directorship in any listed public companies in the last three years.

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

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

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

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

Mrs. SNG Sow-Mei (alias POON Sow Mei), aged 74, has been an INED since 2 October 2005 and is a member of the Audit Committee. She is an Independent Non-executive Director of ARA Asset Management (Fortune) Limited as the manager of Fortune Real Estate Investment Trust (listed in Hong Kong and Singapore) and Cheung Kong Infrastructure Holdings Limited (listed in Hong Kong). She is also an Independent Non-executive Director and the Lead Independent Director of Hutchison Port Holdings Management Pte Limited as the trustee-manager of Hutchison Port Holdings Trust (listed in Singapore).

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

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

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

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

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

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

1. ISSUED UNITS

It is proposed that the Buy-back Mandate will authorise the buy-back by Prosperity REIT of up to 10% of the Units in issue at the date of passing the EGM Resolution to approve the Buy-back Mandate. As at the Latest Practicable Date, the number of Units in issue was 1,441,694,696 Units. On the basis of such figure (and if no new Units will be issued after the Latest Practicable Date and up to the date of passing such EGM Resolution), exercise in full of the Buy-back Mandate would result in the purchase by Prosperity REIT of up to 144,169,469 Units. The number of Units in issue as at the date of passing such EGM Resolution is expected to be larger than the number of Units in issue as at the Latest Practicable Date, as a result of the Units expected to be issued to the REIT Manager as payment of part of the base fee and variable fees for the period from 1 January 2016 to 31 March 2016 to the REIT Manager by way of Units. Details of such Units expected to be issued to the REIT Manager will be disclosed by way of announcement on the date of issue.

2. REASONS FOR BUY-BACKS

The Directors believe that the general mandate from Unitholders to enable buy-back of Units is in the interests of Prosperity REIT and the Unitholders as a whole. Buy-backs may, depending on the circumstances and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Unit. The Directors are seeking the grant of a general mandate to buy back Units to give Prosperity REIT the flexibility to do so if and when appropriate. The number(s) of Units to be bought back on any occasion and the price and other terms upon which the same are bought back will be decided by the Directors at the relevant time having regard to the circumstances then pertaining and the interests of the Unitholders and Prosperity REIT. The Directors have no immediate plans to make any buy-backs at the current moment. Buy-backs of Units will only be made when the REIT Manager believes that such buy-backs will benefit Prosperity REIT and the Unitholders as a whole.

3. FUNDING OF BUY-BACKS

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

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

4. DISCLOSURE OF INTERESTS

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

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

5. DIRECTORS' UNDERTAKING

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

6. UNITS BOUGHT BACK

No buy-back of Units have been made by Prosperity REIT in the past six months prior to the Latest Practicable Date.

7. EFFECT OF THE TAKEOVERS CODE

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

For illustrative purposes only and as far as the REIT Manager is aware, as at the Latest Practicable Date, CK Property (being the largest Unitholder of Prosperity REIT) has a 19.09% interest in Prosperity REIT. In the event of full exercise of the Buy-back Mandate and assuming: (i) no Units are acquired by and/or bought back from CK Property; and (ii) no Units are issued by Prosperity REIT, CK Property's interest in Prosperity REIT would increase to 21.21%. In such case and based on the above assumptions, CK Property would not be obliged to make a mandatory general offer pursuant to Rule 26 of the Takeovers Code.

8. UNIT PRICES

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

	Highest <i>(HK\$)</i>	Lowest <i>(HK\$)</i>
April 2015	2.92	2.78
May 2015	2.90	2.80
June 2015	2.85	2.75
July 2015	2.99	2.63
August 2015	2.96	2.58
September 2015	2.83	2.58
October 2015	2.86	2.64
November 2015	2.89	2.78
December 2015	2.89	2.69
January 2016	2.80	2.57
February 2016	2.82	2.61
1 March 2016 to the date preceding the Latest Practicable Date	3.01	2.81

NOTICE OF EXTRAORDINARY GENERAL MEETING



Prosperity Real Estate Investment Trust

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

(Stock Code: 808)

Managed by



ARA Asset Management (Prosperity) Limited

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an **Extraordinary General Meeting** of the unitholders (the “**Unitholders**”) of Prosperity Real Estate Investment Trust (“**Prosperity REIT**”) will be held at Exhibition Venue A on Level 7, Fortune Metropolis, 6 Metropolis Drive, Hung Hom, Kowloon, Hong Kong on 6 May 2016 at 2:45 p.m. (or immediately after the conclusion of the AGM which is scheduled to be held on the same day at 2:30 p.m.) (“**EGM**”) for the purpose of considering and, if thought fit, passing with or without amendments, the resolutions below.

Words and expressions that are not expressly defined in this notice of extraordinary general meeting shall bear the same meaning as that defined in the unitholder circular dated 5 April 2016 (the “**Circular**”).

ORDINARY RESOLUTIONS

1. THAT:

- (a) approval (where relevant, shall include approval by way of ratification) be and is hereby given for the 2016 Waiver Extension and the New Annual Caps, in each case, as more fully described in the Circular; and
- (b) authorisation be granted to the REIT Manager, any director of the REIT Manager, the Trustee and any authorised signatory of the Trustee to complete and to do all such acts and things (including executing all such documents as may be required) as the REIT Manager, such director of the REIT Manager, the Trustee or such authorised signatory of the Trustee, as the case may be, may consider expedient or necessary or in the interest of Prosperity REIT to give effect to all matters in relation to the 2016 Waiver Extension and the New Annual Caps.

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. THAT:

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

3. THAT:

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

4. THAT:

- (a) subject to sub-paragraph (b) of this resolution, the exercise by the REIT Manager during the Relevant Period (as defined below) of all the powers of Prosperity REIT to purchase Units on the Hong Kong Stock Exchange, subject to and in accordance with the Trust Deed, the REIT Code, the circulars and guidelines issued by the SFC from time to time, and applicable laws of Hong Kong, be and is hereby generally and unconditionally approved;
- (b) the aggregate number of Units which may be purchased or agreed to be purchased by Prosperity REIT pursuant to the approval in sub-paragraph (a) of this resolution during the Relevant Period (as defined below) shall not exceed 10% of the total number of Units in issue as at the date of the passing of this resolution, and the authority pursuant to sub-paragraph (a) of this resolution shall be limited accordingly; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) for the purpose of this resolution, “**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Unitholders following the passing of this resolution; or
 - (ii) the expiration of the period within which the next annual general meeting of the Unitholders as referred to in (i) above is required to be held by the Trust Deed, the REIT Code or any applicable laws; or
 - (iii) the revocation or variation of the authority given under this resolution by the passing of an Ordinary Resolution.

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, 5 April 2016

Registered Office of the REIT Manager:
Units 5508–5509, 55th Floor
The Center
99 Queen’s Road Central
Hong Kong

Notes:

- (a) A Unitholder entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote in his/her stead. The person appointed to act as a proxy need not be a Unitholder.
- (b) In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the registered office of the Unit Registrar of Prosperity REIT, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof. Completion and return of the proxy will not preclude you from attending and voting in person should you so wish. In the event that you attend the meeting or adjourned meeting (as the case may be) after having lodged a form of proxy, the form of proxy will be deemed to have been revoked.
- (c) Where there are joint registered Unitholders of a Unit, any one of such Unitholders may vote at the meeting either personally or by proxy in respect of such Unit as if he/she were solely entitled thereto, but if more than one of such Unitholders is present at the meeting personally or by proxy, that one of such Unitholders so present whose name stands first on the Register of Unitholders of Prosperity REIT in respect of such Unit shall alone be entitled to vote in respect thereof.
- (d) The Register of Unitholders will be closed from Saturday, 30 April 2016 to Friday, 6 May 2016, both days inclusive, to determine which Unitholders will qualify to attend and vote at the EGM, during which period no transfer of Units will be effected. For those Unitholders who are not already on the Register of Unitholders, in order to qualify to attend and vote at the meeting convened by the above notice, all Unit certificates accompanied by the duly completed transfer forms must be lodged with the Unit Registrar of Prosperity REIT, Computershare Hong Kong Investor Services Limited, Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration by 4:30 p.m. on Friday, 29 April 2016.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (e) In compliance with the Trust Deed and the REIT Code, each member of the CK Property Connected Persons Group and the Manager Group and their respective associates will abstain from voting on the Ordinary Resolution to approve the 2016 Waiver Extension and the New Annual Caps, except pursuant to a proxy where a specific direction by an Independent Unitholder as to voting is given. Dr. Lan Hong Tsung, David will abstain from voting on the Ordinary Resolution to approve his continual service as an INED until the third annual general meeting of Unitholders following the forthcoming EGM, except pursuant to a proxy where a specific direction by an Independent Unitholder as to voting is given.

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