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(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))
(Stock Code: 808)

Managed by



ARA Asset Management (Prosperity) Limited

(1) PROPOSED AMENDMENTS TO THE TRUST DEED

AND

(2) PROPOSED GRANT OF GENERAL MANDATE TO BUY BACK UNITS

The Board of ARA Asset Management (Prosperity) Limited, as the REIT Manager of Prosperity Real Estate Investment Trust, announces that the REIT Manager proposes to adopt the Trust Deed Amendments and obtain the Buy-back Mandate, as more fully described herein.

The Circular containing among other things: (1) a letter from the Board to the Unitholders containing details of the Trust Deed Amendments and the Buy-back Mandate; and (2) the AGM Notice, will be despatched to Unitholders as soon as practicable.

The AGM will be held at 2:30 p.m. on Friday, 11 May 2018 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, the Special Resolutions and the Ordinary Resolution set out in the AGM Notice. For further details of the Special Resolutions and the Ordinary Resolution, please refer to the Circular and the AGM Notice.

For the purpose of ascertaining Unitholders' right to attend and vote at the AGM, the Register of Unitholders will be closed from Tuesday, 8 May 2018 to Friday, 11 May 2018 (both days inclusive), during which no transfer of Units will be effected.

This announcement is being made pursuant to paragraph 10.3 of the REIT Code.

A. OVERVIEW OF THE TRUST DEED AMENDMENTS

The Board wishes to announce that the REIT Manager is proposing to adopt the Trust Deed Amendments as summarized in this announcement. The proposed amendments to the Trust Deed are intended to update the Trust Deed so that it reflects the latest developments in the Hong Kong REIT market, or in other cases, to mirror the REIT Code or as the case may be, the Listing Rules

(as if they were applicable to REITs). The following summary should be read together with the full text of the Trust Deed Amendments set out in Appendix I to the Circular.

(i) Distribution Formula

The REIT Code requires that a REIT shall distribute to Unitholders each year an amount not less than 90% of its audited annual net income after tax. The amount of annual distribution required to be made by Prosperity REIT under the year-end distribution formula of Prosperity REIT set out in the Trust Deed currently exceeds the minimum annual distribution requirement under the REIT Code. Accordingly, the REIT Manager proposes to amend that formula to reflect the minimum annual distribution requirement under the REIT Code (subject to permitted adjustments) with effect from the distribution period ending 31 December 2019. For clarity, the distribution formula of Prosperity REIT as currently stated in the Trust Deed and as proposed are both in compliance with the REIT Code requirement. For the avoidance of doubt, the calculation of distributions for the financial years prior to and including the financial year ending 31 December 2018 will remain unchanged and unaffected by the proposed amendments.

Below is a summary of the proposed changes to the year-end distribution formula that will take effect from the distribution period ending 31 December 2019. Please refer to Part 1 of Appendix I to the Circular for the full text of the proposed amendments to the Trust Deed relating to the year-end distribution formula.

Current year-end distribution formula

$$DA = (90\% \text{ of ADI}) + C$$

Where:

DA is the Distribution Amount for that Distribution Period;

ADI is the amount (if any) by which the Annual Distributable Income for that Financial Year exceeds the aggregate of the Distribution Amount(s) for the previous Distribution Period(s) of that Financial Year; and

C is any additional amount (including capital), which the REIT Manager has determined is to be distributed.

Proposed year-end distribution formula (effective from the distribution period ending 31 December 2019)

$$DA = (90\% \text{ of ADI}) + C - D$$

Where:

DA is the Distribution Amount for that Distribution Period;

ADI is the Annual Distributable Income for that Financial Year;

C is any additional amount (including capital) which the REIT Manager has determined is to be distributed; and

D is the aggregate of the Distribution Amount(s) for the previous Distribution Period(s) of that Financial Year

As the current minimum annual distribution amount required under the Trust Deed exceeds the amount required under the REIT Code, the REIT Manager considers it prudent to reconcile the minimum annual distribution stated in the Trust Deed with the minimum annual distribution required under the REIT Code, in order to provide the REIT Manager with flexibility to achieve its key objectives for Prosperity REIT (being the provision of stable and sustainable distributions per Unit and the achievement of long-term growth in net asset value per Unit). The REIT Manager will continue to evaluate its distribution policy from time-to-time.

(ii) Voting by Show of Hands

Paragraph 3.3 of Schedule 1 to the Trust Deed currently provides that a resolution put to a meeting of Unitholders shall be decided on a poll and the result of the poll shall be deemed to be the resolution of the meeting.

In line with market practice and to provide the chairman of a meeting of Unitholders with flexibility to cater for any exceptional circumstances that may arise during a meeting of Unitholders, the REIT Manager proposes to amend paragraph 3.3 of Schedule 1 to the Trust Deed such that the chairman of a meeting of Unitholders may, in good faith, decide to allow a resolution which relates purely to a procedural or administrative matter to be decided by way of a show of hands. For such purposes, "procedural or administrative matters" are those that: (i) are not on the agenda of the meeting or in any supplementary circular to Unitholders; and (ii) relate to the chairman's duties to maintain the orderly conduct of the meeting and/or allow the business of the meeting to be properly and effectively dealt with, whilst allowing all Unitholders a reasonable opportunity to express their views. This is in line with the provisions of the Listing Rules in relation to voting by a show of hands by listed companies in Hong Kong. Please refer to Part 2 of Appendix I to the Circular for the full text of the proposed amendment to the Trust Deed relating to voting by show of hands.

The REIT Manager has applied to the SFC for a waiver from strict compliance with paragraphs 2.16, 2.23 and 9.9(h) of the REIT Code so as to allow, where the chairman of a meeting of Unitholders can, when he considers it to be in good faith, decide to allow a resolution which relates purely to the above-mentioned procedural or administrative matters to be decided by a show of hands. Such waiver is expected to be conditional upon: (a) due approval by Unitholders of Special Resolution No. 2 (as set out in the AGM Notice) at the AGM; (b) the resolutions to be determined by a show of hands are only in respect of the "procedural or administrative matters" referred to in (i) and (ii) in the preceding paragraph; and (c) an announcement shall be issued by the REIT Manager on the results of the voting in accordance with paragraph 10.11 of the REIT Code.

(iii) Maximum Number of Proxies

Currently, the Trust Deed does not set out the maximum number of proxies which may be appointed by a Unitholder. For meeting administrative reasons, the REIT Manager proposes to insert a new paragraph 3.8A into Schedule 1 to the Trust Deed such that a Unitholder may have the right to appoint separate proxies to represent respectively such number of the Units held by such Unitholder as may be specified in an instrument(s) of proxy, provided that the number of proxies appointed by a Unitholder shall not exceed two. Where the Unitholder is a recognised clearing house (within the meaning of the SFO)

or its nominee, the limitation on the number of proxies shall not apply. Please refer to Part 3 of Appendix I to the Circular for the full text of the proposed amendment to the Trust Deed relating to the maximum number of proxies.

(iv) Timing of Despatch of Circular

As set out in the Trust Deed, the REIT Manager is required to serve on the Unitholders a circular convening an extraordinary general meeting within 21 Business Days of the announcement in relation to the termination or the merger of Prosperity REIT. The REIT Manager proposes to amend Clauses 23.4 and 24.2 of the Trust Deed so that the circular will be served within 21 days (instead of 21 Business Days) of the announcement which is consistent with Clause 25.4.3 of the Trust Deed and paragraph 11.4 of the REIT Code. Please refer to Part 4 of Appendix I to the Circular for the full text of the proposed amendments to the Trust Deed relating to the timing of despatch of a circular.

(v) Definition of "Business Day"

"Business Day" is currently defined in the Trust Deed to include Saturdays. In line with market practice and to align the definition in the Trust Deed with that in Schedule 1 to the SFO, the REIT Manager proposes to amend Clause 1.1 of the Trust Deed so that Saturdays are excluded from the definition of "Business Day". Consequential amendments are proposed to be made to paragraphs 1.1 and 2.2 of Schedule 1 to the Trust Deed and the definition of "Business Hours" to remove all references to Saturdays therein. Please refer to Part 5 of Appendix I to the Circular for the full text of the proposed amendments to the Trust Deed relating to the definition of "Business Day".

(vi) Calculation of the 20% Threshold for Non-Pro Rata Issue of Units

Clause 5.1.6(i) of the Trust Deed allows Units to be issued to all existing Unitholders on a non-pro rata basis without Unitholders' approval in certain circumstances under which Units issued or issuable would be excluded for the purpose of determining whether the total number of new Units issued or agreed to be issued in that Financial Year would increase the number of Units that were outstanding at the end of the previous Financial Year by more than 20% (the "**Percentage Threshold**"). Currently, Clause 5.1.6(i) does not exclude circumstances where Units are issued on a pro rata basis.

In line with market practice, the REIT Manager proposes to amend Clause 5.1.6(i) of the Trust Deed such that:

- (a) any new Units issued or issuable in a Financial Year on a pro rata basis in accordance with Clause 5.1.5 of the Trust Deed shall be excluded for the purpose of calculating the Percentage Threshold for that Financial Year; and
- (b) the Percentage Threshold shall be proportionally adjusted in the event of, and to give effect to, a consolidation, sub-division or re-designation of Units.

Please refer to Part 6 of Appendix I to the Circular for the full text of the proposed amendments to the Trust Deed described in this section.

(vii) Trustee Ordinance Clarification Amendments

The Trustee Ordinance was revised with effect from 1 December 2013, which, among other things, provides that a trustee of a trust is not liable for any act or omission of an agent, nominee or custodian acting for the trust if the trustee has discharged the statutory duty of care applicable to the trustee imposed under the revised Trustee Ordinance, but if such provision is inconsistent with the terms of the instrument creating the trust (in the case of Prosperity REIT, the Trust Deed), then such provision in the Trustee Ordinance will not apply. In compliance with the 2014 SFC Circular, the REIT Manager proposes to adopt the Trustee Ordinance Clarification Amendments to the Trust Deed. Please refer to Part 7 of Appendix I to the Circular for the full text of the Trustee Ordinance Clarification Amendments.

(viii) Approval Requirement

Clause 26 of the Trust Deed provides that, save for certain limited exceptions as certified by the Trustee in writing, any modification, alteration or addition to the Trust Deed must be made with the sanction of a Special Resolution obtained at a meeting of Unitholders duly convened in accordance with Schedule 1 to the Trust Deed. The REIT Manager and the Trustee are only entitled to modify, alter or add to the Trust Deed by a supplemental deed after the requisite approval of the Unitholders and the prior approval of the SFC are obtained.

The REIT Manager proposes to seek Unitholders' approval of each of the proposed Special Resolution Nos. 1, 2, 3, 4, 5 and 6 as set out in the AGM Notice approving, respectively, each of the Trust Deed Amendments Requiring Approval. Such Special Resolutions will be decided by way of a poll at the AGM pursuant to the Trust Deed.

No specific approval from Unitholders is required for the Trustee Ordinance Clarification Amendments, provided that the Trustee certifies pursuant to Clause 26(ii) of the Trust Deed and paragraph 9.6(a) of the REIT Code that, in its opinion, such modifications, alterations and/or additions to the Trust Deed are necessary in order to comply with applicable fiscal, statutory or official requirements (whether or not having the force of law). The Trustee has indicated that it would provide the relevant certification in the supplemental Trust Deed to effect the Trustee Ordinance Clarification Amendments.

B. PROPOSED GRANT OF GENERAL MANDATE TO BUY BACK UNITS

At the annual general meeting of Unitholders held on 9 May 2017, an Ordinary Resolution was passed to grant a general mandate to the REIT Manager on behalf of Prosperity REIT to buy back Units of up to 10% of the aggregate number of Units in issue as at 9 May 2017. This general mandate will expire at the conclusion of the AGM. The REIT Manager proposes to seek Unitholders' approval at the AGM to grant a general mandate to the REIT Manager on behalf of Prosperity REIT to buy back Units on the Hong Kong Stock Exchange.

Under the Trust Deed, the REIT Manager shall not repurchase any Units until permitted to do so under the guidelines issued by the SFC from time to time. Pursuant to the 2008 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 2008 SFC Circular, including, *inter alia*, the despatch of an explanatory statement of the repurchase mandate to the unitholders and a specific approval or a general mandate to make such repurchase(s) has been obtained from the unitholders of the REIT.

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

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

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

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

C. RECOMMENDATIONS

(i) Directors

The Board considers that each of the Trust Deed Amendments Requiring Approval are in the interests of Prosperity REIT and the Unitholders as a whole, and accordingly, recommends Unitholders to vote in favour of each of the Special Resolution Nos. 1, 2, 3, 4, 5 and 6 in respect of the Trust Deed Amendments Requiring Approval.

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

(ii) Trustee

The Trustee has no objection to the Trust Deed Amendments Requiring Approval proposed by the REIT Manager provided that in the case of the Trust Deed Amendments Requiring Approval referred to in Section 2.1 of the Circular, being the proposed amendments to Prosperity REIT's year-end distribution formula, the Trustee's confirmation of no objection is conditioned on Prosperity REIT distributing to Unitholders each year an amount of not less than 90% of its audited annual net income after tax following the amendment in accordance with the REIT Code. Accordingly, subject to the Unitholders' and the SFC's prior approvals (with respect to the Trust Deed Amendments Requiring Approval) and the Trustee's certification pursuant to Clause 26(ii) of the Trust Deed and paragraph 9.6(a) of the REIT Code (with respect to the Trustee Ordinance Clarification Amendments), the Trustee will enter into a supplemental deed with the REIT Manager effecting the Trust Deed Amendments.

The Trustee has also confirmed that the Buy-back Mandate complies with the requirements in the Trust Deed and, subject to Unitholders' approval, the Trustee does not have any objection to the buy-back of Units pursuant to the Buy-back Mandate. The Trustee's confirmation is being furnished for the sole purpose of complying with the 2008 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 Announcement. The Trustee has not made any assessment of the merits or impact of the Buy-back Mandate, other than for the purposes of fulfilling its fiduciary duties set out in the Trust Deed and the REIT Code. Accordingly, the Trustee urges all Unitholders, including those who are in any doubt as to the merits or impact of the Buy-back Mandate, to seek their own financial or other professional advice.

D. GENERAL

The Circular containing among other things: (1) a letter from the Board to the Unitholders containing details of the Trust Deed Amendments and the Buy-back Mandate; and (2) the AGM Notice, will be despatched to Unitholders as soon as practicable.

The AGM will be held at 2:30 p.m. on Friday, 11 May 2018 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, the Special Resolutions and the Ordinary Resolution set out in the AGM Notice.

The Register of Unitholders will be closed from Tuesday, 8 May 2018 to Friday, 11 May 2018 (both days inclusive), during which no transfer of Units will be effected, to determine which Unitholders will qualify to attend and vote at the AGM. For those Unitholders who are not already on the Register of Unitholders, in order to qualify to attend and vote at the AGM, all duly completed transfers of Units accompanied by the relevant Unit certificates must be lodged with the Unit Registrar of Prosperity REIT, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by 4:30 p.m. on Monday, 7 May 2018.

E. RESPONSIBILITY STATEMENT

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 announcement 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 announcement misleading.

F. MISCELLANEOUS

A copy of the Trust Deed is available for inspection at the registered office of the REIT Manager at all times from 9:00 a.m. to 5:00 p.m. on business days (with prior appointment) in accordance with the provisions of the Trust Deed. A copy of the proposed draft form of the supplemental deed to effect the Trust Deed Amendments will be available for inspection at the registered office of the REIT Manager from 9:00 a.m. to 5:00 p.m. on business days (with prior appointment) from the date of the Circular up to and including the date of the AGM.

G. DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context otherwise requires:

2008 SFC Circular	The “Circular to Management Companies of SFC-authorized Real Estate Investment Trusts - On-market Unit Repurchases by SFC-authorized REITs”, issued by the SFC on 31 January 2008.
2014 SFC Circular	The “Circular to Management Companies and Trustees of SFC-authorized Hong Kong domiciled funds”, issued by the SFC on 17 April 2014.
AGM	The annual general meeting of Unitholders to be convened on Friday, 11 May 2018 at 2:30 p.m., at Exhibition Venue A on Level 7, Fortune Metropolis, 6 Metropolis Drive, Hung Hom, Kowloon, Hong Kong.
AGM Notice	The notice included in the Circular in respect of the AGM to consider and, if thought fit, approve the Special Resolutions and the Ordinary Resolution to be proposed at the AGM.
Annual Distributable Income	Has the meaning ascribed to it in the Trust Deed.
Board	The board of directors of the REIT Manager.
Buy-back Mandate	The general mandate authorising the buy-back by Prosperity REIT of up to 10% of the Units in issue at the date of passing the relevant resolution to approve the Buy-back Mandate on the Hong Kong Stock Exchange, as more fully described in the Circular.

Circular	The circular to the Unitholders dated 4 April 2018 which, among other things, provides the AGM Notice and further information on the Trust Deed Amendments and the Buy-back Mandate.
Directors	The directors of the REIT Manager.
Distribution Amount	Has the meaning ascribed to it in the Trust Deed.
Distribution Period	Has the meaning ascribed to it in the Trust Deed.
Financial Year	Has the meaning ascribed to it in the Trust Deed.
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.
Listing Rules	The Rules Governing the Listing of Securities on Hong Kong Stock Exchange.
Ordinary Resolution	A resolution passed by a simple majority of the votes of those Unitholders present and entitled to vote in person or by proxy at a duly convened meeting by way of a poll, but with a quorum of two or more Unitholders holding 10% of Units in issue.
Percentage Threshold	Has the meaning given to this term in section A (vi) of this announcement.
Prosperity REIT	Prosperity Real Estate Investment Trust.
REIT	Real Estate Investment Trust.
REIT Code	The Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being.
REIT Manager	ARA Asset Management (Prosperity) Limited, in its capacity as manager of Prosperity REIT.
SFC	The Securities and Futures Commission of Hong Kong.
SFO	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).
Special Resolution	A resolution passed by a majority consisting of 75% or more of the votes of those Unitholders present and entitled to vote in person or by proxy at a duly convened meeting by way of a poll, but with a quorum of two or more Unitholders holding 25% of Units in issue.

Trust Deed	The trust deed entered into between the Trustee and the REIT Manager constituting Prosperity REIT, dated 29 November 2005 and as amended, varied and supplemented from time to time.
Trust Deed Amendments	The proposed amendments to the Trust Deed, the details of which are set out in Appendix I to the Circular.
Trust Deed Amendments Requiring Approval	The proposed amendments to the Trust Deed which require the approval of Unitholders at the AGM by way of a Special Resolution, being the amendments the details of which are set out in Parts 1, 2, 3, 4, 5 and 6 of Appendix I to the Circular.
Trustee	HSBC Institutional Trust Services (Asia) Limited, in its capacity as the trustee of Prosperity REIT.
Trustee Ordinance Clarification Amendments	The proposed amendments to the Trust Deed in line with the 2014 SFC Circular, the details of which are set out in Part 7 of Appendix I to the Circular
Unit	One undivided unit in Prosperity REIT.
Unit Registrar	Computershare Hong Kong Investor Services Limited, in its capacity as the unit registrar of Prosperity REIT.
Unitholder	Any person registered as holding a Unit and any person holding Units through the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited.

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

Hong Kong, 4 April 2018

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