

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)



A Step Ahead

ANNUAL REPORT 2005

Manager



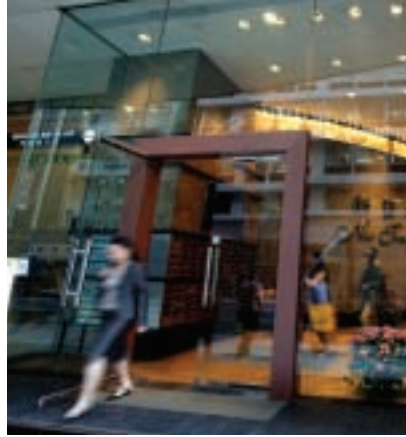
Asset Management (Prosperity) Limited

A STEP AHEAD

Prosperity Real Estate Investment Trust

Amidst a backdrop of intense market interest in real estate investment trusts (“REITs”) in Hong Kong, Prosperity Real Estate Investment Trust (“Prosperity REIT”) was the first private sector REIT to list on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Managed by a highly experienced and visionary management team, Prosperity REIT focuses on optimizing returns from the existing asset base through pro-active asset management and multi-dimensional growth strategies. We leverage on our professionalism and unrivalled expertise to drive growth of Prosperity REIT and bring strong returns to our unitholders. In an increasingly competitive REIT market, we are committed to keeping a step ahead of the game.



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Chairman's Statement

“ Prosperity REIT is committed to providing unitholders with stable distribution as well as long term growth in net asset value per unit. ”



Chairman's Statement

To Our Unitholders

On behalf of the Board of Directors (the "**Board**") of ARA Asset Management (Prosperity) Limited, as manager of Prosperity REIT (the "**Manager**"), I am pleased to present to you the inaugural annual report for Prosperity REIT.

2005 was a prosperous year for Hong Kong as sustainable economic growth was reported. It was also an exceptional year for the office property market as strong demand from the finance, business services, trading and manufacturing sectors impacted positively on office rents throughout the territory. It was under such favorable conditions that Prosperity REIT was listed on the Stock Exchange as the first private sector REIT in Hong Kong to a warm market reception.

Within the sixteen-day reporting period, from 16 December 2005 to 31 December 2005 (the "**Reporting Period**"), we have already demonstrated our capabilities in maximizing returns for our unitholders. Through effective lease renewal management and effort to upgrade the tenant base, rental growth of 14.5% on the portfolio average unit rent was recorded for the period from June to December 2005 and a high occupancy rate of 92.2% was posted as at the end of 2005. For this Reporting Period, I am pleased to report to you that the distributable income to unitholders amounts to a total of HK\$29,039,000.

Hong Kong's Gross Domestic Product ("**GDP**") in 2005 surpassed its 1997 peak to reach new heights. Hong Kong has fully emerged from the Asian financial crisis and has regained its strength and vitality. Looking forward, the Mainland economy is expected to continue delivering strong growth on a firmer footing after macroeconomic adjustments. The implementation of Closer Economic Partnership Arrangement ("**CEPA**") is poised to liberalize trade between Hong Kong and the Mainland. As a result, Hong Kong's position as a regional financial and banking centre will be further strengthened.

We have great confidence in the prospects of the Hong Kong economy. Riding on the positive commercial property market outlook, we are committed to driving the

organic growth of the Prosperity REIT portfolio. We will continue to enhance our tenant base to generate attractive returns for unitholders in the next fiscal term and beyond.

The REIT market is expected to take off in Hong Kong and competition will intensify as we progress in 2006. We remain unwavering in our investment mandate. We will continue to pursue property acquisition opportunities to generate incremental returns to unitholders. Prosperity REIT is committed to providing unitholders with stable distribution as well as long term growth in net asset value per unit.

Finally, I would like to take this opportunity to thank all the unitholders for their confidence and support. Likewise, I would like to extend my gratitude to my fellow Board members and the management team for their tremendous contribution during this period.

Chiu Kwok Hung, Justin

Chairman

**ARA Asset Management (Prosperity) Limited
as Manager of Prosperity REIT**

Hong Kong, 16 March 2006

Trust Review

Prosperity REIT Performance

Table covering the Reporting Period:

	HK\$'000
Turnover	6,483
Net profit attributable to unitholders	239,690
Income available for distribution	29,039
Earnings per unit (HK\$)	0.19

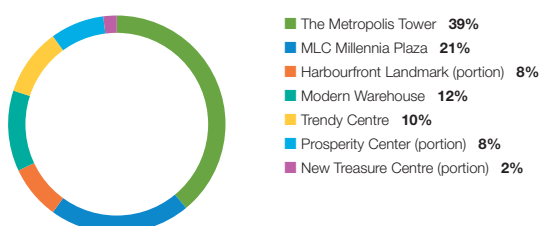
A Portfolio of High-Quality Property

Prosperity REIT owns a portfolio of high quality commercial properties in Hong Kong. The portfolio is well-placed to capitalize on the robust economic recovery in Hong Kong and the strong rebound in the office property market. The portfolio comprises seven properties with a total of 1,200,633 sq.ft.

The appraised value of these properties as at 31 December 2005 was HK\$4,548 million. Of this total, Grade "A" office buildings made up of 67.7% of the portfolio value; industrial/office buildings made up 29.9%; industrial building made up 2.4%. Two Grade "A" office buildings – The Metropolis Tower and MLC Millennia Plaza – account for 60.0% of portfolio value and 40.8% of total rentable area.

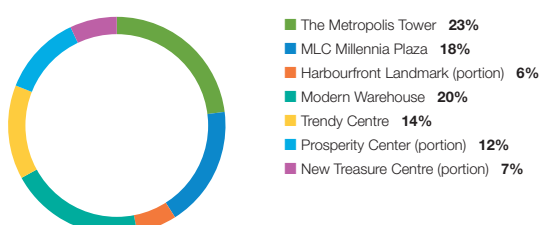
Appraised Value by Property

(As at 31 December 2005)



Gross Rentable Area by Property

(As at 31 December 2005)

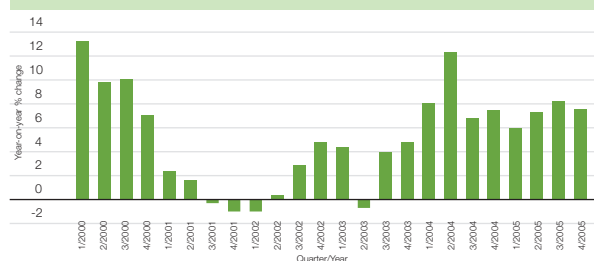


Favourable Economic Prospects

Hong Kong's economy continued to expand rapidly in 2005 with GDP growing by 7.3% on a year-on-year basis. Exports of goods and services, and import of goods all recorded remarkable growth. Private consumption expenditure rose by 3.7%. There are positive signs of strong economic growth sustainable in the coming year.¹



Gross Domestic Products (GDP) At constant (2000) market prices



Source: Census and Statistics Department, HKSAR Government. Statistic released on 22nd February, 2006

Hong Kong has undergone considerable economic restructuring to enhance its position in the value chain. In 2005, the GDP recorded by the "services sector" increased by 8.1% overall. In particular, the "transport, storage and communications" industries recorded a surge of 13.5%. The "wholesale, retail and import and export trades, restaurants and hotels" increased by 11.2% and the "financing, insurance, real estate and business services" industries grew by 9.3%.² Such strong growth in service sectors boosted the demand for office spaces in both prime and decentralized business districts.



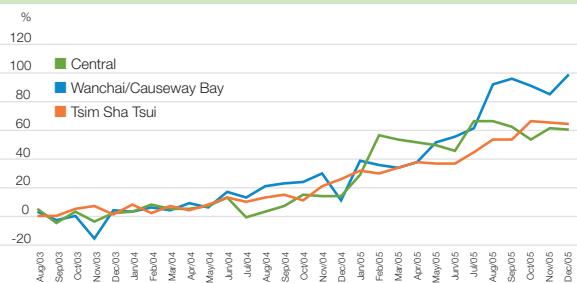
¹ Source: Census and Statistics Department, HKSAR Government.
² Figures for 2005 refer to the percentage changes in the first three quarters over the same period a year earlier. Source: Hong Kong in Figures 2006 Edition, published in February 2006 by Census and Statistics Department, HKSAR Government.

Trust Review

2005 was a tremendous year for the Grade “A” office market which saw rents rising by around 70% on average, the highest year-on-year change recorded since 1992. Strong demand from the finance, business services, trading and manufacturing sectors drove up occupancy rates and pushed rents sky-high. The tight supply situation is not expected to ease in the near future as only 1.1 million sq.ft. of new Grade “A” office space is scheduled to come on stream in 2006, compared with a 10-year average supply of 2.4 million sq.ft. per annum and 10-year average take-up of 2.2 million sq.ft. per annum.³ This growth phenomenon will have a positive knock-on effect on demand in the decentralized business districts.



Hong Kong Grade A Office Cumulative Rental Increment Trend



Source: Rating and Valuation Department, HKSAR Government
ARA Asset Management (Prosperity) Limited

3 Source: Savill (Hong Kong) Limited.
4 Source: Budget Speech by Financial Secretary on 22 February 2006.
5 The average monthly effective rent per leased square foot as at 31 December 2005 is calculated as the monthly effective rental income divided by the leased area of the properties within the Prosperity REIT portfolio. Effective rental income is defined as Total Rental Income, as

The implementation of CEPA has liberalized trade between Hong Kong and the Mainland China. It is estimated that 29,000 new jobs⁴ were created after the implementation of CEPA in 2004, fuelling growth in the industrial and industrial/office properties market. Many Chinese enterprises have since set up operations in Hong Kong and have utilized the opportunity to raise funds through the equity capital market. CEPA strengthened Hong Kong’s role as an international financial center for the Mainland China and the region. This position has generated increasing business activities and resulted in strong demand for prime office space.

Under such a favorable economic backdrop, Prosperity REIT has delivered satisfactory returns through increased rental rates and stable occupancy.

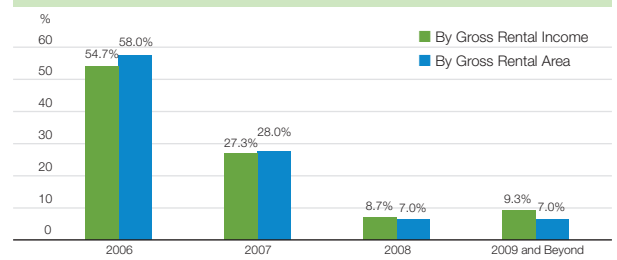
Strong Rental Growth

Effective lease renewal management has allowed Prosperity REIT to capitalize on the growth in office rents. The average effective unit rent of the portfolio has increased to HK\$10.08 per sq.ft. per month⁵ by the end of December 2005. Strong rental growth was further achieved through a stable occupancy of 92.2%⁶.

Leases expiring in 2006 accounted for 54.7% of the portfolio rental income and 58% of portfolio gross rentable area as at 31 December 2005. Given such significant proportion of leases due for renewal, Prosperity REIT will continue to benefit directly from the upward office rental trend in 2006.

Lease Expiry Profile of the Portfolio

(As at 31 December 2005)



adjusted to amortize the effect of any rent-free period offered to tenants over the lease period. Leased area is defined as Gross Rentable Area, adjusted for the occupancy rate.

6 The average occupancy rate is the weighted average of the occupancy of all properties within the Prosperity REIT portfolio as at 31 December 2005.

Trust Review

Lease Expiry Profile by Gross Rental Income, as at 31 December 2005

	2006	2007	2008	2009 and Beyond
	(%)	(%)	(%)	(%)
The Metropolis Tower	67.5	19.3	13.2	–
MLC Millennia Plaza	61.3	27.0	11.7	–
Harbourfront Landmark (portion)	–	–	–	100
Modern Warehouse	66.5	28.7	4.8	–
Trendy Centre	48.9	50.7	0.4	–
Prosperity Center (portion)	45.5	38.1	16.4	–
New Treasure Centre (portion)	37.8	59.1	3.1	–
Portfolio	54.7	27.3	8.7	9.3

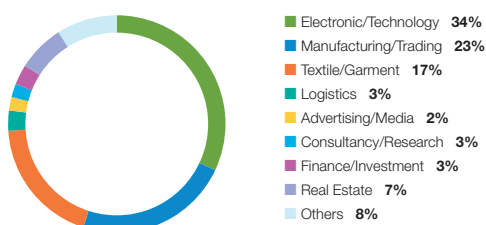
Well-balanced Tenant Base

As at 31 December 2005, Prosperity REIT has 503 tenancies in total. The tenant base was characterized by key beneficiaries of the territory's strong economic recovery, such as those in electronic/technology, manufacturing/trading, and textile/garment industries.

The portfolio comprises a balanced mix of international corporations and small-to-medium sized enterprises. Tenants occupying premises over 5,000 sq.ft. take up 39% of the total rentable area of the portfolio. Our aim is to build a well-balanced tenant base with good credibility to generate stable rental income.

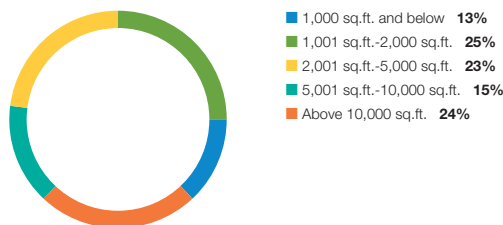
Portfolio Trade Mix by Gross Rentable Area

(As at 31 December 2005)



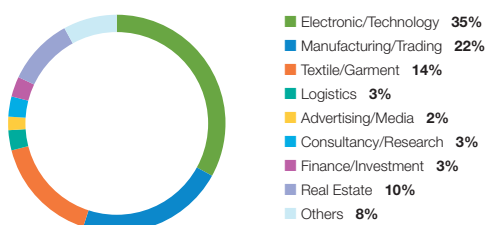
Size of Tenant Premises on Gross Rental Area

(As at 31 December 2005)



Portfolio Trade Mix by Gross Rentable Income

(As at 31 December 2005)



Trust Review



Close-to-Zero Delinquency Rate

During the Reporting Period, the delinquency rate⁷ was close to zero. This was achieved by effective lease management and diligent selection of tenants with good credit by a team of highly experienced asset management professionals.

Close Attention to Detail

Within the sixteen-day period from 16 December 2005 (the "Listing Date") to 31 December 2005, landlord provision works, improvements in the common areas, upgrading of customer services and signages, and energy conservation measures have been commenced. These activities have contributed to Prosperity REIT's strong brand image and more importantly, better marketing position to fully capture the strong rental reversion potential.

We believe in paying close attention to details. The services offered to tenants and building maintenance were enhanced to further strengthen the positioning of each property under Prosperity REIT.



Strategic Locations, Sustainable Growth

All seven properties within the Prosperity REIT portfolio are well positioned in strategic locations with convenient access to mass transportation network, such as the MTR, KCRC and the cross harbour tunnels or within walking distance from major commercial hubs. The buildings are characterized by their high-quality design and finishes. As the economy continues to grow, the properties of Prosperity REIT are well positioned to capture the rental uptrend in the years to come.



⁷ Delinquency refers to rental receivable that remain unpaid for 90 days or more after their due dates.

Trust Review



Property	Location	Year of Completion	Gross Rentable Area (sq.ft.)	No. of Building Storey	No. of Carpark Spaces	Government Grant Expiration
The Metropolis Tower	Hung Hom	2001	271,418	15	98	30 June 2047
MLC Millennia Plaza	North Point	1999	217,955	32	43	30 June 2047
Harbourfront Landmark (portion)	Hung Hom	2001	77,021	3	-	30 June 2047
Modern Warehouse	Kwun Tong	1996	240,000	27	60	30 June 2047
Trendy Centre	Cheung Sha Wan	1998	173,764	30	79	30 June 2047
Prosperity Center (portion)	Kwun Tong	1999	134,307	26	105	30 June 2047
New Treasure Centre (portion)	San Po Kong	1995	86,168	30	22	30 June 2047
Portfolio			1,200,633		407	

Initial Public Offering Events



The listing ceremony of Prosperity REIT, the first private sector real estate investment trust in Hong Kong sponsored by Cheung Kong (Holdings) Limited, attracted vast media coverage and public interest at the Stock Exchange of Hong Kong on 16 December 2005.

At the listing ceremony inside the trading hall of Hong Kong Exchanges and Clearing Limited ("HKEx"), from left to right:

- Mr. K. L. Wong** Managing Director & Chairman of Asia Origination, Merrill Lynch (Asia Pacific) Limited
- Ms. Eirene Yeung** Director, Corporate Strategy Unit & Company Secretary, Cheung Kong (Holdings) Limited
- Ms. Christina Choi** Director of Investment Products Division, Securities and Futures Commission
- Mr. Charlie Lin** CEO & Executive Director, ARA Asset Management (Prosperity) Limited
- Mr. John Lim** CEO, ARA Asset Management Group
- Mr. Peter Wong** Listing Committee Member, HKEx
- Mr. Justin Chiu** Chairman, ARA Asset Management Group
- Mr. Edmond Ip** Deputy Managing Director, Cheung Kong (Holdings) Limited
- Mrs. Alexa Lam** Executive Director of Intermediaries and Investment Products, Securities and Futures Commission
- Mr. Lawrence Fok** Executive Vice President & Head of Business Development Division, HKEx
- Mr. Gerald Ma** Non-executive Director, ARA Asset Management (Prosperity) Limited
- Ms. Elizabeth Soon** Executive Director, ARA Asset Management (Prosperity) Limited
- Ms. Catherine Leung** Managing Director & Head of Hong Kong Corporate Finance, J.P. Morgan Securities (Asia Pacific) Limited



Prosperity REIT donated HK\$1 million to The Community Chest of Hong Kong.

Cheque presentation at the listing ceremony inside the trading hall of HKEx, from left to right:

- Mr. Raymond Or, J.P.** Chairman, Executive Committee, The Community Chest of Hong Kong
- Mr. Justin Chiu** Chairman, ARA Asset Management Group



With an overwhelming market response, Prosperity REIT attracted very significant over-subscription with the Hong Kong Public Offering approximately 260 times over-subscribed and the International Offering approximately 19 times over-subscribed.

Press conference was held at the Harbour Plaza Hong Kong Hotel on 4 December 2005 to announce the Hong Kong Public Offering. From left to right:

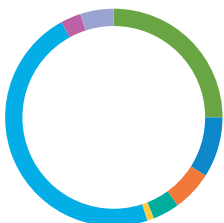
- Mr. Gerald Ma** Non-executive Director, ARA Asset Management (Prosperity) Limited
- Mr. Justin Chiu** Chairman, ARA Asset Management Group
- Mr. Charlie Lin** CEO & Executive Director, ARA Asset Management (Prosperity) Limited

Prosperity REIT Portfolio



Trade Mix by Gross Rentable Area

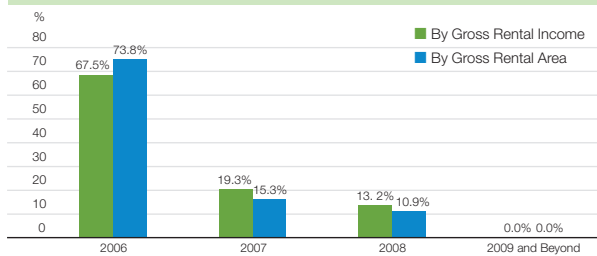
(As at 31 December 2005)



- Manufacturing/Trading **25%**
- Textile/Garment **4%**
- Advertising/Media **4%**
- Logistics **5%**
- Electronic/Technology **52%**
- Finance/Investment **3%**
- Consultancy/Research **1%**
- Others **6%**

Lease Expiry Profile of The Metropolis Tower

(As at 31 December 2005)



Prosperity REIT Portfolio

The Metropolis Tower

Location No. 10 Metropolis Drive Hung Hom, Kowloon
Year of Completion 2001
Gross Rentable Area ("GRA") (sq.ft.) 271,418
No. of Carpark Spaces 98
Appraised Value¹ (HK\$ million) 1,790.0
Number of Tenancies 90



The Metropolis Tower is located at the established transportation hub and within the gravity of the densely developed commercial district of Tsim Sha Tsui. The location is characterized by public facilities such as concert and sports hall, a university and immediate access to the entrance of the Cross Harbour Tunnel, the busiest tunnel in Hong Kong.

The Metropolis Tower is part of the 1.42 million sq.ft. comprehensive development which integrated prime retail, office, hotel and service apartment. The Metropolis Tower is a prominent landmark in the district and well-connected by mass transportation links. The property takes full advantage of its connectivity to the Hung Hom KCRC Station whereby trains running directly to the Mainland. The Station is integrated with a bus terminal and taxi station.

Modern features of The Metropolis Tower include column free floor plate design, raised floor system, backup power supply, central air conditioning, fiber optic backbone and satellite communication. Anchor tenants include Canon Hong Kong Company Limited, NEC Hong Kong Limited, Sanford International HK Limited, Oval Enterprises Limited and Asia Television Limited.

Given The Metropolis Tower locates at the fringe area of the commercial hub of Tsim Sha Tsui, it benefits directly from the office decentralization trend under surging rental in core business area. Since a high volume of tenancy is due for renewal in 2006, which is equivalent to 67.5% of total rental income as at 31 December 2005, the rental reversion potential is eminent. The Manager's key objective in this property is managing lease renewal effectively to fully capture the market uptrend.

Top 5 Tenants²

Tenant Name	Trade	Gross Rentable Area (sq.ft.)	% of Gross Rentable Area	% of Total Rental Income
Canon Hongkong Company Limited	Electronic/Technology	36,322	13.4%	11.8%
NEC Hong Kong Limited	Electronic/Technology	21,384	7.9%	6.6%
Sanford International HK Ltd	Manufacturing/Trading	17,755	6.5%	7.3%
Oval Enterprises Limited	Electronic/Technology	13,696	5.0%	4.7%
Asia Television Limited	Advertising/Media	10,892	4.0%	4.3%

Note 1: As at 31 December 2005.

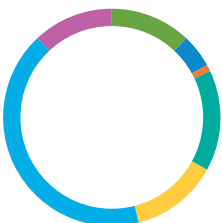
Note 2: Top 5 tenants are measured based on tenant's contribution to the total rental income of the property as at 31 December 2005.

Prosperity REIT Portfolio



Trade Mix by Gross Rentable Area

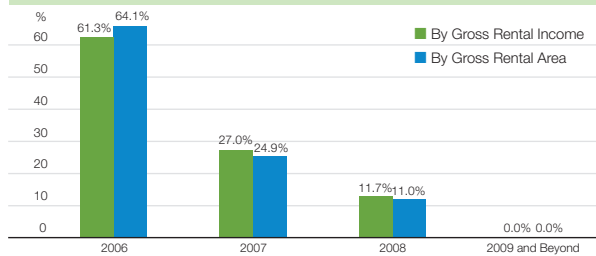
(As at 31 December 2005)



Manufacturing/Trading	12%
Advertising/Media	5%
Textile/Garment	1%
Consultancy/Research	13%
Electronic/Technology	42%
Finance/Investment	12%
Others	15%

Lease Expiry Profile of MLC Millennia Plaza

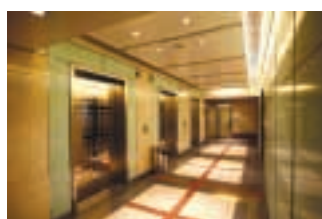
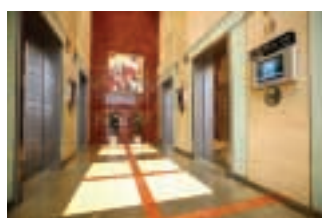
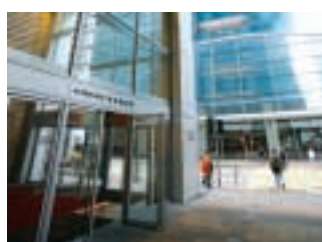
(As at 31 December 2005)



Prosperity REIT Portfolio

MLC Millennia Plaza

Location No. 663 King's Road North Point, Hong Kong
Year of Completion 1999
Gross Rentable Area ("GRA") (sq.ft.) 217,955
No. of Carpark Spaces 43
Appraised Value¹ (HK\$ million) 940.0
Number of Tenancies 70



MLC Millennia Plaza is strategically located in the established office area on King's Road in North Point. The building is adjacent to Harbour Plaza North Point Hong Kong Hotel and North Point Government Office. The building is within 2 minutes' walk to the Quarry Bay MTR Station. Bus and tram stations are close by. The entrance of Eastern Harbour Crossing Tunnel is only 2 minutes' drive away.

MLC Millennia Plaza features column-free floor plate design with full height window. Units on high zone enjoy panoramic view over the Victoria Harbour. Anchor tenants include Computer and Technologies Holdings Limited, Pacific Century Systems Limited, The University of Hong Kong, Excel Technology International (HK) Ltd. and Oracle Added Value Limited. Currently, 42% of total GRA are electronic/technology tenants.

The Island East district is becoming an information technology hub housing I.T. related trade and services providers. The quality of Grade A office buildings and their infrastructure are comparable to premium buildings in core business areas but at a lower rental. Given these advantages, the building and the area will continue to benefit from the decentralization of office tenants from central area. Leases account for 61.3% of the total rental income as at 31 December 2005 will be due for renewal negotiation in 2006. Again, the Manager will strive to manage leases renewal effectively and strategically to maximize rental income for unitholders.

Top 5 Tenants²

Tenant Name	Trade	Gross Rentable Area (sq.ft.)	% of Gross Rentable Area	% of Total Rental Income
Pacific Century Systems Ltd.	Electronic/Technology	16,628	7.6%	7.5%
Computer and Technologies Holdings Ltd.	Electronic/Technology	16,628	7.6%	7.4%
The University of Hong Kong	Others	15,636	7.2%	7.0%
Excel Technology International (HK) Ltd	Electronic/Technology	11,058	5.1%	6.1%
Oracle Added Value Limited	Consultancy/Research	11,835	5.4%	5.8%

Note 1: As at 31 December 2005.

Note 2: Top 5 tenants are measured based on tenant's contribution to the total rental income of the property as at 31 December 2005.

Prosperity REIT Portfolio

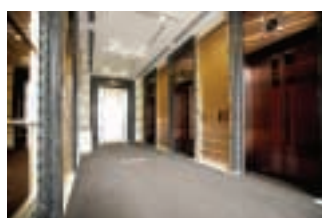
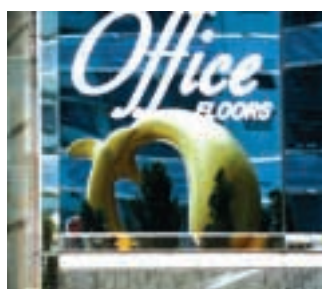


Prosperity REIT Portfolio

Harbourfront Landmark Property

(portion of Harbourfront Landmark, "Harbourfront Landmark Property")

Location No. 11 Wan Hoi Street, Hungghom, Hong Kong
Year of Completion 2001
Gross Rentable Area ("GRA") (sq.ft.) 77,021
No. of Carpark Spaces -
Appraised Value¹ (HK\$ million) 350.0
Number of Tenancies 1



The subject property refers to the three-storey Grade A office premises on the podium level of Harbourfront Landmark, a stunning skyscraper on the Kowloon waterfront. It is adjacent to two blocks of large-scale Grade A office tower and a renowned five-star hotel, the Harbour Plaza Hong Kong Hotel. With the modern curtain wall system, the subject property enjoys panoramic view over the Victoria Harbour.

Tenant of Harbourfront Landmark Property is well supported by the catering, conference and accommodation facilities of the adjoining hotel. The subject property is only 2 minutes' drive from the Hungghom KCRC Station which links up Kowloon, the New Territories and the Mainland. It is also close to the Kowloon side of the Cross Harbour Tunnel, enjoying convenient access to Hong Kong Island and the rest of Kowloon. A ferry pier with frequent ferry services to and from the central business districts including Central, Wanchai and North Point is located within 3 minutes' walking distance from the property.

As at 31 December 2005, Harbourfront Landmark Property has been fully leased. The total GRA in 77,021 sq.ft. has been leased to Tremayne Investments Limited, a property investment company which is a wholly owned subsidiary of Hutchison Whampoa Properties Limited, a connected person of Prosperity REIT. The lease has been negotiated on an arm's length basis, taking into account the overall property market environment and the size of the premises. The rent is consistent with the prevailing market rent. It is a six-year lease term ending 31 October 2011, with an option to renew for a further term of three years.

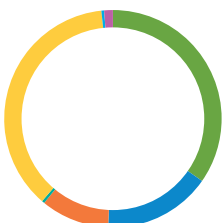
Note 1: As at 31 December 2005.

Prosperity REIT Portfolio



Trade Mix by Gross Rentable Area

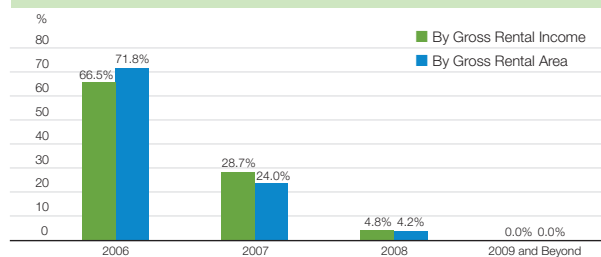
(As at 31 December 2005)



Manufacturing/Trading	34.7%
Textile/Garment	16.0%
Logistics	0.4%
Electronic/Technology	37.0%
Advertising/Media	0.4%
Real Estate	1.3%
Others	10.2%

Lease Expiry Profile of Modern Warehouse

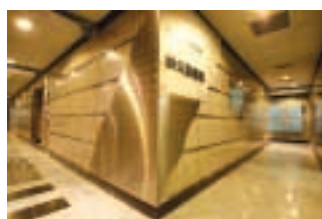
(As at 31 December 2005)



Prosperity REIT Portfolio

Modern Warehouse

Location No. 6 Shing Yip Street, Kwun Tong, Kowloon
Year of Completion 1996
Gross Rentable Area ("GRA") (sq.ft.) 240,000
No. of Carpark Spaces 60
Appraised Value¹ (HK\$ million) 550.0
Number of Tenancies 115



Modern Warehouse is located in the well-established industrial area of Kwun Tong which is now fast emerging as a new commercial center in the Kowloon East area with opening of new shopping centers and office developments. Growing number of international trading and manufacturing corporations and back-up offices of banking sectors are moving into this district. Modern Warehouse directly benefited from the transformation of the district as denoted by a significant number of tenants from the technology/electronic sectors.

Kwun Tong district is well served by both rail and road infrastructure. Modern Warehouse is close to the Kowloon side of the Eastern Harbour Crossing Tunnel entrance providing convenient accessibility from Hong Kong Island and Kwun Tong MTR Station is just a few minutes walk away.

The spacious main entrance and modern building design distinguishes itself amongst other properties in the vicinity. In addition, units on high zone offer spectacular seaview. Anchor tenants include Long Far Herbal Medicine Manufacturing HK Limited, Robotoolz Limited, Shinco Digital Limited, Body Glove (Far East) Ltd and e-Smart System Inc².

Apart from endeavors to capture the market opportunity to maximize rental reversion during lease renewal in 2006, the Manager will focus on micro management of the property to enhance service quality. Tenancy due for renewal in 2006 accounted for 66.5% of the total rental income as at 31 December 2005.

Top 5 Tenants³

Tenant Name	Trade	Gross Rentable Area (sq.ft.)	% of Gross Rentable Area	% of Total Rental Income
Long Far Herbal Medicine Mfg (HK) Limited	Manufacturing/Trading	13,794	5.7%	6.5%
Robotoolz Limited	Electronic/Technology	7,072	2.9%	3.2%
e-Smart System Inc. ²	Electronic/Technology	4,598	1.9%	2.9%
Shinco Digital Limited	Electronic/Technology	5,402	2.3%	2.8%
Body Glove (Far East) Limited	Textile/Garment	5,402	2.3%	2.2%

Note 1: As at 31 December 2005.

Note 2: e-Smart System Inc. is a connected person of Prosperity REIT within the meaning of the REIT Code.

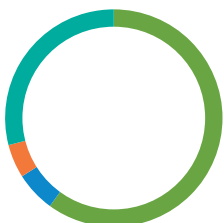
Note 3: Top 5 tenants are measured based on tenant's contribution to the total rental income of the property as at 31 December 2005.

Prosperity REIT Portfolio



Trade Mix by Gross Rentable Area

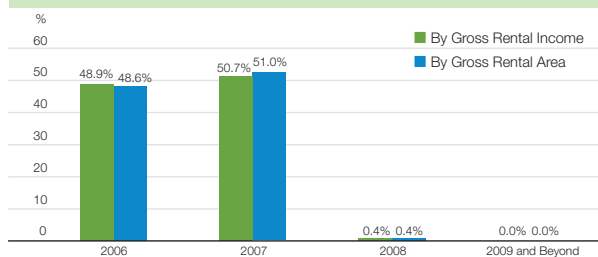
(As at 31 December 2005)



- Textile/Garment **61%**
- Electronic/Technology **5%**
- Manufacturing/Trading **29%**
- Others **5%**

Lease Expiry Profile of Trendy Centre

(As at 31 December 2005)



Prosperity REIT Portfolio

Trendy Centre

Location
No. 682 Castle Peak Road,
Cheung Sha Wan, Kowloon

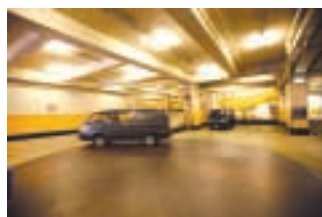
Year of Completion
1998

**Gross Rentable Area
("GRA") (sq.ft.)**
173,764

No. of Carpark Spaces
79

Appraised Value¹
(HK\$ million)
460.0

Number of Tenancies
123



Trendy Centre is situated on Castle Peak Road in Cheung Sha Wan district which is the heart of garment wholesaling and fashion industry. The building benefits directly from close proximity to manufacturers and wholesalers in the fashion and accessory industry within the district. Based on this geographical advantage, tenants in textile/garment industry accounted for 61% of the property gross rentable area.

Its proximity to the Container Terminal has made Cheung Sha Wan another favorable business location for manufacturers, shipping and trading companies. Airport related infrastructure such as Route 3 and the Tsing Ma Bridge provide Cheung Sha Wan district with a convenient link to both the Mainland China and the airport. Location of Trendy Centre is well served by public transport and Lai Chi Kok MTR Station is only 5 minutes' walk away.

In Trendy Centre, building facilities include television broadcasting system and digital touch-screen tenant directory. Anchor tenants include Asiantology International Limited, Jakob Mueller Hong Kong China Limited, Mustang Computer Technology Limited, Verdon International Limited and Esquel Enterprises Limited.

Lease expiry in 2006 accounted for 49% of total rental income as at 31 December 2005. The Manager's objective in managing this property in 2006 will be upgrading the tenant base to ensure renewal rental commensurate with market level and at the same time maintaining stable occupancy.

Top 5 Tenants²

Tenant Name	Trade	Gross Rentable Area (sq.ft.)	% of Gross Rentable Area	% of Total Rental Income
Asiantology International Limited	Manufacturing/Trading	20,547	11.8%	10.8%
Esquel Enterprises Ltd	Textile/Garment	6,849	3.9%	4.6%
Jakob Mueller Hong Kong China Limited	Manufacturing/Trading	5,633	3.2%	2.8%
Mustang Computer Technology Limited	Electronic/Technology	2,958	1.7%	1.9%
Verdon International Limited	Textile/Garment	2,927	1.7%	1.8%

Note 1: As at 31 December 2005.

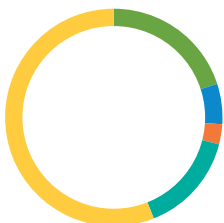
Note 2: Top 5 tenants are measured based on tenant's contribution to the total rental income of the property as at 31 December 2005.

Prosperity REIT Portfolio



Trade Mix by Gross Rentable Area

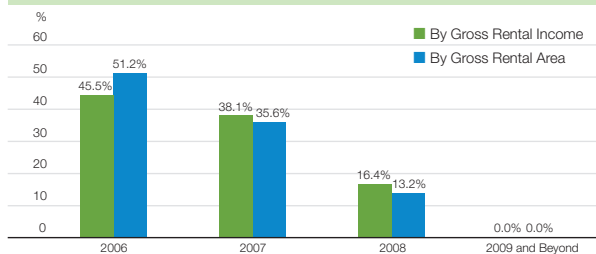
(As at 31 December 2005)



- Manufacturing/Trading **20%**
- Textile/Garment **6%**
- Logistics **14%**
- Electronic/Technology **57%**
- Others **3%**

Lease Expiry Profile of Prosperity Centre Property

(As at 31 December 2005)

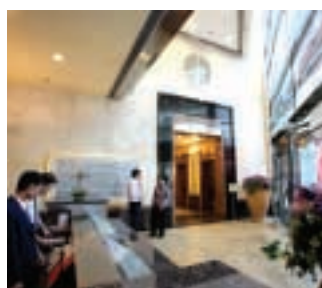


Prosperity REIT Portfolio

Prosperity Center Property

(portion of Prosperity Centre, "Prosperity Center Property")

Location No. 25 Chong Yip Street, Kwun Tong, Kowloon
Year of Completion 1999
Gross Rentable Area ("GRA") (sq.ft.) 134,307
No. of Carpark Spaces 105
Appraised Value¹ (HK\$ million) 350.0
Number of Tenancies 50



Prosperity Center Property is located in the traditional high density industrial district in Eastern Kowloon. The building is only 3 minutes' walk to Ngau Tau Kok MTR Station.

Since Kwun Tong district is transforming itself from an industrial into a commercial area in recent years, Prosperity Center benefits from the upscale redevelopment in its immediate neighborhood which enhance the overall image and environment of the district.

One major feature of the property is that 13 loading and unloading bays are available. This provision has attracted logistics and manufacturing/trading tenants. Units on high level enjoy panoramic view of the Victoria Harbour. Anchor tenants include e-Smart System Inc.², Rhythm Industrial (Hong Kong) Limited, Ferroxcube Hong Kong Limited, YCH Logistics (Hong Kong) Limited and Imaginative Design Operation Company Limited.

In view of a high percentage of tenancy, which accounted for 45.5% of total rental income as at 31 December 2005, is due for renewal in 2006, the Manager's strategy in this building will be managing lease renewal effectively to maximize rental income.

Top 5 Tenants³

Tenant Name	Trade	Gross Rentable Area (sq.ft.)	% of Gross Rentable Area	% of Total Rental Income
e-Smart System Inc. ²	Electronic/Technology	10,528	7.8%	12.6%
Rhythm Industrial (Hong Kong) Limited	Electronic/Technology	10,528	7.8%	7.4%
YCH Logistics (Hong Kong) Limited	Logistics	4,597	3.4%	4.6%
Ferroxcube Hong Kong Limited	Electronic/Technology	5,545	4.1%	4.0%
Imaginative Design Operation Co. Limited	Electronic/Technology	3,371	2.5%	3.4%

Note 1: As at 31 December 2005.

Note 2: e-Smart System Inc. is a connected person of Prosperity REIT within the meaning of the REIT Code.

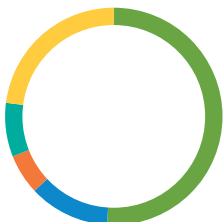
Note 3: Top 5 tenants are measured based on tenant's contribution to the total rental income of the property as at 31 December 2005.

Prosperity REIT Portfolio



Trade Mix by Gross Rentable Area

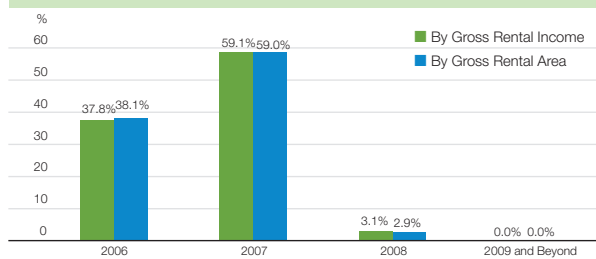
(As at 31 December 2005)



Textile/Garment	52%
Logistics	6%
Electronic/Technology	8%
Manufacturing/Trading	22%
Others	12%

Lease Expiry Profile of New Treasure Centre

(As at 31 December 2005)

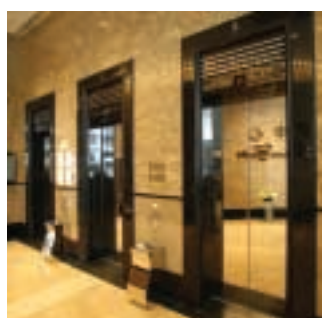
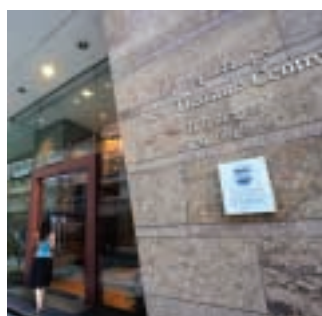


Prosperity REIT Portfolio

New Treasure Centre Property

(portion of New Treasure Centre, "New Treasure Centre Property")

Location No. 10 Ng Fong Street, San Po Kong, Kowloon
Year of Completion 1995
Gross Rentable Area ("GRA") (sq.ft.) 86,168
No. of Carpark Spaces 22
Appraised Value¹ (HK\$ million) 108.0
Number of Tenancies 54



New Treasure Centre Property is located in San Po Kong, Kowloon, which is predominantly an industrial area well served by various transportation, including MTR, buses and public light buses.

The prestigious design of the main lobby distinguishes itself from other older industrial buildings in the vicinity. The property is within 5 minutes' walk to Diamond Hill MTR Station.

The building has flexible floor plate to cater needs of different tenants. Anchor tenants include Goodwell Property Management Limited², Laison (China) Company Limited, Megahope Limited, Union Apparel International Limited and Everfit Enterprises (HK) Limited.

Due to surging industrial demand induced by robust economic recovery and the implementation of CEPA, there is a growing number of logistics tenant from 4.7% to 6% in terms of total GRA from September to December 2005. In 2006, the Manager will focus on upgrading the tenant base to ensure stable occupancy and maximize rental income.

Top 5 Tenants³

Tenant Name	Trade	Gross Rentable Area (sq.ft.)	% of Gross Rentable Area	% of Total Rental Income
Goodwell Property Management Ltd ²	Others	10,018	11.6%	10.4%
Union Apparel International Limited	Manufacturing/Trading	6,291	7.3%	7.1%
Laison (China) Company Limited	Textile/Garment	2,496	2.9%	3.3%
Megahope Limited	Manufacturing/Trading	2,496	2.9%	3.0%
Everfit Enterprises (HK) Limited	Textile/Garment	2,386	2.8%	2.9%

Note 1: As at 31 December 2005.

Note 2: Goodwell Property Management Limited is a connected person of Prosperity REIT within the meaning of the REIT Code.

Note 3: Top 5 tenants are measured based on tenant's contribution to the total rental income of the property as at 31 December 2005.



Sustainable Growth

Prosperity REIT is committed to provide unitholders with stable and sustainable distributions per unit and to achieve long-term growth in net asset value per unit.



Lobby of Metropolis Tower

The Manager actively manages the property portfolio to maximize rental income growth, upgrade the tenant base, capture property enhancement opportunities, and maximise occupancy levels.

The Manager seeks to capitalize on acquisition opportunities primarily in the Hong Kong commercial property sector that provide attractive cash flow yields and the potential for net asset growth.



Management Discussion and Analysis

Operation Review

Prosperity REIT was listed on the Main Board of the Stock Exchange on 16 December 2005. The results of Prosperity REIT for the Reporting Period cover the period from 16 December 2005 to 31 December 2005.

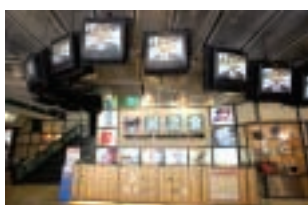
Upon listing, Prosperity REIT completed the acquisition of interests in seven properties, as well as a finance company for a total purchase price of HK\$4,459 million.

Prosperity REIT owns a diverse portfolio of seven quality commercial properties in Hong Kong, comprising three Grade A office buildings, all or a portion of three

industrial/office buildings and a portion of one industrial building totaling a gross rentable area of approximately 1.2 million sq.ft. as at the period end date.

Information on the properties in the portfolio as at the period end date is summarized as follows:

	Location	Gross Rentable Area (sq.ft.)	No. of Carpark Spaces	Valuation HK\$ Million	Occupancy Rate
Grade A Office					
The Metropolis Tower	Hunghom	271,418	98	1,790	98.2%
MLC Millennia Plaza	North Point	217,955	43	940	94.4%
Harbourfront Landmark (portion)	Hunghom	77,021	–	350	100.0%
Industrial/Office					
Modern Warehouse	Kwun Tong	240,000	60	550	88.2%
Trendy Centre	Cheung Sha Wan	173,764	79	460	88.8%
Prosperity Center (portion)	Kwun Tong	134,307	105	350	79.6%
Industrial					
New Treasure Centre (portion)	San Po Kong	86,168	22	108	98.5%
		1,200,633	407	4,548	92.2%



Management Discussion and Analysis

The revenue and net property income (before landlord provision) of the properties portfolio during the Reporting

Period were HK\$8,202,000 and HK\$5,468,000 respectively.

	Turnover	Rental Related Income	Total Revenue	Net Property Income (before landlord provision*)
	HK\$000	HK\$000	HK\$000	HK\$000
Grade A Office				
The Metropolis Tower	1,971	704	2,675	1,844
MLC Millennia Plaza	1,154	414	1,568	1,031
Harbourfront Landmark (portion)	559	112	671	549
Industrial/Office				
Modern Warehouse	1,187	53	1,240	701
Trendy Centre	784	244	1,028	718
Prosperity Center (portion)	525	107	632	369
Industrial				
New Treasure Centre (portion)	303	85	388	256
	6,483	1,719	8,202	5,468

* The Manager has proactively commenced landlord provision works in the amount of HK\$4,654,000 in order to enhance the competitive edge of the properties. Through early commencement of some tenant improvements, the downtime period between tenancies will be shortened.



Management Discussion and Analysis

2005 was a tremendous year for the Grade A office market which saw rents rising by around 70% on average due to strong demand from the finance, business services, trading and manufacturing sectors. Given the lack of new office space expected to come on stream in 2006, the imbalance between supply and demand is not expected to ease anytime in the near future, fuelling further growth in rental levels in the office sector. With a substantial proportion of Prosperity REIT's leases, which account for 54.7% of total rental income, becoming due for renewal in 2006, it is expected that rental income for Prosperity REIT will significantly improve. Prosperity REIT is well positioned to benefit directly from the continued economic growth of Hong Kong in 2006 and beyond.

As at the year end date, Prosperity REIT's property portfolio recorded an investment property revaluation surplus of HK\$10 million, based on a professional valuation performed by an independent valuer, Chesterton Petty Limited.

During the Reporting Period, interest income in the amount of HK\$29,920,000 was earned, mainly due to the over-subscription of units during Prosperity REIT's initial public offering. The finance cost of HK\$4,114,000 was accrued due to the banking facilities used.

Total income for the Reporting Period was HK\$8,202,000, which was HK\$738,000 below the forecast as disclosed in the offering circular dated 5 December 2005 ("**OC Forecast**"). This was mainly due to the frictional vacancy in some of the properties.

The total property operating expenses (before landlord provision) for the Reporting Period was HK\$2,734,000, which was HK\$904,000 higher than the OC Forecast mainly due to the implementation of enhancement works that we have proactively commenced in all the properties during the Reporting Period. In order to achieve strong rental growth and maximize returns for our unitholders, the Manager has proactively implemented asset enhancement works for the properties which is in line with one of the asset management strategies of property enhancement opportunities.

The Manager has also proactively commenced landlord provision works in the amount of HK\$4,654,000 in order to enhance the competitive edge of the properties. Through early commencement of some tenant improvements, the downtime period between tenancies will be shortened.

The distributable income for the Reporting Period was HK\$29,039,000, which was 5.6 times over the OC Forecast mainly due to the interest income earned during the initial public offering.

The Manager has been operating Prosperity REIT in accordance with the asset management strategy and will continue to manage the assets of Prosperity REIT for the benefit of the unitholders.

Management Discussion and Analysis

Financial Review

Liquidity and Financing

Upon listing, a total number of 1,250,962,222 units were issued. The issue price per unit was HK\$2.16. The total proceeds of approximately HK\$2,702 million were received through the issue of units.

As at the Reporting Period end date, Prosperity REIT had a facility of HK\$1,900 million, comprising a HK\$1,770 million term loan facility and a HK\$130 million revolving credit facility, each for a term of five years. The whole facility was fully drawn on the Listing Date. The term loan is repayable five years from the date of the drawdown. The revolving facility will be repaid on each maturity date and can be redrawn upon maturity.

Each of the term loan facility and the revolving credit facility bears interest at a variable rate. In order to hedge against fluctuations in interest rate under the term loan, effective on the Listing Date, Prosperity REIT's finance company entered into interest rate swap agreements for a total notional amount equivalent to HK\$1,770 million. Under the terms of the interest rate swap arrangement, the interest rate of the term loan portion of the facility will be fixed from the Listing Date until 16 December 2010 at an average interest rate of 1.4%.

The total borrowings of Prosperity REIT as a percentage of Prosperity REIT's gross assets was 38.3% as at the period end date. The gross liabilities of Prosperity REIT as a percentage of Prosperity REIT's gross assets was 43.4% as at the period end date.

Prosperity REIT had HK\$89 million cash balance as at the Reporting Period end date and has sufficient financial resources to satisfy its commitments and working capital requirements.

Charges on Assets

As at the Reporting Period end date, the seven properties of Prosperity REIT, with aggregate carrying value of HK\$4,548 million, were pledged to secure bank loan facilities of Prosperity REIT's finance company.

Prosperity REIT and its subsidiaries have provided guarantees for the loan facility of HK\$1,900 million, comprising a HK\$1,770 million term loan facility and a HK\$130 million revolving credit facility. The whole facility was fully drawn on the Listing Date and the outstanding amount at the end of the Reporting Period was the same as the drawn down amount.

Employees

Prosperity REIT is managed by the Manager. Prosperity REIT does not employ any staff itself.

Major Real Estate Agents and Contractors

There was no commission paid to any real estate agents during the Reporting Period and the total value of service contracts of the top five contractors engaged by Prosperity REIT during the Reporting Period was HK\$ 4,093,000.

Top Five Contractors

The top five contractors and their respective value of service were as follows:

Contractors	Nature of Services	Value of Contract	Percentage
<i>HK\$000</i>			
Jetworld Engineering Ltd	Landlord provision	1,994	46.8%
Citybase Property Management Limited	Building management	749	17.6%
Goodwell Property Management Limited	Building management	718	16.9%
Onway Engineering Ltd	Landlord provision	455	10.7%
Goodwell-Prosperity Property Services Limited	Property management	177	4.2%
		4,093	96.2%



R
E
I
T

Respect
Excellence
Integrity
Teamwork

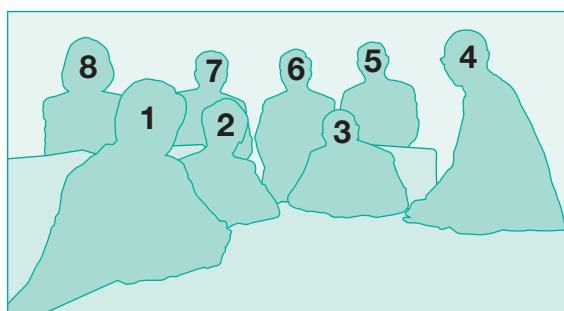
The Manager's Philosophy



Prosperity REIT is managed by ARA Asset Management (Prosperity) Limited. Key managers of the ARA group of businesses are highly experienced professionals who have extensive experience in real estate industry in Hong Kong and elsewhere in Asia.



Directors and Senior Management Biographical Information



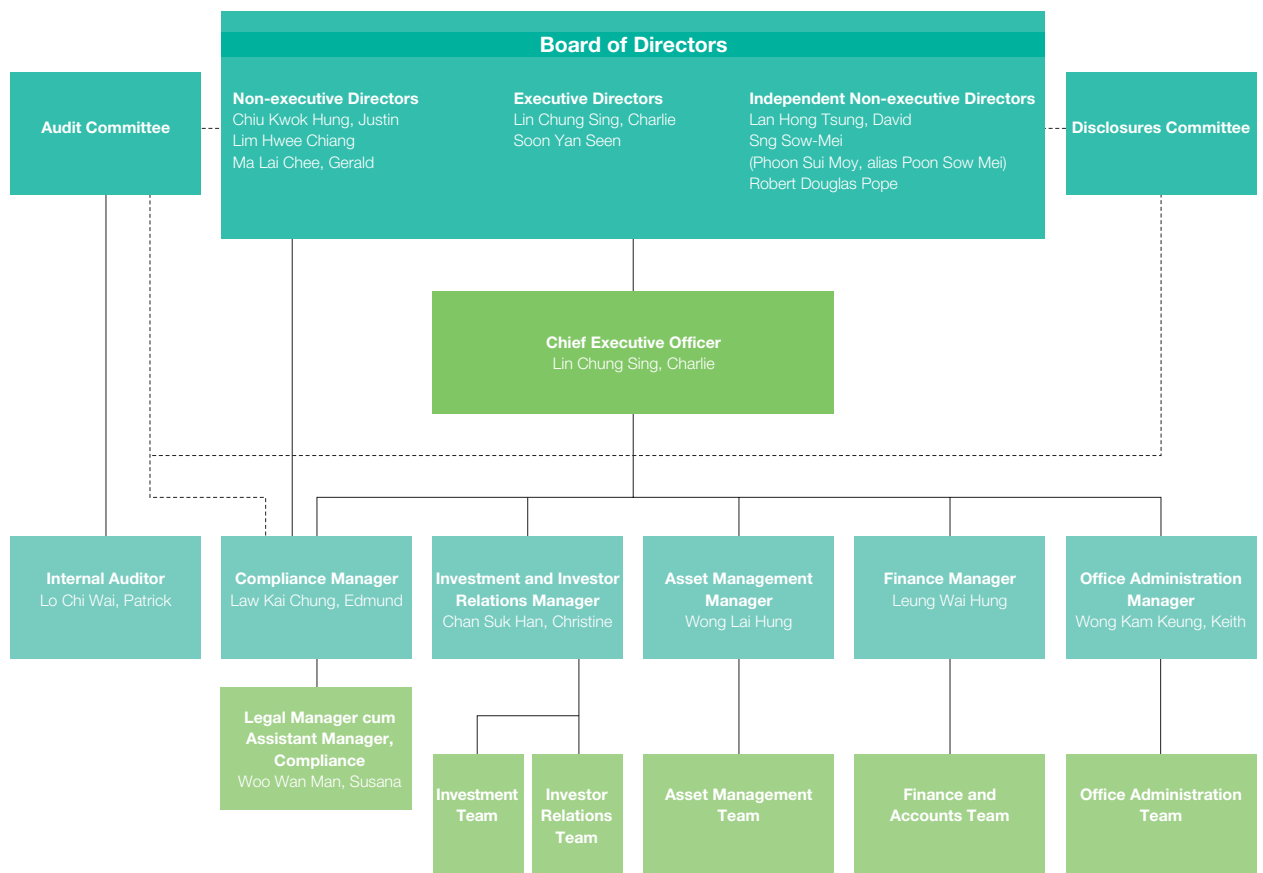
- 1. CHIU Kwok Hung, Justin**
Chairman of the Manager
- 2. SNG Sow-Mei (PHOON Sui Moy, alias POON Sow Mei)**
Independent Non-executive Director of the Manager
- 3. LAN Hong Tsung, David**
Independent Non-executive Director of the Manager
- 4. MA Lai Chee, Gerald**
Non-executive Director of the Manager
- 5. LIN Chung Sing, Charlie**
Executive Director, CEO and a Responsible Officer of the Manager
- 6. LIM Hwee Chiang**
Non-executive Director of the Manager
- 7. Robert Douglas POPE**
Independent Non-executive Director of the Manager
- 8. SOON Yan Seen**
Executive Director and a Responsible Officer of the Manager

Directors and Senior Management Biographical Information

The Board of the Manager is responsible for the overall governance of the Manager including establishing goals for management and monitoring the achievement of these goals.

The Board comprises eight Directors, three of whom are Independent Non-executive Directors (“INED”).

Organisational and Reporting Structure of the Manager



Dotted lines represent ad hoc reporting on a case by case basis

Directors and Senior Management Biographical Information

Directors

CHIU Kwok Hung, Justin, Chairman of the Manager, aged 56, joined Cheung Kong (Holdings) Limited ("**Cheung Kong**") in 1997 and has been an Executive Director since 2000, heading the real estate sales, marketing and property management team. He is also the Chairman of ARA Asset Management (Singapore) Limited, ARA Trust Management (Suntec) Limited and Al Islami Far Eastern Real Estate Fund Limited.

Mr. Chiu has more than 26 years of international experience in real estate in Hong Kong as well as other countries and is one of the most respected professionals in Hong Kong. He is also a financial columnist for two major newspapers in Hong Kong. Prior to joining Cheung Kong, Mr. Chiu was with Hang Lung Development Company Limited for 15 years from 1979 to 1994 and Sino Land Company Limited for three years from 1994 to 1997. He was responsible for retail and commercial leasing as well as property management in those companies.

Mr. Chiu holds a Bachelor of Sociology degree and a Bachelor of Economics degree from Trent University in Ontario, Canada and is a Fellow of the Hong Kong Institute of Real Estate Administration. He is also a member of the Shanghai Committee of the Chinese People's Political Consultative Conference.

LIM Hwee Chiang, a Non-executive Director of the Manager, aged 49, is the Director and Group Chief Executive Officer of the ARA group of companies and the Director of ARA Asset Management (Singapore) Limited and ARA Trust Management (Suntec) Limited, which is the manager of Fortune Real Estate Investment Trust and Suntec Real Estate Investment Trust.

Mr. Lim has over 25 years of experience in real estate. From 1997 to 2002, Mr Lim was an Executive Director of GRA (Singapore) Private Limited ("**GRA**"), which is a wholly-owned subsidiary of Prudential (US) Real Estate investors. Prior to joining GRA, he was the Founder and Managing Director of The Land Managers, a Singapore-based property and consulting firm specializing in feasibility studies, marketing and leasing management in Singapore, Hong Kong, and China, from 1996 to 1997. He was also the General Manager of Singapore Labour Foundation Management Services Pte Ltd for five years from

1991 to 1995. Prior to this, he worked for DBS Land Limited (now known as CapitaLand Limited after its merger with Pidemco Land Pte Ltd), a public listed Singapore-based real estate development and investment company for 10 years from 1981 to 1990.

Mr. Lim holds an Engineering degree (First Class Honours), a Master of Science degree as well as a Diploma in Business Administration from the National University of Singapore. He also sits on the board of Teckwah Industrial Corporation Ltd (as an independent director and a member of the audit committee) and Inter-Roller Engineering Limited, both of which are publicly listed companies in Singapore.

MA Lai Chee, Gerald, a Non-executive Director of the Manager, aged 38, joined Cheung Kong in February 1996 and is currently the director, corporate strategy unit, and the chief manager, corporate business development, responsible for joint venture development and management, financial management, and investor relations management.

Mr. Ma is a director of AMTD Financial Planning Limited, iBusiness Corporation Limited, CK Communications Limited, PowerCom Network Hong Kong Limited, Beijing Net-Infinity Technology Development Co. Ltd. and mReferral Corporation (HK) Limited.

He has over 15 years of international experience in banking, investment and portfolio management, real estate sales and marketing as well as direct investment in technology related ventures. Prior to joining Cheung Kong, he was Assistant Vice President of the Citibank N.A. (now known as Citigroup) specialising in asset management and investment advisory services.

Mr. Ma holds a Bachelor of Commerce degree in Finance from the University of British Columbia, Canada. He is a committee member of both the Finance and Hospitality Services Committees for Caritas Hong Kong. He is also a member of the Chancellor's circle of the University of British Columbia, Canada.

Directors and Senior Management Biographical Information

LIN Chung Sing, Charlie, an Executive Director, the Chief Executive Officer and a Responsible Officer of the Manager, aged 55. Mr. Lin has over 26 years of working experience in the real estate industry including 14 years of working experience in the U.S.

Prior to joining the Manager, Mr. Lin was an associate director and general manager of Sino Land Company Limited (“**Sino Group**”) and a director of the Sino Group subsidiary Sino Estate Management Limited. While at the Sino Group, Mr. Lin was responsible for overseeing the group’s Asset Management Division which covers leasing and property management of retail, residential, office and industrial space. In addition, Mr. Lin also headed the Sino Group’s subsidiary car park, estate management, security and cleaning companies.

Prior to joining the Sino Group, Mr. Lin was chief executive officer of Shanghai Gang Hong Industrial Development Company Limited from 2003 to 2004 where he oversaw the group’s shopping mall development. He was also the chief executive officer of Shanghai Weicon Optics Company Limited from 2001 to 2002 where he oversaw its corporate operations and reorganisation. Prior to that, Mr. Lin was the executive director of Asia Plus Broadcast Company Limited (Hong Kong) from 2000 to 2001 where he oversaw the group’s finance, administration and business development.

From 1993 to 2000, Mr. Lin was a director of Hang Lung (China) Ltd. and in charge of the development of two landmark projects in Shanghai, “The Grand Gateway” and “Plaza 66”. Mr. Lin’s responsibilities included overseeing the China operations and joint venture companies. His duties ranged from strategic planning, investment valuation, acquisition, business plan, project development, budgeting, financial performance, business administration, marketing, sales, leasing, property management, government coordination and public relation.

Mr. Lin started his career in the real estate industry in 1978 with the Tenants & Owners Development Corp. in San Francisco, California as a Financial Controller. In 1986, he formed Prime Realty and Development Company (also in San Francisco) and was the broker/president before moving back to Hong Kong in 1992.

Mr. Lin holds a B.S. Accounting degree from Woodbury University, Los Angeles, USA and is a Certified Property Manager (CPM), Certified Commercial Investment Member (CCIM), Certified Real Estate Brokerage Manager (CRB). Mr. Lin also holds a Hong Kong Estate Agent’s (Individual) licence.

SOON Yan Seen, an Executive Director and a Responsible Officer of the Manager, aged 41. Ms. Soon was a director and the head of Pacific Basin Investment of a major European insurance company for three years from 2002 to 2005. She was responsible for the overall investment of Pacific Basin assets of the company. This involved asset allocation and stock selection for the funds under management in Asia.

Ms. Soon has over 15 years of investment management experience. Between 1992 to 2002, Ms. Soon was a director of a UK listed investment management company. She was the head of Asia ex-Japan and the fund manager of various institutional and unit trust funds. She chaired the Far East Asset Allocation Committee and was a member of the Global Asset Allocation Committee.

Ms. Soon holds a Master of Business Administration degree from Manchester Business School and a Bachelor of Accountancy degree from the National University of Singapore, and is a qualified Chartered Financial Analyst. She previously served on the Executive Committee of the Hong Kong Investment Funds Association and was the Vice-Chairman of the China Subcommittee of the Association. She is currently a Fellow of the Hong Kong Institute of Directors.

LAN Hong Tsung, David, an Independent Non-executive Director of the Manager, aged 65, has been an Independent Non-executive Director and a member of the Audit Committee of Cheung Kong Infrastructure Holdings Limited since February 2005. He is also an Independent Non-executive Director of Hutchison Harbour Ring Limited. He is currently the Chairman of David H T Lan Consultants Ltd., and holds directorships at Nanyang Commercial Bank Ltd. and other companies, as well as a Senior Advisor of Mitsui & Co. (H.K.) Ltd. Mr. Lan was the Secretary for Home Affairs of the Hong Kong Special Administrative Region Government until his retirement in July 2000. He had served as civil servant in various capacities for 39 years. He was awarded the Gold Bauhinia Star Medal (GBS) on 1 July 2000. In January 2003, he was appointed National Committee Member of the Chinese People’s Political Consultative Conference of the People’s Republic of China. Mr. Lan is a Chartered Secretary and a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He received his Bachelor of Arts degree in Economics and Law from the University of London and completed the Advanced Management Program (AMP) of the Harvard Business School, Boston.

Directors and Senior Management Biographical Information

SNG Sow-Mei

(PHOON Sui Moy, alias POON Sow Mei), an Independent Non-executive Director of the Manager, aged 64, has been an Independent Non-executive Director and a member of the Audit Committee of Cheung Kong Infrastructure Holdings Limited since September 2004. She has been an independent director of ARA Asset Management (Singapore) Limited since 23 June 2003 and an independent director of ARA Trust Management (Suntec) Limited since 28 October 2004. Mrs. Sng is currently the Senior Consultant (International Business) of Singapore Technologies Electronics Ltd., a member of the Singapore Technologies Engineering Ltd., which is listed on the Singapore Exchange Limited ("**SGX**"). Concurrently, she is an Advisor of InfoWave Pte Ltd., an associated company of ST Electronics (Info-Comm Systems) Pte Ltd., which is a wholly-owned subsidiary of Singapore Technologies Electronics Ltd. Mrs. Sng was the Director, Special Projects (North East Asia) in 2000 and a Consultant in 2001 with the Singapore Technologies Pte Ltd. Prior to these appointments, she was the Managing Director of CapitalLand Hong Kong Ltd. for investments in Hong Kong and the region including Japan and Taiwan. Mrs. Sng has spent 15 years from 1983 to 1997 in Hong Kong as the Centre Director and then as Regional Director of the Singapore Economic Development Board and Trade Development Board respectively, during which she promoted bi-lateral investment and trade between Singapore, Hong Kong and southern China. Mrs. Sng was Singapore's Trade Commissioner in Hong Kong from 1990 to 1997. Mrs. Sng holds a Bachelor of Arts degree from the Nanyang University in Singapore and 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) by the former President of Singapore, Mr. Ong Teng Cheong, in recognition of her service.

Robert Douglas POPE, an Independent Non-executive Director of the Manager, aged 59, was the director of the Lands Department under the Hong Kong Government and the Hong Kong Special Administrative Region Government for 9 years beginning in August 1993 until he retired in May 2002. During his retirement, he has carried out a small property consultancy business advising several Hong Kong clients.

Mr. Pope joined the Government in February 1970 and was in the Lands Department for 32 years during which time he served in various posts and for several years he was a member of the Sino British Land Commission. He was also a member of the Town Planning Board, the Housing Authority, the managing board of the Land Development Corporation and the supervisory board of the Hong Kong Housing Society. Mr. Pope was awarded the Order of the British Empire (OBE) in July 1997, and the Silver Bauhinia Star Medal (SBS) in July 2002 for his meritorious and dedicated service to the Government particularly in the evolution of land policy.

Mr. Pope was a fellow of the Royal Institution of Chartered Surveyors and was chairman of the Hong Kong branch. He was also a fellow of the Hong Kong Institute of Surveyors of which he was a founding member.

Directors and Senior Management Biographical Information

Executive Officers

LIN Chung Sing, Charlie is the Chief Executive Officer of the Manager. Details of his working experience are set out in the sub-section "Directors" above.

The Chief Executive Officer of the Manager is responsible for working with the Board to determine the strategy for Prosperity REIT. The Chief Executive Officer works with the other members of the Manager's management team to ensure that Prosperity REIT is operated in accordance with the Manager's stated investment strategy. Additionally, the Chief Executive Officer is responsible for planning the strategic development of Prosperity REIT and the day-to-day operations of the Manager. He supervises the Manager's management team to ensure that Prosperity REIT operates in accordance with the stated strategy, policies and regulations.

WONG Lai Hung is the Asset Management Manager of the Manager. She is responsible for formulating the business plans of Prosperity REIT's properties with short, medium and long-term objectives, and with a view of maximising the rental income of Prosperity REIT via active asset management.

Ms. Wong has 11 years of experience in the industry. Prior to joining the Manager, she was the Deputy Manager (Leasing) for New World Development Company Limited responsible for the marketing of office and industrial buildings in Central, Wanchai and Wo Tong Tsui. She was also responsible for overseeing the Landlord profit and loss account with respect to rental income, management expenses, marketing expenses and capital nature expenses.

Prior to that, Ms. Wong worked in the Leasing Department of Cheung Kong from 1997 to 2004 and was the Assistant Leasing Manager from 2003 to 2004. Her duties with Cheung Kong included marketing of commercial projects, preparation of trade mix review/proposal and rental review/rental projections, preparation of annual promotion and advertising budget and vetting of tenants fitting out drawings and other tenant relations. Among the projects handled by Ms. Wong were the marketing of three buildings of The Properties: Modern Warehouse, Prosperity Center and Trendy Centre.

Ms. Wong began her career in 1994 with Yaohan Department Store (HK) Limited as an Assistant Executive Officer in the Development Department where she was involved in handling the lease negotiation for new stores and tenancy renewals for existing stores. From 1995 to 1997, she was an Administrative Officer with Goodwill Management Limited (a wholly-owned subsidiary of Henderson Land Development Co. Ltd). Her duties as an Administrative Officer included preparation and review of management fee and air-conditioning budgets, organisation of contract tendering and administration of service contracts and agreements. Ms. Wong had also worked in Jardine Matheson & Co Limited as an Assistant Property Manager before moving on to work with Cheung Kong. Ms. Wong holds a Bachelor of Arts degree from the Chinese University of Hong Kong, a Postgraduate Certification in HK Law from City University of Hong Kong and a Diploma in Property Development from SPACE, University of Hong Kong.

LO Chi Wai, Patrick is the Internal Auditor of the Manager. He is responsible for reviewing the accuracy and completeness of records of all operations and transactions of Prosperity REIT and ensuring that the Manager's internal control system functions properly.

Mr. Lo has been seconded from Cheung Kong to the Manager on a full-time basis for a period of three years from the Listing Date. Mr. Lo has over 23 years of experience in internal audit and accounting work. Prior to joining Cheung Kong, Mr. Lo was the internal auditor of various companies including River Trade Terminal, Hong Kong Exchanges and Clearing Limited, Hudson Bay Company of Canada and Hong Kong Telephone Company.

Mr. Lo holds a Bachelor of Computer Science degree from the University of Toronto. He is also a fellow member of The Association of Chartered Certified Accountants and an associate member of The Certified General Accountants Association of Canada.

Directors and Senior Management Biographical Information

LAW Kai Chung, Edmund is the Compliance Manager of the Manager. He is responsible for ensuring that the Manager complies with the deed of trust dated 29 November 2005 (as amended by a first supplemental trust deed dated 12 December 2005), the Code on Real Estate Investment Trusts, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the rules and regulations of the Stock Exchange (where applicable), the Securities and Futures Ordinance (Cap. 571), and other applicable laws, regulations and rules.

Mr. Law has been seconded from Cheung Kong to the Manager on a full-time basis for a period of three years from the Listing Date. Mr. Law has over 11 years of experience in legal and compliance work. Prior to the secondment, he was in the company secretarial department of Cheung Kong where he was primarily responsible for corporate and compliance matters. He was also responsible for general commercial matters including formation of joint ventures, sales and purchases of shares, and general company secretarial matters.

Prior to joining Cheung Kong, Mr. Law was a solicitor in private practice for seven years. Mr. Law holds a Bachelor of Laws degree and a Postgraduate Certificate in Laws from the University of Hong Kong. He is an admitted solicitor of the High Court of Hong Kong, and an admitted solicitor of England and Wales.

LEUNG Wai Hung is the Finance Manager of the Manager. He is primarily responsible for the financial management and compliance of Prosperity REIT. He has over 13 years of experience in the consolidation and financial reporting areas.

Prior to joining the Manager, Mr. Leung was the Assistant Finance Manager of Giordano International Limited where he performed a host of accounting duties including group consolidation, budgeting, profits forecast, cash flow forecast and also coordinating with overseas offices to ensure their compliance with Hong Kong's requirements.

Prior to joining Giordano, Mr. Leung was an Accountant with Cheung Kong from 1994 to 2005 where he was primarily responsible for the group consolidation and financial reporting duties. His duties also included reviewing joint venture accounts, accounting program development and enhancement, evaluating, designing and implementing new reporting requirements in effecting compliance with regulations. Mr. Leung was involved in the flotation of CK Life Sciences Int'l., (Holdings) Inc. on the GEM Board in 2002 and Cheung Kong Infrastructure Holdings Limited on the Main Board in 1996.

Mr. Leung started his career with Protech Property Management Limited in 1989 where he worked as an Assistant Accountant before being promoted to Accountant. From 1992 to 1994, Mr. Leung worked at Seapower International Holdings Limited, a listed conglomerate with a focus on cold storage, financial services, merchant banking, property investments and printing and publishing. His last position in Seapower International Holdings Limited was Accountant.

Mr. Leung graduated from the Chinese University of Hong Kong with a Bachelor degree in Business Administration and is a Certified Public Accountant with the Hong Kong Institute of Certified Public Accountants. He is also a fellow member of the Association of Chartered Certified Accountants.

CHAN Suk Han, Christine is the Investment and Investor Relations Manager of the Manager. She is responsible for the strategic planning and the strategic management of Prosperity REIT, and for communicating and liaising with unitholders. She is also responsible for identifying and evaluating potential acquisitions or investments consistent with Prosperity REIT's investment strategy. Miss Chan has 8 years of experience in the real estate industry with exposure in the Hong Kong and Mainland China markets.

From 2000 to 2005, Miss Chan was employed by Hutchison Whampoa Properties Limited. As Marketing Manager, her responsibilities included formulating and implementing marketing strategies for sales and leasing properties in China and preparing development strategies for new projects. She participated in land tender and project acquisition process as well as investment property disposal. During 2003 and 2004, Miss Chan was stationed in Shanghai, responsible for leasing and sales of two residential properties targeted at top-notch society.

Miss Chan was a Senior Development Surveyor for Brooke International Limited from 1999 to 2000. She specialised in providing advice to clients from private and public entities on land administration, property development strategies and financial viability. Miss Chan began her career in the Hong Kong SAR Government Lands Department in 1997 after obtaining a Bachelor of Science degree in Surveying from the Architecture Faculty of University of Hong Kong. She is a qualified General Practice Surveyor and a member of the Hong Kong Institute of Surveyors and Royal Institution of Chartered Surveyors.

WOO Wan Man, Susana is the Legal Manager cum Assistant Manager, Compliance of the Manager. She is responsible for overseeing all legal issues arising from the operation of the Manager and assisting the Compliance Manager in all the compliance works in relation to Prosperity REIT.

Ms. Woo has about 11 years of experience in the legal field of which she was in private practice for about 7 years. Prior to joining the Manager, she assumed the post of Legal, Quality and Risk Management Support Manager in The Hongkong and Shanghai Banking Corporation Limited and was the Loan Administration Manager in the Finance Division of The Wharf (Holdings) Limited.

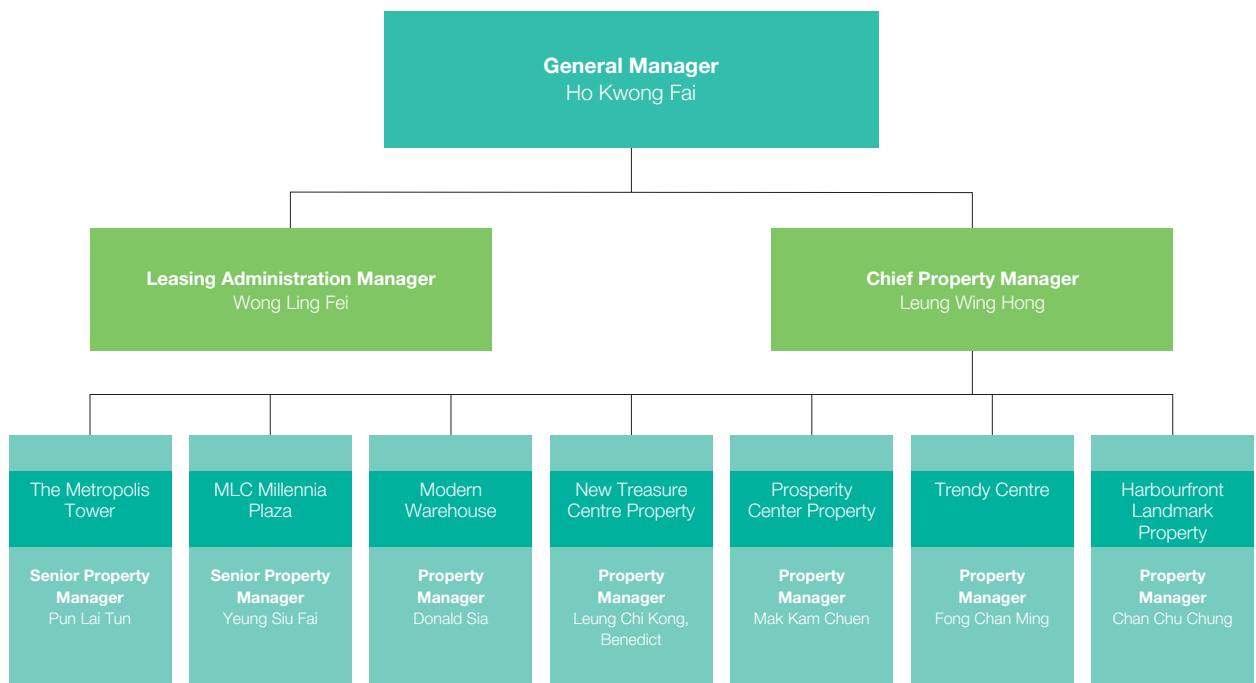
Ms. Woo holds a Bachelor of Laws degree, Postgraduate Certificate in Laws and Master of Laws degree in Corporate and Financial Law from the University of Hong Kong. She also received an Executive Diploma in Finance from the Asia-Pacific Institute of Business of The Chinese University of Hong Kong. She is an admitted solicitor both of the High Court of Hong Kong Special Administrative Region and the Supreme Court of England and Wales.

The Property Manager

Pursuant to the property manager agreement dated 29 November, 2005 between the Manager and Goodwell-Prosperity Property Services Limited (the “**Property Manager**”), the Manager appointed the Property Manager to operate, maintain, manage and market all the properties of Prosperity REIT, subject to the overall management and supervision of the Manager.

The Property Manager is an indirect wholly-owned subsidiary of Cheung Kong. It was formed to exclusively manage the properties of Prosperity REIT on a dedicated basis.

Management Reporting Structures of the Property Manager





Lobby of MLC Millennia Plaza

Corporate Governance

The Manager was established for the purpose of managing Prosperity REIT. The Manager is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Manager emphasise a quality board, sound internal control, and transparency and accountability to all unitholders. The Manager has adopted its compliance manual (the **"Compliance Manual"**) for use in relation to the management and operation of Prosperity REIT, which sets out the key processes, systems and measures and certain corporate governance policies and procedures to be applied for compliance with all applicable regulations and legislation. Set out below is a summary of the key components of the corporate governance policies that have been adopted and complied with by the Manager and Prosperity REIT.

Authorisation Structure

Prosperity REIT is a collective investment scheme authorised by the Securities and Futures Commission (**"SFC"**) under section 104 of the Securities and Futures Ordinance (Cap. 571) (**"SFO"**) and regulated by the provisions of the REIT Code. The Manager has been authorised by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. Mr. Lin Chung Sing, Charlie, the Chief Executive Officer and Executive Director, and Ms. Soon Yan Seen, an Executive Director, are the responsible officers of the Manager pursuant to the requirements of section 125 of the SFO and Chapter 5.4 of the REIT Code.

HSBC Institutional Trust Services (Asia) Limited (the **"Trustee"**) is registered as a trust company under section 77 of the Trustee Ordinance. The Trustee is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code.

Roles of the Trustee and Manager

The Trustee and the Manager are independent of each other. The Trustee is responsible under the trust deed dated 29 November 2005 (as amended by a first supplemental trust deed dated 12 December 2005) between the Trustee and the Manager (collectively, the **"Trust Deed"**) for the safe custody of the assets of Prosperity REIT on behalf of unitholders.

The Manager has general power of management over the assets of Prosperity REIT and shall act in the best interests of the unitholders in accordance with the REIT Code. The Manager's role under the Trust Deed is to manage Prosperity REIT in accordance with the Trust Deed and, in particular, to ensure that the financial and economic aspects of Prosperity REIT's assets are professionally managed in the sole interests of the unitholders. Other main roles and functions and responsibilities of the Manager include the following:

- (1) Setting the strategic direction and risk management policies of Prosperity REIT and give recommendations to the Trustee on acquisition, divestment or enhancement of assets of Prosperity REIT in accordance with its stated investment strategy.
- (2) Preparing various property plans on a regular basis to explain the performance of Prosperity REIT's assets.
- (3) Ensuring compliance with the applicable provisions of the REIT Code, the SFO and all other relevant legislation, Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **"Listing Rules"**), the Trust Deed and all relevant contracts.
- (4) Attending to all regular communications with unitholders.

Board of Directors of the Manager

The Board is responsible for the overall governance of the Manager including establishing goals for management and monitoring the achievement of these goals. The Board has established a framework for the management of Prosperity REIT, including a system of internal control and business risk management processes.

The Board principally oversees the day-to-day management of the Manager's affairs and the conduct of its business. The Board exercises its general powers within the limits defined by the articles of association of the Manager, with a view to ensuring that management discharges its duties and is compensated appropriately, and that sound internal control policies and risk management systems are maintained. The Board also reviews major financial decisions and the performance of the Manager. Subject to the matters specifically reserved to the Board, the Board delegates certain management and supervisory functions to relevant management teams and committees of the Board.

With the aim of creating a board structure that is both effective and balanced, the size of the Board has been set to provide for a minimum of five Directors and a maximum of 20 Directors. Pursuant to the corporate governance policy adopted by the Manager, Independent Non-executive Directors must fulfill the independence criteria set out in the Compliance Manual.

The composition of the Board is determined using the following principles:

- the Chairman of the Board must be a Non-executive Director of the Manager;
- the Chief Executive Officer must be a member of the Board;

Corporate Governance

- the Board must comprise Directors with a broad range of commercial experience including expertise in funds management and the property industry.

The composition will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience.

The Board presently comprises eight members, three of whom are Independent Non-executive Directors. All Directors shall retire from office at every annual general meeting of the Manager but shall be eligible for re-election in accordance with the articles of association of the Manager.

The positions of Chairman and Chief Executive Officer are held by two different persons in order to maintain an effective segregation of duties. The Chairman of the Board is Mr. Chiu Kwok Hung, Justin who is a Non-executive Director. The Chief Executive Officer is Mr. Lin Chung Sing, Charlie who is an Executive Director.

The Manager has received written annual confirmation from each Independent Non-executive Director of his/her independence pursuant to the "Criteria for Independence of INEDs" as set out in the Compliance Manual.

A full Board meeting of the Manager was held on 16 March 2006 for approving the 2005 final results of Prosperity REIT and the attendance rate was 100%.

Audit Committee

The Manager has established an audit committee (the "**Audit Committee**") according to accepted practices for Hong Kong listed companies. The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Lan Hong Tsung, David, Mrs. Sng Sow-Mei (Phoon Sui Moy alias Poon Sow Mei), and Mr. Robert Douglas Pope, and Mr. Lan Hong Tsung, David is the chairman of the Audit Committee. The Audit Committee shall meet on a half yearly basis.

The Audit Committee has held a meeting on 16 March 2006 for considering and reviewing the 2005 final results of Prosperity REIT and other internal controls, risk management and compliance matters of Prosperity REIT. The attendance rate of that meeting was 100%.

The Audit Committee is responsible to the Board for ensuring the quality and integrity of internal control and the management of risks and financial statements, appointment and performance of internal and independent external auditors, and the existence and working of an effective system of internal control and risk management, in respect of both the Manager and Prosperity REIT.

The Audit Committee's responsibilities also include:

- (1) reviewing external audit reports to ensure that where deficiencies in internal controls have been identified,

appropriate and prompt remedial action is taken by the management;

- (2) monitoring the procedures in place to ensure compliance with applicable legislation, the REIT Code and the Listing Rules;
- (3) reviewing all financial statements and all internal audit reports;
- (4) monitoring the procedures established to regulate connected party transactions, including ensuring compliance with the provisions of the REIT Code relating to transactions between Prosperity REIT and a "connected person" (as defined in the REIT Code); and
- (5) making recommendations to the Board on persons for appointment and reappointment as Directors to, and persons for removal as Directors from, the full Board.

Disclosures Committee

The Manager has set up a disclosures committee (the "**Disclosures Committee**") to review matters relating to the disclosure of information to unitholders and public announcements. The Disclosures Committee also works with the management of the Manager to ensure the disclosure of information is accurate and complete.

The Disclosures Committee is appointed by the Board from among the Directors of the Manager. The Disclosures Committee presently consists of three members, namely, Mr. Chiu Kwok Hung, Justin, Chairman and Non-executive Director, Mr. Lin Chung Sing, Charlie, Chief Executive Officer and an Executive Director, and Mr. Lan Hong Tsung, David, an Independent Non-executive Director, and the chairman of the Disclosures Committee is Mr. Lin Chung Sing, Charlie. The Disclosures Committee shall meet on a half yearly basis and otherwise on an as-needed basis.

The Disclosures Committee has held a meeting on 16 March 2006 for considering and reviewing the 2005 final results of Prosperity REIT and other corporate disclosure issues of Prosperity REIT. The attendance rate of that meeting was 100%.

The Disclosures Committee's responsibilities also include:

- (1) reviewing and recommending to the Board on matters of corporate disclosure issues and announcements, financial reporting, connected party transactions, and potential areas of conflict of interests;
- (2) overseeing compliance with applicable legal requirements and the continuity, accuracy, clarity, completeness and currency of information disseminated by or on behalf of Prosperity REIT to the public and applicable regulatory agencies;

Corporate Governance

- (3) reviewing and approving all material non-public information and all public regulatory filings of or on behalf of Prosperity REIT prior to such information being disseminated to the public or filed with applicable regulatory agencies, as applicable; and
- (4) reviewing periodic and current reports, proxy statements, information statements, registration statements and other information filed with regulatory bodies.

Management of Business Risk

The Board will meet quarterly or more often if necessary and will review the financial performance of the Manager and Prosperity REIT against a previously approved budget. The Board has also reviewed any risks to assets of Prosperity REIT, examined liability management and will act upon any comments from the auditors of Prosperity REIT in respect of the Reporting Period.

The Manager has appointed experienced and well-qualified management to handle the day-to-day operations of the Manager and Prosperity REIT. In assessing business risk, the Board will consider the economic environment and the property industry risk. It will review management reports and feasibility studies on individual development projects prior to approving major transactions.

Conflicts of Interest

The Manager has instituted the following procedures to deal with conflicts of interest issues:

- (1) The Manager is a dedicated manager to Prosperity REIT and will not manage any other real estate investment trust or be involved in any other real property business.
- (2) All Executive Officers are employed by and/or seconded on a full time basis to the Manager.
- (3) All connected party transactions have been managed in accordance with the procedures set out in the Compliance Manual.

General Meetings

Prosperity REIT will in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year. The Trustee or the Manager may at any time convene a meeting of unitholders. The Manager will also convene a meeting if requested in writing by not less than two unitholders registered as together holding not less than 10% of the issued and outstanding units. At least 14 days' notice of the meeting will be given to the unitholders, except that 21 days' notice will be given to the unitholders where a

special resolution is proposed for consideration at such meeting, and the notice will specify the time and place of the meeting and the resolutions to be proposed.

Two or more unitholders present in person or by proxy registered as holding not less than 10% of the units for the time being in issue will form a quorum for the transaction of all business, except for the purpose of passing a special resolution. The quorum for passing a special resolution will be two or more unitholders present in person or by proxy registered as holding not less than 25% of the units in issue.

Reporting and Transparency

Prosperity REIT will prepare its accounts in accordance with Hong Kong generally accepted accounting principles with a financial year-end of 31 December and a financial half-year of 30 June. In accordance with the REIT Code, the annual report and accounts for Prosperity REIT for the Reporting Period have been published and sent to unitholders no later than four months following the financial year-end and the interim results for the period ending 30 June 2006 will be sent no later than 31 August 2006.

As required by the REIT Code, the Manager will ensure that public announcements of material information and developments with respect to Prosperity REIT will be made on a timely basis in order to keep unitholders apprised of the position of Prosperity REIT. Announcements will be made by publishing them in at least one leading Hong Kong English language and one Chinese language daily newspaper.

Issues of Further Units Post-Listing

To minimize the possible material dilution of holdings of unitholders, any further issue of units will need to comply with the pre-emption provisions contained in the REIT Code. Such provisions require that further issues of units be first offered on a pro rata pre-emptive basis to existing unitholders except that units may be issued: (i) free of such pre-emption rights up to an aggregate maximum in any financial year of 20% of the number of units in issue at the end of the previous financial year; and (ii) free of pre-emption rights in other circumstances provided that the approval of unitholders by way of an ordinary resolution is obtained.

Code Governing Dealings in Units by Directors, or the Manager and Interests of the Significant Unitholders

The Manager has adopted a code governing dealings in the securities of Prosperity REIT by the Directors or the Manager (collectively, the "Management Persons") (the "Units Dealing Code"). The Units Dealing Code may be extended to apply to any senior executives, officers or other employees of the Manager or the special purpose vehicles as the Board may determine.

Corporate Governance

Pursuant to the Units Dealing Code, Management Persons wishing to deal in any securities of Prosperity REIT must first have regard to the provisions of Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct, as if the SFO applies to the securities of Prosperity REIT. In addition, Management Persons must not make any unauthorized disclosure of confidential information or make any use of such information for the advantage of himself, itself or others.

Directors who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are significant transactions or any price-sensitive information must refrain from dealing in the units as soon as they become aware of them or privy to them until proper disclosure of the information in accordance with the REIT Code and any applicable Listing Rules is made. Directors who are privy to relevant negotiations or agreements or any price-sensitive information should caution those Directors who are not so privy that there may be unpublished price-sensitive information and that they must not deal in Prosperity REIT's securities for a similar period.

Similarly, where the Manager is in possession of any unpublished price-sensitive information, it must refrain from dealing in the unit as soon as it becomes aware of them or privy to them until proper disclosure of the information in accordance with the REIT Code and any applicable Listing Rules is made.

During the period commencing one month immediately preceding the earlier of the date of the Board meeting for the approval of Prosperity REIT's results for any period as required under the REIT Code and the deadline for Prosperity REIT to publish an announcement of its results for any period as required under the REIT Code, and ending on the date of the results announcement, a Director or the Manager must not deal in any units of Prosperity REIT unless the circumstances are exceptional for example, the exceptional circumstances as described in Appendix 10 Rule C14 of the Listing Rules. In any event, in the case of dealings by a Director or the Manager, the Directors or the Manager must comply with the procedures set out in the Units Dealing Code.

Specific enquiry has been made with the Management Persons and they have complied with the required standard set out in the Units Dealing Code.

The Manager has also adopted procedures for monitoring of disclosure of interests by Directors, the chief executive of the Manager, and the Manager. The provisions of Part XV of the SFO shall be deemed to apply to the Manager, the Directors and chief executive of the Manager and each unitholder and all persons claiming through or under him.

The Trust Deed contains provisions to deem the application of Part XV of the SFO. Accordingly, unitholders with a holding of 5% or more of the units in issue have a notifiable interest and will be required to notify the Stock Exchange, the Trustee and the Manager of their holdings in Prosperity REIT. The Manager is keeping a register for these purposes and it has recorded in the register, against a person's name, the particulars provided pursuant to the notification and the date of entry of such record. The said register is available for inspection by the Trustee and any unitholder at any time during business hours upon reasonable notice to the Manager.

Matters to be decided by Unitholders by Special Resolution

Pursuant to the Trust Deed, decisions with respect to certain matters require specific prior approval of unitholders by way of special resolution. Such matters include: (i) change in the Manager's investment policies for Prosperity REIT; (ii) disposal of any land or an interest, option or right over any of the land forming part of the assets of Prosperity REIT or shares in any special purpose vehicles holding such land, option or right over any of the land for Prosperity REIT within two years of acquisition of such land; (iii) any increase in the rate above the permitted limit or change in structure of the Manager's management fees; (iv) any increase in the rate above the permitted limit or change in structure of the Trustee's fees; (v) certain modifications of the Trust Deed; (vi) termination of Prosperity REIT; and (vii) merger of Prosperity REIT. The unitholders may also, by way of special resolution (i) remove Prosperity REIT's auditors and appoint other auditors or (ii) remove the Trustee or the Manager. As stated above, the quorum for passing a special resolution is two or more unitholders present in person or by proxy registered as holding not less than 25% of the units in issue.

During the Reporting Period, both the Manager and Prosperity REIT had complied with the provisions of the Compliance Manual.

Public Float of the Units

As far as the Manager is aware, more than 25% of the units is held in public hands as of 31 December 2005.

Connected Party Transactions

Set out below is the information in respect of the connected party transactions involving Prosperity REIT and its connected persons as defined in paragraphs 8.1 of the REIT Code:

Connected Transaction Income

The following table sets forth information on all the connected party transactions from which Prosperity REIT derived its income during the Reporting Period of 16 December to 31 December 2005:

Name of Connected Party	Relationship with Prosperity REIT	Nature of the Connected Transaction	Rental and charge out collection (excluding rental deposit, if applicable) for the period from 16 December 2005 to 31 December 2005	Rental deposit received as at 31 December 2005
			<i>HK\$</i>	<i>HK\$</i>
AMTD Financial Planning Limited	Associate of a significant holder ¹	Tenancy of property of Prosperity REIT ³	57,856	485,043
e-Smart System Inc.	Subsidiary of a significant holder ¹	Tenancy of properties of Prosperity REIT ⁴	99,025	191,259
Goodwell Property Management Limited	Subsidiary of a significant holder ¹	Tenancy of property of Prosperity REIT ⁵	34,106	223,968
Fusion System Limited	Subsidiary of a significant holder ¹	Tenancy of property of Prosperity REIT ⁶	1,269	44,778
Tremayne Investments Limited	Subsidiary of an associate of a significant holder ²	Tenancy of property of Prosperity REIT ⁷	640,991	see note 9
E-Park Parking Management Limited	Subsidiary of a significant holder ¹	Tenancy of property of Prosperity REIT ⁸	7,409	48,732
TOTAL:			840,656	993,780

- 1 Significant holder being Cheung Kong
- 2 The connected party is an indirect wholly-owned subsidiary of Hutchison Whampoa Limited ("HWL"), an associate of a significant holder of Prosperity REIT, namely Cheung Kong
- 3 For Units 2501-3 & Units 2505-11, MLC Millennia Plaza
- 4 For 18/F, Prosperity Center and Unit 2903, Modern Warehouse
- 5 For 2/F & Units 306-7, New Treasure Centre
- 6 For Unit 2905, Modern Warehouse
- 7 For 3/F, 5/F & 6/F, Harbourfront Landmark
- 8 For Unit 807 & Units 1109-10, Prosperity Center
- 9 By a bank guarantee of HK\$4,850,346 given by HWL

Connected Transaction – Building Management Services

The following table sets forth information for the Reporting Period in relation to building management services provided by the connected parties for the properties of Prosperity REIT.

Name of Connected Party ¹	Relationship with Prosperity REIT	Nature of the Connected Transaction	Payment received/receivable for the period from 16 December 2005 to 31 December 2005
			<i>HK\$</i>
Goodwell Property Management Limited	Subsidiary of a significant holder ²	Remuneration of DMC Manager ³	6,070
Citybase Property Management Limited	Subsidiary of a significant holder ²	Remuneration of DMC Manager ³	10,131
TOTAL:			16,201

- 1 The connected parties are managers under the deeds of mutual covenant of the properties of Prosperity REIT (the "DMC Manager").
- 2 Significant holder being Cheung Kong.
- 3 The amounts paid to Goodwell Property Management Limited and Citybase Property Management Limited for the Reporting Period were HK\$766,847 and HK\$764,292 respectively, out of which HK\$6,070 and HK\$10,131 were DMC Managers' remuneration, the remaining amounts were held under the building accounts of the properties for building management expenses and utilities charges. Harbourfront Landmark Premium Services Limited, an indirect wholly-owned subsidiary of HWL, also received an amount of HK\$50,486, all such amount was held under the building account.

Connected Party Transactions

Connected Party Transaction – Expenses

The following table sets forth information on all the connected party transactions in which Prosperity REIT incurred its expenses (other than the building management fees and other charges of the building accounts mentioned above) during the Reporting Period:

Name of Connected Party	Relationship with Prosperity REIT	Nature of the Connected Transaction	Expense for the period from 16 December 2005 to 31 December 2005
			<i>HK\$</i>
Goodwell Property Management Limited	Subsidiary of a significant holder ¹	Car park lease agency fee	5,047
Goodwell-Prosperity Property Services Ltd	Subsidiary of a significant holder ¹	Property management and lease management fee	177,132
E-Park Parking Management Limited	Subsidiary of a significant holder ¹	Car park lease agency fee	77,184
HSBC Institutional Trust Services (Asia) Limited	Trustee	Trustee fee	59,809
ARA Asset Management (Prosperity) Limited	Manager	Base fee and variable fee	870,757
TOTAL:			1,189,929

¹ Significant holder being Cheung Kong

Connected Party Transaction with HSBC Group* for Bank Deposits

Prosperity REIT has engaged The Hongkong and Shanghai Banking Corporation Limited, the holding company of the Trustee, to provide ordinary banking and financial services (namely, bank deposits and interest earned therefrom) within the Reporting Period.

* HSBC Group means The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries and, unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries (being the subsidiaries of the Trustee but excluding those subsidiaries formed in its capacity as the trustee of Prosperity REIT).

Connected Party Transactions – Lease transactions under which the annual rent exceed HK\$1 million:

Name of Connected Party (Tenant)	Relationship with Prosperity REIT	Nature of the Connected Transaction	Annual Income ³
			<i>HK\$</i>
Tremayne Investments Limited	Subsidiary of an associate of a significant holder ¹	Tenancy agreement for 3/F, 5/F & 6/F, Harbourfront Landmark	13,863,780
AMTD Financial Planning Limited	Associate of a significant holder ²	Tenancy agreement for Units 2505-11, MLC Millennium Plaza	1,107,180
e-Smart System Inc.	Subsidiary of a significant holder ²	Tenancy agreement for 18/F, Prosperity Center	1,516,032
TOTAL:			16,486,992

¹ The connected party is an indirect wholly-owned subsidiary of HWL, an associate of a significant holder of Prosperity REIT, namely Cheung Kong.

² Significant holder being Cheung Kong

³ The annual income stated herein refers to the rental income that would have been received for a 12-month period according to the relevant tenancy agreements.

Connected Party Transactions

Other Connected Party Transaction

The following companies had acted as the agents for Prosperity REIT for collection of rent and rental related income for December 2005 and hence had amount due to Prosperity REIT as at 31 December 2005:

Name of Connected party	Amount receivable
	<i>HK\$</i>
Cheung Kong Properties Development Limited	9,813,828
E-Park Parking Management Limited	1,644,179
TOTAL:	11,458,007

Confirmation by the INEDs

The Independent Non-executive Directors confirm that they have reviewed the terms of all relevant connected party transactions including those connected party transactions with the HSBC Group and that they are satisfied that these transactions have been entered into:

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

Confirmation by the Auditors of Prosperity REIT

Pursuant to the waiver from strict compliance with disclosure requirement under Chapter 8 of the Code on Real Estate Investment Trusts, the Manager has engaged the auditors of the Prosperity REIT to perform certain factual finding procedures in respect of the connected transactions on the rental and charge out collection on leasing of properties, remuneration of DMC Manager, car park lease agency fee as well as property management and lease management fee for the period 16 December 2005 to 31 December 2005 of the Group in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have performed these procedures and reported to the Board of the Manager their factual findings.

Confirmation by the Manager and Trustee of corporate finance transaction with the HSBC Group

Both the Manager and the Trustee confirm that there is no corporate finance transaction and other connected transaction (save and except for those disclosed hereinabove) with the HSBC Group during the Reporting Period.

Repurchase, Sale or Redemption of Units

Under the Trust Deed, the Manager is not permitted to repurchase or redeem any of the units in Prosperity REIT until permitted to do so by the relevant codes and guidelines issued by the SFC from time to time. During the Reporting Period, there was no purchase, sale or redemption of the units of Prosperity REIT by Prosperity REIT or subsidiaries of Prosperity REIT.

Connected Party Transactions

Holding of Connected Persons in the Units of Prosperity REIT

As at 31 December 2005, the following persons, being connected persons (as defined under the REIT Code) of Prosperity REIT, holds units of Prosperity REIT:-

Name	Number of Units	Percentage of Unit Holdings
Total Win Group Limited	176,328,129 <i>(Note 1)</i>	14.1%
Wide Option Investments Limited	98,883,559 <i>(Note 2)</i>	7.9%
HKSCC Nominees Limited	919,120,794 <i>(Note 3)</i>	73.5%

Notes:

- (1) Total Win Group Limited was a connected person of Prosperity REIT as it was a significant holder (as defined under the REIT Code) of Prosperity REIT as at such date.
- (2) Wide Option Investments Limited was a connected person of Prosperity REIT as it was an associated company (as defined under the REIT Code) of Total Win Group Limited as at such date.
- (3) HKSCC Nominees Limited was a connected person of Prosperity REIT as at 31 December 2005 as it was a significant holder (as defined under the REIT Code) of Prosperity REIT as at such date. So far as the Manager is aware HKSCC Nominees Limited held such units as a nominee.

As at 31 December 2005, none of the Manager, and the Directors and chief executive of the Manager holds any units.

Save as disclosed above, the Manager is not aware of any connected persons (as defined under the REIT Code) of Prosperity REIT holding any units as at 31 December 2005.

So far as the Manager is aware:

- (a) Total Win Group Limited was beneficially interested in 176,328,129 units as at 31 December 2005, and was beneficially interested in 232,432,533 units as at the Listing Date;
- (b) Wide Option Investments Limited was beneficially interested in 98,883,559 units as at 31 December 2005, and was beneficially interested in 130,346,511 units as at the Listing Date; and
- (c) HSBC Institutional Trust Services (Asia) Limited had no beneficial interest in the units as at 31 December 2005 and the controlling entities, holding company, subsidiaries and associated companies (within the meaning of the REIT Code) of HSBC Institutional Trust Services (Asia) Limited were beneficially interested in a total of 28,594 units as at 31 December 2005.

Valuation Report

Valuation of Properties for Prosperity REIT

1 March 2006

HSBC Institutional Trust Services (Asia) Limited
(as Trustee of Prosperity REIT)
Level 30
HSBC Main Building
1 Queen's Road Central
Hong Kong

ARA Asset Management (Prosperity) Limited
(as Manager of Prosperity REIT)
Units 5508-5509, 55th Floor
The Center
99 Queen's Road Central
Hong Kong

Dear Sirs,

- (1) OFFICE ACCOMMODATION OF THE METROPOLIS, NO. 10 METROPOLIS DRIVE, HUNGHOM, KOWLOON**
- (2) MLC MILLENNIA PLAZA, NO. 663 KING'S ROAD, NORTH POINT, HONG KONG**
- (3) COMMERCIAL UNITS ON 3RD, 5TH AND 6TH FLOORS, HARBOURFRONT LANDMARK, NO. 11 WAN HOI STREET, HUNG HOM, KOWLOON**
- (4) MODERN WAREHOUSE, NO. 6 SHING YIP STREET, KWUN TONG, KOWLOON**
- (5) TRENDY CENTRE, NO. 682 CASTLE PEAK ROAD, CHEUNG SHA WAN, KOWLOON**
- (6) VARIOUS PORTIONS IN PROSPERITY CENTER, NO. 25 CHONG YIP STREET, KWUN TONG, KOWLOON**
- (7) VARIOUS PORTIONS IN NEW TREASURE CENTRE, NO. 10 NG FONG STREET, SAN PO KONG, KOWLOON**

In accordance with your instructions for us to value the captioned properties owned by Prosperity REIT, we confirm that we have carried out inspections, made relevant searches and enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of each property as at 31 December 2005 for accounting purposes.

Our valuation is our opinion of the market value of the property which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or

deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale or purchase, and without offset for any associated taxes.

We have valued the properties on the basis of capitalization of the net income shown on schedules handed to us and, where appropriate, by reference to sales evidence as available on the market. We have allowed for outgoings and, in appropriate cases, made provisions for reversionary income potential.

In undertaking our valuation of the properties, Income Capitalization and Direct Comparison approaches are adopted. Income Capitalization approach is considered to be the most appropriate method to assess market value of leased property, particularly taking into consideration of the property's type of use, building age and condition. In addition, as advised by the Manager, no significant refurbishment, renovation and maintenance is being planned for the coming 5 years but only fair wear and tear maintenances are planned. Apart from Income Capitalization approach, Direct Comparison approach is adopted for cross referencing purpose.

Income Capitalization

By this approach, the existing net rental income, i.e. rent exclusive of rates, government rents, management fees and other tenants' outgoings, of all lettable units of a property are capitalized for its unexpired term of contractual tenancies. Upon reversion, i.e. at the expiry of the existing tenancy, each unit is assumed to be let at its market rent as at the date of valuation, which is in turn capitalized for the unexpired term of the Government lease under which the property is held. The capitalized value for the term income and the capitalized value of the reversion income as appropriately deferred provides the market value of the property. Vacant units are assumed to be let at their respective market rent as at the date of valuation.

In the valuation, the market rentals of all lettable units of the property are assessed and capitalized at market yield expected by investors for this type of property. The market rentals are assessed by reference to the rentals achieved in other lettable units of the property as well as other lettings of similar properties in the neighbourhood. The capitalization rate adopted is made by reference to the yields derived from analysing the sales transactions and our knowledge of the market expectation from property investors. This expected return reflects implicitly the quality of the investment, the expectation of future rental growth and capital appreciation, risk factor and the like.

Valuation Report

Direct Comparison

By this method, sales evidence of similar types of properties are collected and analyzed in terms of a price per square footage. The analyzed result of each comparable sale is adjusted to take account of the discrepancies between the property and the comparable sale and also the market movement over time between the date of sale and the date of valuation. Adjustment factors therefore may include time, location, accessibility, age, building quality and condition, facilities and the like.

However, there is a lack of transactions of en-bloc/bulk transactions in the vicinity. Comparison with market sales therefore can only be made with transactions of individual property of strata-title in the neighbourhood. Such sales evidences are collected, analyzed and adjusted to provide a check for the valuation arrived from Income Capitalization Approach.

We have relied to a very considerable extent on information given by you and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, site and floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents and leases provided to us and are therefore only approximations.

We have not been provided with extracts from title documents relating to the properties but we have caused sample searches to be made at the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers.

In performing our valuation, we have taken note of the legal issues relating to the leasehold title of the properties as set forth in the section headed "Material Agreements and other Documents Relating to Prosperity REIT – Information Regarding the Leasehold Title to the Properties – Certain Matters Relating to the Leasehold Title to the Properties" and in the section headed "Material Agreements and other Documents Relating to Prosperity REIT – Deed of Undertaking and Indemnity in relation to Prosperity Center Property, Trendy Centre and Modern Warehouse" in the Offering Circular of Prosperity REIT dated 5 December 2005.

No allowance has been made in our report for any charge, mortgage or amount owing on the properties. Unless otherwise stated, it is assumed that all properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

This report is for the use of the Manager, the Board of Directors of the Manager and the Trustee, in connection with the annual valuation of the properties, as required under the Code on Real Estate Investment Trusts. No responsibility is accepted to any other party for the whole or any part of its contents.

We have inspected the exterior of all the properties valued and, where possible, we have also inspected the interior of the properties. However, no structural survey has been made but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the properties are free from rot, infestation or any other structural defect. No tests were carried out to any of the services.

We have relied upon the property data supplied by the Manager which we assume to be true and accurate. We take no responsibility for inaccurate data provided to us and subsequent conclusions derived from such data.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions. We have no present or prospective interest in the properties and are not a related corporation of nor do we have a relationship with the Manager and the Trustee or other party/parties who, Prosperity REIT is contracting with.

We hereby certify that our valuers undertaking this valuation are authorised to practise as valuers and have the necessary expertise and experience in valuing similar types of properties.

We have prepared this valuation report pursuant to Chapter 6.8 of the Code on Real Estate Investment Trusts and The HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors.

Our valuation report comprises this letter, the attached summary of values, valuation and market overview.

Yours faithfully,
For and on behalf of
Chesterton Petty Limited

Alex S L Ng
MRICS MHKIS RPS (GP)
Executive Director

Note: Alex S L Ng, MRICS, MHKIS, RPS(GP), has been a qualified valuer with Chesterton Petty Limited since November 1995 and has about 19 years' experience in the valuation of properties in Hong Kong.

Valuation Report

SUMMARY OF VALUES

Property	Approximate Gross Area (sq.ft.)	No. of Parking Lots	Market value in existing state as at 31 December 2005 (HK\$)
1. The Metropolis Tower	271,418	98	1,790,000,000
2. MLC Millennia Plaza	217,955	43	940,000,000
3. Harbourfront Landmark Property	77,021	N/A	350,000,000
4. Modern Warehouse	240,000	60	550,000,000
5. Trendy Centre	173,764	79	460,000,000
6. Prosperity Center Property	134,307	105	350,000,000
7. New Treasure Centre Property	86,168	22	108,000,000
Total	1,200,633	407	4,548,000,000

VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2005	Estimated Net Property Yield
1. Office Accommodation of The Metropolis, No. 10 Metropolis Drive, Hungghom, Kowloon 24,734/247,769th undivided parts or shares of and in Kowloon Inland Lot No. 11077.	<p>The Metropolis Tower is a 15-storey office building comprising 11th to 28th Floors (13th, 14th and 24th Floors are omitted from floor numberings) built over a multi-storey retail/carparking podium erected on an irregular site with a registered site area of approximately 50,058.00 sq m (538,824 sq ft). The building was completed in 2001.</p> <p>The Metropolis Tower forms part of a comprehensive development (known as The Metropolis). The Metropolis also comprises a shopping centre (The Metropolis Mall), two 18-storey residential towers (The Metropolis Residence) and a 12-storey hotel (Harbour Plaza Metropolis).</p> <p>The property comprises the entire office units from 11th to 28th Floors of the building with a total gross area of approximately 25,215.35 sq m (271,418 sq ft). The total saleable area of the property is approximately 18,832.87 sq m (202,717 sq ft).</p> <p>The property also comprises 98 carparking spaces within the retail/carparking podium of the development.</p> <p>Kowloon Inland Lot No. 11077 is held under Conditions of Grant No. 12444 for a term from 14 February 1997 to 30 June 2047 at an annual rent equivalent to 3% of the rateable value for the time being of the property.</p>	<p>The office portion of the property is let under various tenancies for various terms with the latest expiring in October 2008, yielding a total monthly rental income of approximately HK\$3,950,000 exclusive of Government rates and rent, management fees and utility charges.</p> <p>The overall occupancy rate is approximately 98.2%.</p> <p>The carparking spaces of the property are let on monthly and hourly basis yielding an average monthly income of approximately HK\$248,000 from January 2005 to December 2005. The Government rates and rent, management fees and utility charges for the carparks are at the expenses of the landlord.</p>	HK\$1,790,000,000	2.8%

Valuation Report

Notes:

- (1) The registered owners of the property are as follows:-

Floor	Registered Owner
11/F and 6 carparking spaces	Wisdom Champion Limited
12/F and 6 carparking spaces	Wisdom Champion (12) Limited
15/F and 6 carparking spaces	Wisdom Champion (15) Limited
16/F and 6 carparking spaces	Wisdom Champion (16) Limited
17/F and 6 carparking spaces	Wisdom Champion (17) Limited
18/F and 6 carparking spaces	Wisdom Champion (18) Limited
19/F and 6 carparking spaces	Wisdom Champion (19) Limited
20/F and 7 carparking spaces	Wisdom Champion (20) Limited
21/F and 7 carparking spaces	Wisdom Champion (21) Limited
22/F and 7 carparking spaces	Wisdom Champion (22) Limited
23/F and 7 carparking spaces	Wisdom Champion (23) Limited
25/F and 7 carparking spaces	Wisdom Champion (25) Limited
26/F and 7 carparking spaces	Wisdom Champion (26) Limited
27/F and 7 carparking spaces	Wisdom Champion (27) Limited
28/F and 7 carparking spaces	Wisdom Champion (28) Limited

- (2) The property is subject to a Mortgage in the consideration of all moneys and an Assignment of Proceeds both in favour of Sumitomo Mitsui Banking Corporation.
- (3) The property lies within an area zoned "Other Specified Uses (For "Commercial Development and Freight Yard " only)".
- (4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.
- (5) Estimated net property yield is based on the net monthly rental income for December 2005 and the average monthly car parking income for the period of January 2005 to December 2005.
- (6) The analysis of the existing tenancies is shown below:

Tenancy Commencement Profile

Year	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2002	17,755	6.7%	288,519	7.3%	1	1.1%
2003	171,156	64.2%	2,260,406	57.3%	35	38.9%
2004	25,910	9.7%	400,488	10.1%	19	21.1%
2005	51,654	19.4%	997,978	25.3%	35	38.9%
Total	266,475	100.0%	3,947,391	100.0%	90	100.0%

Tenancy Expiry Profile

Year	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
31 December 2005 & 2006	196,652	73.8%	2,662,691	67.5%	54	60.0%
2007	40,748	15.3%	760,904	19.3%	27	30.0%
2008	29,075	10.9%	523,796	13.2%	9	10.0%
Total	266,475	100.0%	3,947,391	100.0%	90	100.0%

Tenancy Duration Profile

Year	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
1	3,684	1.3%	68,616	1.7%	3	3.3%
2	63,844	24.0%	1,105,294	28.0%	43	47.8%
3	181,192	68.0%	2,484,962	63.0%	43	47.8%
6	17,755	6.7%	288,519	7.3%	1	1.1%
Total	266,475	100.0%	3,947,391	100.0%	90	100.0%

Valuation Report

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2005	Estimated Net Property Yield
2. MLC Millennia Plaza, No. 663 King's Road, North Point, Hong Kong 3,741/10,000th undivided parts or shares of and in Inland Lot No. 8885.	<p>MLC Millennia Plaza is a 32-storey office building (including 3 mechanical floors and a refuge floor) surmounting a 2-level basement carport erected on portion of a site with a registered site area of approximately 3,404.00 sq m (36,641 sq ft). The building was completed in 1999.</p> <p>The 2-level basement of the building is devoted to carparking and ancillary purposes. The 1st Floor of the building (Ground Floor is omitted from floor numbering) is designed for lobby and circulation purposes whereas the remaining upper floors from the 2nd to 32nd Floors (4th, 13th, 14th and 24th Floors are omitted from floor numberings) are for office uses.</p> <p>The property comprises the entire office units within the building with a total gross area of approximately 20,248.51 sq m (217,955 sq ft). The total saleable area of the property is approximately 14,551.28 sq m (156,630 sq ft).</p> <p>The property also comprises 43 carparking spaces within the 2-level basement of the building.</p> <p>Inland Lot No. 8885 is held under Conditions of Exchange No. 12374 for a term from 24 January 1996 to 30 June 2047 at an annual rent equivalent to 3% of the rateable value for the time being of the property.</p>	<p>The office portion of the property is let under various tenancies for various terms with the latest expiring in December 2008, yielding a total monthly rental income of approximately HK\$2,250,000 exclusive of Government rates and rent, management fees and utility charges.</p> <p>The overall occupancy rate is approximately 94.4%.</p> <p>The carparking spaces of the property are let on monthly and hourly basis yielding an average monthly income of approximately HK\$174,000 from January 2005 to December 2005. The Government rates and rent, management fees and utility charges for the carparks are at the expenses of the landlord.</p>	HK\$940,000,000	3.1%

Valuation Report

Notes:

- (1) The registered owner of the property is Conestoga Limited.
- (2) The property is subject to a Mortgage in the consideration of all moneys and an Assignment of Proceeds both in favour of Sumitomo Mitsui Banking Corporation.
- (3) The property lies within an area zoned "Commercial".
- (4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.
- (5) Estimated net property yield is based on the net monthly rental for December 2005 and the average monthly car parking income for the period of January 2005 to December 2005.
- (6) The analysis of the existing tenancies is shown below:

Tenancy Commencement Profile

Year	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2000	33,256	16.2%	335,400	14.9%	2	2.9%
2002	1,363	0.7%	13,630	0.6%	1	1.4%
2003	72,394	35.2%	767,282	34.2%	18	25.7%
2004	31,023	15.0%	295,465	13.1%	11	15.7%
2005	67,690	32.9%	835,602	37.2%	38	54.3%
Total	205,726	100.0%	2,247,379	100.0%	70	100.0%

Tenancy Expiry Profile

Year	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
31 December 2005 & 2006	131,944	64.1%	1,377,654	61.3%	36	51.4%
2007	51,236	24.9%	606,668	27.0%	26	37.2%
2008	22,546	11.0%	263,057	11.7%	8	11.4%
Total	205,726	100.0%	2,247,379	100.0%	70	100.0%

Tenancy Duration Profile

Year	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
1	5,642	2.8%	70,098	3.1%	7	10.0%
2	77,649	37.7%	916,734	40.8%	36	51.4%
3	89,179	43.3%	925,147	41.2%	25	35.7%
6	33,256	16.2%	335,400	14.9%	2	2.9%
Total	205,726	100.0%	2,247,379	100.0%	70	100.0%

Valuation Report

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2005	Estimated Net Property Yield
3. Commercial Units on 3rd, 5th and 6th Floors, Harbourfront Landmark, No. 11 Wan Hoi Street, Hunghom, Kowloon 7,031/74,479th undivided parts or shares of and in Kowloon Inland Lot No. 11055.	<p>Harbourfront Landmark is a deluxe residential/office development comprising three blocks of 50 to 60-storey residential towers built over a level of clubhouse, 3 levels of office podium plus 2 levels of carport (including a basement carport) erected on a site with a registered site area of approximately 7,402.00 sq m (79,675 sq ft). The building was completed in 2001.</p> <p>The Basement and the Lower 1st Floor of the development are designed for carparking purposes whilst the Upper 1st Floor is for lobby and circulation purposes. The 3rd to 6th Floor (4th Floor is omitted from floor numbering) are devoted to office uses whilst the 7th Floor of the development is a clubhouse. The remaining upper floors of the 3 residential towers are designed for domestic uses.</p> <p>The property comprises the three office floors within the development with a total gross area of approximately 7,155.43 sq m (77,021 sq ft). The total saleable area of the property is approximately 5,875.98 sq m (63,249 sq ft).</p> <p>Kowloon Inland Lot No. 11055 is held under Conditions of Sale No. 12460 for a term from 3 June 1997 to 30 June 2047 at an annual rent equivalent to 3% of the rateable value for the time being of the property.</p>	<p>The property is let under a tenancy for a term of 6 years from November 2005 at a monthly rent of HK\$1,155,315 for the 1st three years and HK\$1,386,378 for the remaining years exclusive of Government rates and rent, management fees and utility charges with an option to renew for a further term of 3 years.</p>	HK\$350,000,000	4.0%

Notes:

- (1) The registered owner of the property is Hero Champ Limited.
- (2) The property is subject to a Mortgage in the consideration of all moneys and an Assignment of Proceeds both in favour of Sumitomo Mitsui Banking Corporation.
- (3) The property lies within an area zoned "Residential (Group A)".
- (4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.
- (5) Estimated net property yield is based on the estimated net monthly rental income for December 2005.

Valuation Report

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2005	Estimated Net Property Yield
4. Modern Warehouse, No. 6 Shing Yip Street, Kwun Tong, Kowloon Kun Tong Inland Lot No. 62.	<p>Modern Warehouse is a 27-storey industrial/office building with ancillary parking and loading/unloading facilities erected on a rectangular site with a registered site area of approximately 1,858.06 sq m (20,000 sq ft). The building was completed in 1996.</p> <p>Portion of Ground Floor, 1st and 2nd Floors of the building are devoted to carparking and loading/unloading purposes whereas the remaining upper floors from 3rd to 29th Floors (4th, 14th and 24th Floors are omitted from floor numberings) are designed for workshop/office purposes.</p> <p>The property comprises the entire workshop/office units within the building with a total gross area of approximately 22,296.54 sq m (240,000 sq ft). The total saleable area of the property is approximately 14,754.09 sq m (158,813 sq ft).</p> <p>The property also consists of a total of 60 carparking spaces within the building.</p> <p>Kun Tong Inland Lot No. 62 is held under a Government lease for a term expiring on 30 June 2047 at an annual rent equivalent to 3% of the rateable value for the time being of the property.</p>	<p>The workshop/office portion of the property is let under various tenancies for various terms with the latest expiring in March 2008, yielding a total monthly rental income of approximately HK\$1,520,000 exclusive of Government rates and rent, management fees and utility charges.</p> <p>The overall occupancy rate is approximately 88.6% (including the leasing office).</p> <p>The carparking spaces of the property are let on monthly and hourly basis yielding an average monthly income of approximately HK\$220,000 from January 2005 to December 2005. The Government rates and rent, management fees and utility charges for the carparks are at the expenses of the landlord.</p>	HK\$550,000,000	3.8%

Notes:

- (1) The registered owner of the property is Bandick Limited.
- (2) The property is subject to a Mortgage in the consideration of all moneys and an Assignment of Proceeds both in favour of Sumitomo Mitsui Banking Corporation.
- (3) The property lies within an area zoned "Other Specified Uses (For "Business" only)".
- (4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.
- (5) Estimated net property yield is based on the net monthly rental income for December 2005 and the average monthly car parking income for the period of January 2005 to December 2005.

Valuation Report

(6) The analysis of the existing tenancies is shown below:

Tenancy Commencement Profile

Year	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2003	11,837	5.6%	66,834	4.4%	4	3.5%
2004	119,978	56.7%	773,764	50.8%	67	58.3%
2005	79,936	37.7%	683,216	44.8%	44	38.2%
Total	211,751	100.0%	1,523,814	100.0%	115	100.0%

Tenancy Expiry Profile

Year	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
31 December 2005 & 2006	151,943	71.8%	983,196	64.5%	77	66.9%
2007	50,787	24.0%	464,344	30.5%	35	30.5%
2008	9,021	4.2%	76,274	5.0%	3	2.6%
Total	211,751	100.0%	1,523,814	100.0%	115	100.0%

Tenancy Duration Profile

Year	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
1	21,098	10.0%	147,690	9.7%	7	6.1%
2	172,611	81.5%	1,252,476	82.2%	103	89.6%
3	18,042	8.5%	123,648	8.1%	5	4.3%
Total	211,751	100.0%	1,523,814	100.0%	115	100.0%

Note: The above analysis excludes leasing office with an area of 870 sq.ft.

Valuation Report

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2005	Estimated Net Property Yield
5. Trendy Centre, No. 682 Castle Peak Road, Cheung Sha Wan, Kowloon New Kowloon Inland Lot No. 6224.	<p>Trendy Centre is a 30-storey industrial/office building with ancillary parking and loading/unloading facilities erected on a rectangular site with a registered site area of approximately 1,393.50 sq m (15,000 sq ft). The building was completed in 1998.</p> <p>Portion of Ground Floor and 1st to 3rd Floors of the building are devoted to carparking and/or loading/unloading purposes whereas the remaining portion of Ground Floor is for shop use. The upper floors from the 5th to 10th Floors (4th Floor is omitted from floor numbering) are designed for showroom use and the remaining floors from 11th to 33rd Floors (13th, 14th and 24th Floors are omitted from floor numberings) are designed for industrial/office purposes.</p> <p>The property comprises the entire units within the building with a total gross area of approximately 16,143.07 sq m (173,764 sq ft). The total saleable area of the property is approximately 10,934.23 sq m (117,696 sq ft).</p> <p>The property also comprises 79 carparking spaces within the building.</p> <p>New Kowloon Inland Lot No. 6224 is held under Conditions of Exchange No. 12399 for a term from 24 July 1996 to 30 June 2047 at an annual rent equivalent to 3% of the rateable value for the time being of the property.</p>	<p>The industrial/office portion of the property is let under various tenancies for various terms with the latest expiring in January 2008, yielding a total monthly rental income of approximately HK\$1,430,000 exclusive of Government rates and rent, management fees and utility charges.</p> <p>The overall occupancy rate is approximately 88.8%.</p> <p>The carparking spaces of the property are let on monthly and hourly basis yielding an average monthly income of approximately HK\$248,000 from January 2005 to December 2005. The Government rates and rent, management fees and utility charges for the carparks are at the expenses of the landlord.</p>	HK\$460,000,000	4.4%

Notes:

- (1) The registered owner of the property is Top Easy Profits Limited.
- (2) The property is subject to a Mortgage in the consideration of all moneys and an Assignment of Proceeds both in favour of Sumitomo Mitsui Banking Corporation.
- (3) The property lies within an area zoned "Other Specified Uses (For "Business" Only)".
- (4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.
- (5) Estimated net property yield is based on the net monthly rental for December 2005 and the average monthly car parking income for the period of January 2005 to December 2005.

Valuation Report

(6) The analysis of the existing tenancies is shown below:

Tenancy Commencement Profile

Year	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2004	68,942	44.7%	620,668	43.5%	60	48.8%
2005	85,424	55.3%	805,965	56.5%	63	51.2%
Total	154,366	100.0%	1,426,633	100.0%	123	100.0%

Tenancy Expiry Profile

Year	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2006	74,956	48.6%	697,677	48.9%	64	52.0%
2007	78,756	51.0%	723,724	50.7%	58	47.2%
2008	654	0.4%	5,232	0.4%	1	0.8%
Total	154,366	100.0%	1,426,633	100.0%	123	100.0%

Tenancy Duration Profile

Year	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
1	12,276	8.0%	121,472	8.5%	6	4.9%
2	135,174	87.6%	1,255,466	88.0%	114	92.7%
3	6,916	4.4%	49,695	3.5%	3	2.4%
Total	154,366	100.0%	1,426,633	100.0%	123	100.0%

Valuation Report

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2005	Estimated Net Property Yield
6. Various Portions in Prosperity Center, No. 25 Chong Yip Street, Kwun Tong, Kowloon (See note (1))	Prosperity Center is a 26-storey industrial/office building with ancillary parking and loading/unloading facilities erected on a site with registered site area of approximately 1,889.00 sq m (20,333 sq ft), completed in 1999.	The office/workshop portion of the property is let under various tenancies for various terms with the latest expiring in December 2008, yielding a total monthly rental income of approximately HK\$1,000,000 exclusive of Government rates and rent, management fees and utility charges.	HK\$350,000,000	4.2%
11,013/22,510th undivided parts or shares of and in Kwun Tong Inland Lot No. 729.	<p>Portion of Ground Floor, 2nd to 5th Floors of the building (1st Floor and 4th Floor are omitted from floor numberings) are devoted to carparking or loading/unloading purposes whereas the remaining portion of Ground Floor and upper floors from 6th to 30th Floors (13th, 14th and 24th Floors are omitted from floor numberings) are designed for office/workshop purposes.</p> <p>The property comprises various office/workshop units and retained areas within the building with a total gross area of approximately 12,477.42 sq m (134,307 sq ft). The total saleable area of the property is approximately 9,094.48 sq m (97,893 sq ft).</p> <p>The property also consists of a total of 105 carparking spaces comprising 91 private carparking spaces, 13 lorry parking spaces and 1 container parking space within the building.</p> <p>Kwun Tong Inland Lot No. 729 is held under Conditions of Exchange No. 12317 for a term from 6 August 1994 to 30 June 2047 at an annual rent equivalent to 3% of the rateable value for the time being of the property.</p>	<p>The overall occupancy rate is approximately 79.6% including the owner occupied units.</p> <p>The carparking spaces of the property are let on monthly and hourly basis yielding an average monthly income of approximately HK\$237,000 from January 2005 to December 2005. The Government rates and rent, management fees and utility charges for the carparks are at the expenses of the landlord.</p>		

Notes:

- (1) The property comprises Units G01, G02, G03, G05 and G06 on Ground Floor, Units 601-610 on 6th Floor, the whole of 7th Floor, 801-810 on 8th Floor, 901-910 on 9th Floor, 1101-1110 on 11th Floor, 1201-1210 on 12th Floor, 1501-1510 on 15th Floor, 1701 and 1707-1710 on 17th Floor, 1801-1810 on 18th Floor, 1901-1910 on 19th Floor, 2007-2010 on 20th Floor, 2310 on 23rd Floor, 2607-2610 on 26th Floor, 2701-2706 and 2708-2710 on 27th Floor, 2805-2806 on 28th Floor, 2901-2907 on 29th Floor (Unit No. 04 is omitted in each floor), the Retained Areas on 6th Floor, 8th-12th Floors, 15th-16th Floors, 18th-19th Floors, 23rd Floor, 25th-27th Floors and 105 carparking spaces, Prosperity Centre, 25 Chong Yip Street, Kwun Tong, Kowloon.
- (2) The registered owner of the property is Prodes Company Limited and the beneficial owner of the property is Winrise Champion Limited.
- (3) The property is subject to a Mortgage in the consideration of all moneys and an Assignment of Proceeds both in favour of Sumitomo Mitsui Banking Corporation.
- (4) The property lies within an area zoned "Other Specified Uses (For "Business" only)".
- (5) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.
- (6) Estimated net property yield is based on the net monthly rental income for December 2005 and the average monthly car parking income for the period of January 2005 to December 2005.

Valuation Report

(7) The analysis of the existing tenancies is shown below:-

Tenancy Commencement Profile

Year	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2004	55,265	51.7%	456,838	45.6%	27	54.0%
2005	51,677	48.3%	544,503	54.4%	23	46.0%
Total	106,942	100.0%	1,001,341	100.0%	50	100.0%

Tenancy Expiry Profile

Year	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
31 December 2005 & 2006	54,740	51.2%	455,225	45.5%	27	54.0%
2007	38,124	35.6%	381,758	38.1%	19	38.0%
2008	14,078	13.2%	164,358	16.4%	4	8.0%
Total	106,942	100.0%	1,001,341	100.0%	50	100.0%

Tenancy Duration Profile

Year	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
1	2,217	2.1%	24,387	2.4%	1	2.0%
2	87,905	82.2%	786,596	78.6%	44	88.0%
3	16,820	15.7%	190,358	19.0%	5	10.0%
Total	106,942	100.0%	1,001,341	100.0%	50	100.0%

Note: The above analysis excludes two owner-occupied Units 1109-10 and 1907 with a total gross area of 3,582 sq.ft.

Valuation Report

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2005	Estimated Net Property Yield
7. Various Portions in New Treasure Centre, No. 10 Ng Fong Street, San Po Kong, Kowloon (See note (1)) 11,163/26,198th undivided parts or shares of and in New Kowloon Inland Lot No. 4864.	<p>New Treasure Centre is a 30-storey industrial building (including a Mezzanine Floor) with ancillary parking and loading/unloading facilities erected on a rectangular site with a registered site area of approximately 1,304.35 sq m (14,040 sq ft), completed in 1995.</p> <p>Portion of Ground Floor and Mezzanine of the building are devoted to carparking and/or loading/unloading purposes whereas the remaining upper floors from 1st to 31st Floors (4th, 14th and 24th Floors are omitted from floor numberings) are designed for factory purposes.</p> <p>The property comprises the various factory units within the building with a total gross area of approximately 8,005.20 sq m (86,168 sq ft). The total saleable area of the property is approximately 5,947.70 sq m (64,021 sq ft).</p> <p>The property also consists of flat roof areas on the 1st Floor with a total area of approximately 401.99 sq m (4,327 sq ft) and 22 carparking spaces within the building.</p> <p>New Kowloon Inland Lot No. 4864 is held under a Government lease for a term expiring on 30 June 2047 at an annual rent equivalent to 3% of the rateable value for the time being of the property.</p>	<p>The factory portion of the property is let under various tenancies for various terms with the latest expiring in November 2008, yielding a total monthly rental income of approximately HK\$530,000 exclusive of Government rates and rent, management fees and utility charges.</p> <p>The overall occupancy rate is approximately 98.5% including the owner occupied unit.</p> <p>The carparking spaces of the property are let on monthly and hourly basis yielding an average monthly income of approximately HK\$98,000 from January 2005 to December 2005. The Government rates and rent, management fees and utility charges for the carparks are at the expenses of the landlord.</p>	HK\$108,000,000	7%

Notes:

- (1) The property comprises Units 101 (and portion of Flat Roof adjacent thereto), 103 (and portion of Flat Roof adjacent thereto) and 107 on 1st Floor, 201-203, 205-207 on 2nd Floor, 301-303, 306 and 307 on 3rd Floor, 501-503, 505-507 on 5th Floor, 603, 606 and 607 on 6th Floor, 703 on 7th Floor, 801-803, 806 and 807 on 8th Floor, 1005 on 10th Floor, 1201-1203, 1205 and 1207 on 12th Floor, 1302, 1303 and 1306 on 13th Floor, 1506 and 1507 on 15th Floor, 1602, 1603, 1605 and 1607 on 16th Floor, 1702, 1703, 1705-1707 on 17th Floor, 1801-1803 and 1805-1807 on 18th Floor, 2202, 2203 and 2205 on 22nd Floor, 2301-2303, 2306 and 2307 on 23rd Floor, 2706 and 2707 on 27th Floor, 2803 on 28th Floor, 2903, 2906 and 2907 on 29th Floor and 22 carparking spaces, New Treasure Centre, 10 Ng Fong Street, San Po Kong, Kowloon.
- (2) The registered owner of the property is Haskins Investments Limited.
- (3) The property is subject to a Mortgage in the consideration of all moneys and an Assignment of Proceeds both in favour of Sumitomo Mitsui Banking Corporation.
- (4) The property lies within an area zoned "Other Specified Uses (For "Business" only).
- (5) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.
- (6) Estimated net property yield is based on the net monthly rental for December 2005 and the average monthly car parking income for the period of January 2005 to December 2005.

Valuation Report

(7) The analysis of the existing tenancies is shown below:

Tenancy Commencement Profile

Year	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2004	37,204	43.8%	221,259	41.6%	20	37.0%
2005	47,697	56.2%	310,603	58.4%	34	63.0%
Total	84,901	100.0%	531,862	100.0%	54	100.0%

Tenancy Expiry Profile

Year	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2006	32,333	38.1%	200,996	37.8%	22	40.7%
2007	50,072	59.0%	314,392	59.1%	30	55.6%
2008	2,496	2.9%	16,474	3.1%	2	3.7%
Total	84,901	100.0%	531,862	100.0%	54	100.0%

Tenancy Duration Profile

Year	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
1	5,147	6.1%	34,836	6.5%	3	5.6%
2	67,240	79.2%	425,453	80.0%	48	88.8%
3	12,514	14.7%	71,573	13.5%	3	5.6%
Total	84,901	100.0%	531,862	100.0%	54	100.0%

Note: The above analysis excludes an owner-occupied Unit 107 with an area of 1,265 sq.ft.

MARKET OVERVIEW

Office

In accordance with the information published by the Rating and Valuation Department, only about 323,000 sq ft of Grade A office spaces were completed in 2005 which is at about 12% of that of 2004. The major supply in 2005 was constituted by AIG Tower (approximately 420,000 sq ft) which is a Grade A office located in Central. Whilst, Grade A office supply for 2006 is forecasted at about 1,238,000 sq ft. The supply would mainly come from developments completed in Yau Tsim Mong and the New Territories. Whereas, Liu Chong Hing Bank Building at No. 24 Des Voeux Road Central of approximately 108,000 sq ft is forecasted to be the notable Grade A office supply in Central. Nevertheless, about 1,744,000 sq ft of Grade A office space is anticipated to complete in 2007 which includes Landmark extension of approximately 700,000 sq ft on Gross Floor Area in Central.

In line with the forecast of the Department, we expect to see a high take-up rate of Grade A office in the coming year. With

limited new supply of Grade A offices in the Central Business Districts like Central and Admiralty, both price and rental for Grade A office buildings are forecasted to remain up in 2006.

On the demand side, the office demand continues to grow along with the local economy recovery, especially those in prime districts. According to Annual Survey of Regional Offices Representing Overseas Companies in Hong Kong conducted by the Census and Statistics Department in September 2005, 6.28% and 4.78% increment were recorded for the numbers of companies establishing their offices in Hong Kong as regional headquarters and regional offices respectively compared to the same period in 2004. Such high and concessive demand continues the upward trend of both price and rental level of office spaces particularly for Grade A offices which have a higher quality.

In view of vacancy rate, as per the Grade A office vacancy rate index prepared by Chesterton Petty, vacancy rate in prime districts such as Central, Admiralty, Tsim Sha Tsui and Causeway Bay remained at a low level of around 4%-5% in 2005 whereas vacancy rate in decentralized areas like North Point and Quarry Bay stayed at a moderate range of 7%-8%.

Valuation Report

Industrial and Industrial/Office

According to the information published by the Rating and Valuation Department, the total stock of industrial space in Hong Kong amounted to roughly 265,000,000 sq ft in terms of Internal Floor Area of which 70.9% was flatted factories as in the year-end of 2004. Specialized factories and industrial spaces for storage purposes accounted for 12.9% and 13.7% of the total stock respectively whilst Industrial/Office represented only 2.5% of the total stock. Both industrial building and Industrial/Office building are not expected to have any new supply in 2006.

The transaction and leasing activity of industrial buildings were active throughout 2005. According to the Rating and Valuation Department, the rental level of flatted factories rose more than 4.4% in 2005. Yet, a 30% rise in price of flatted factories was recorded. The Department also forecasted that only 91,000 sq ft Internal Floor Area of specialized factories would be completed in 2006 with no new supply for both flatted factories and industrial/office.

Having no foreseeable drastic supply and improving local economy and manufacturing industries, we expected that both industrial and industrial/office market remain cautiously optimistic with moderate rise in both rental and price.

Report of the Trustee

We hereby confirm that, in our opinion, the manager of Prosperity Real Estate Investment Trust has, in all material respects, managed Prosperity Real Estate Investment Trust in accordance with the provisions of the Trust Deed dated 29 November 2005, as amended by the First Supplemental Deed dated 12 December 2005 for the financial period ended 31 December 2005.

HSBC Institutional Trust Services (Asia) Limited

Hong Kong, 16 March 2006

Report of the Auditors



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TO THE UNITHOLDERS OF PROSPERITY REAL ESTATE INVESTMENT TRUST

We have audited the consolidated financial statements of Prosperity Real Estate Investment Trust and its subsidiaries (the "Group") from pages 67 to 89 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF THE MANAGER AND AUDITORS

The Manager is responsible for the preparation of the consolidated financial statements which give a true and fair view. In preparing consolidated financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the manager in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the consolidated financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the consolidated financial statements give a true and fair view of the disposition of the assets and liabilities of the Group as at 31 December 2005 and of its financial transactions for the period from 16 December 2005 (date of listing) to 31 December 2005 and have been properly prepared in accordance with the relevant provisions of the trust deed and the Code on Real Estate Investment Trusts.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 16 March 2006

Consolidated Income Statement

For the period from 16 December 2005 (date of listing) to 31 December 2005

	Note	HK\$'000
Turnover	4	6,483
Rental related income		1,719
		<u>8,202</u>
Property management fees		(177)
Other property operating expenses	5	(2,557)
Total property operating expenses		<u>(2,734)</u>
Net property income (before landlord provision)		5,468
Landlord provision		<u>(4,654)</u>
Net property income		814
Interest income		29,920
Manager's fee		(871)
Listing expenses		(19,862)
Trust and other expenses	6	(1,819)
Excess of fair value of identifiable assets and liabilities acquired over the cost of acquisition of subsidiaries		171,308
Increase in fair value of two investment properties acquired upon listing		53,810
Increase in fair value of investment properties at period end		10,000
Finance costs	7	<u>(4,114)</u>
Profit before taxation		239,186
Taxation	8	<u>504</u>
Net profit for the period		239,690
Income available for distribution		29,039
Earnings per unit (HK\$)	9	0.19

Distribution Statement

For the period from 16 December 2005 (date of listing) to 31 December 2005

	HK\$'000
Net profit for the period	239,690
Adjustments:	
Manager's fee	871
Listing expenses	19,862
Excess of fair value of identifiable assets and liabilities acquired over the cost of acquisition of subsidiaries	(171,308)
Increase in fair value of two investment properties acquired upon listing	(53,810)
Increase in fair value of investment properties at period end	(10,000)
Finance costs	3,623
Deferred tax	111
	<hr/>
Net income available for distribution	29,039

As disclosed in Prosperity REIT's offering circular dated 5 December 2005, Prosperity REIT's first distribution after Listing Date will be for the period from the listing date to 30 June 2006. Accordingly, income available for distribution for the period together with the income available for distribution for the first half year of 2006 will be paid to the registered unitholders of Prosperity REIT as of the record date for the interim distributions for the half year ending 30 June 2006.

Consolidated Balance Sheet

As at 31 December 2005

	Note	HK\$'000
ASSETS AND LIABILITIES		
Non-current assets		
Investment properties	10	4,548,000
Derivative financial instruments	11	283,799
Total non-current assets		<u>4,831,799</u>
Current assets		
Trade and other receivables	12	32,822
Amount due from related companies	13	11,458
Bank balances and cash	14	88,889
Total current assets		<u>133,169</u>
Total assets		<u>4,964,968</u>
Non-current liabilities		
Secured term loan	15	1,770,000
Origination fees	15	(18,050)
Deferred tax liabilities	16	138,843
Total non-current liabilities		<u>1,890,793</u>
Current liabilities		
Trade and other payables	17	104,200
Secured revolving loan	15	130,000
Tax liabilities		681
Distribution payable		29,039
Total current liabilities		<u>263,920</u>
Total liabilities		<u>2,154,713</u>
Net assets		<u>2,810,255</u>
UNITHOLDERS' FUNDS		
Equity and reserves		
Issued equity	18	2,702,078
Unit issue costs		(91,278)
Hedging reserve		(11,196)
Retained profits		210,651
Total unitholders' funds		<u>2,810,255</u>
Units in issue ('000)		<u>1,250,962</u>
Net asset value per unit (HK\$)	19	2.26

The financial statements on pages 67 to 89 were approved and authorised for issue by the Manager on 16 March 2006 and were signed on its behalf by:

Chiu Kwok Hung, Justin

Lin Chung Sing, Charlie

Consolidated Statement of Movements in Capital Account

For the period from 16 December 2005 (date of listing) to 31 December 2005

	Issued equity	Unit issue costs	Hedging reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
OPERATIONS					
Net profit for the period before property appreciation	–	–	–	175,880	175,880
Increase in fair value of two investment properties acquired upon listing	–	–	–	53,810	53,810
Increase in fair value of investment properties at period end	–	–	–	10,000	10,000
Fair value changes of derivative under cashflow hedge	–	–	(11,196)	–	(11,196)
(Decrease) Increase in net assets resulting from operations	–	–	(11,196)	239,690	228,494
UNITHOLDERS' TRANSACTIONS					
Equity raising upon listing (note 18)	2,702,078	–	–	–	2,702,078
Unit issue costs	–	(91,278)	–	–	(91,278)
Distribution payable	–	–	–	(29,039)	(29,039)
Increase (Decrease) in net assets resulting from unitholders' transactions	2,702,078	(91,278)	–	(29,039)	2,581,761
Net assets as at 31 December 2005	2,702,078	(91,278)	(11,196)	210,651	2,810,255

Consolidated Cash Flow Statement

For the period from 16 December 2005 (date of listing) to 31 December 2005

	Note	HK\$'000
Operating activities		
Profit before taxation		239,186
Adjustments for:		
Manager's fees		871
Excess of fair value of identifiable assets and liabilities acquired over the cost of acquisition of subsidiaries		(171,308)
Increase in fair value of two investment properties acquired upon listing		(53,810)
Increase in fair value of investment properties at period end		(10,000)
Listing expenses		19,862
Interest income		(29,920)
Finance costs		4,114
		<hr/>
Operating cashflow before working capital changes		(1,005)
Increase in amount due from related companies		(11,458)
Decrease in trade and other receivables		17,356
Increase in trade and other payables		4,623
		<hr/>
Cash generated from operations		9,516
Income tax paid		(468)
		<hr/>
Net cash from operating activities		9,048
		<hr/>
Investing activities		
Interest received		29,902
Acquisition of subsidiaries	20	(1,832,517)
Acquisition of properties		(741,190)
		<hr/>
Net cash used in investing activities		(2,543,805)
		<hr/>
Financing activities		
Proceeds from issue of new units		2,702,078
Issue cost paid		(78,432)
		<hr/>
Net cash from financing activities		2,623,646
		<hr/>
Net increase in cash and cash equivalents		88,889
Cash and cash equivalents at beginning of the period		–
		<hr/>
Cash and cash equivalents at end of period, represented by bank balances and cash		88,889

Notes to the Financial Statements

For the period from 16 December 2005 (date of listing) to 31 December 2005

1 GENERAL

Prosperity Real Estate Investment Trust ("Prosperity REIT") is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and its units have been listed on The Stock Exchange of Hong Kong Limited ("HKSE") since 16 December 2005. Prosperity REIT is governed by the deed of trust dated 29 November 2005, as amended by a first supplemental deed dated 12 December 2005 (collectively the "Trust Deed") made between ARA Asset Management (Prosperity) Limited (the "Manager") and HSBC Institutional Trust Services (Asia) Limited (the "Trustee") and the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission.

The principal activity of Prosperity REIT and its subsidiaries (the "Group") is to own and invest in a portfolio of offices and commercial properties 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.

The Group has entered into various service agreements in relation to the management of Prosperity REIT and its property operations. The fee structures of these services are as follows:

(a) Property management fees

Property management service

Under the Property Management Agreement, the Property Manager, Goodwell-Prosperity Property Services Limited, will receive from each of the property holding subsidiary a fee of 3% per annum of gross property revenue for the provision of property management services and lease management services.

Gross property revenue means the amount equivalent to the gross revenue less rental related income and car park income.

Marketing services

For the marketing services, the property holding subsidiary will pay the Property Manager the following commissions:

- one month's base rent for securing a tenancy of three years or more;
- one-half month's base rent for securing a tenancy of less than three years;
- one-half month's base rent for securing a renewal of tenancy irrespective of duration of the renewal term; and
- 10% of the total licence fee for securing a licence for duration of less than 12 months.

(b) Trustee's fees

The Trustee is entitled to receive trustee's fee not exceeding 0.05% per annum on the value of the real estate properties (subject to a minimum of HK\$50,000 per month) currently at 0.03% per annum.

Notes to the Financial Statements

For the period from 16 December 2005 (date of listing) to 31 December 2005

1 GENERAL (CONTINUED)

(c) Manager's fees

Under the Trust Deed, the Manager is entitled to receive the following remuneration for the provision of asset management services:

Base fee

Under the Trust Deed, the Manager will receive a base fee from Prosperity REIT at 0.4% per annum on the value of the properties. The base fee will be paid quarterly in arrears and in the form of units in Prosperity REIT during the first five years after the Units are listed on HKSE. Thereafter, the Manager may elect whether the base fee is to be paid in cash or in units.

Variable fee

Under the Trust Deed, the Manager will receive from each property holding subsidiary a variable fee of 3% of the net property income (before deduction therefrom the base fee and variable fee) of the property holding subsidiary. The variable fee will be paid in units during the first five years after the Units are listed on HKSE, and thereafter, may elect whether the variable fee is to be paid in cash or in units at the election of the Manager.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the financial statements include applicable disclosures required by the Code on Real Estate Investment Trusts issued by the Securities and Future Commission and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements are prepared on the historical basis, except for certain properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of Prosperity REIT.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Prosperity REIT and the subsidiaries controlled by Prosperity REIT made up to 31 December each year. Control is achieved when Prosperity REIT has the power to govern the financial and operating policies of the subsidiaries so as to obtain benefits from their activities. On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intercompany transactions and balances are eliminated on consolidation.

Notes to the Financial Statements

For the period from 16 December 2005 (date of listing) to 31 December 2005

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Business acquisition

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business acquisition. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

A discount on acquisition arising on acquisition represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in the income statement.

(d) Investment properties

On initial recognition, investment properties, which is property held to earn rentals or for capital appreciation or both, are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sale proceeds and its carrying amount, and is recognised in the income statement.

(e) Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs (which include origination fees) that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Notes to the Financial Statements

For the period from 16 December 2005 (date of listing) to 31 December 2005

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(e) Financial instruments (continued)

Financial assets

The Group's financial assets are classified as receivables and cash and cash equivalents.

Receivables (including trade and other receivables, bank deposits and amount due from related companies) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

The Group's financial liabilities are borrowings and payables which are subsequently measured at amortised cost, using the effective interest rate method.

(f) Cash and cash equivalents

Cash and cash equivalents comprise demand deposits that are subject to an insignificant risk of changes in value.

(g) Unit issue costs

The transaction costs of an equity transaction in relation to the initial public offering and listing units of Prosperity REIT are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. Other transaction costs are recognised as an expense.

(h) Impairment of assets

At each balance sheet date, the Group review the carrying amounts of their assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense in the income statement immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as an income in the income statement immediately.

Notes to the Financial Statements

For the period from 16 December 2005 (date of listing) to 31 December 2005

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(i) Provisions

Provisions are recognised when the Group have a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation.

(j) Revenue recognition

Rental income is recognised, on a straight-line basis, over the terms of the respective leases.

Rental related income, representing mainly air conditioning expenses, management fee, promotion expenses, government rates and government rents payable by the tenants and licensees are recognised when the services and facilities are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(k) Borrowings cost

Borrowings cost are recognised as an expense in the income statement in the period in which they are incurred.

(l) Derivative financial instruments and hedge accounting

The Group uses interest rate swap to hedge its exposure against changes in interest rates. Such derivatives are measured at fair value regardless of whether they are designated as effective hedging instruments.

Hedges are classified as cash flow hedges when hedges are made to hedge against exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability.

For cash flow hedges that qualify for hedge accounting, the effective portion of the gains or losses arising on the changes in fair value of hedging instruments is initially recognised in equity and "recycled" into the income statement when the hedged item affects profit or loss. The ineffective portion is recognised immediately in profit or loss.

Derivatives that do not qualify for hedge accounting are deemed as financial assets or financial liabilities held for trading. Changes in fair values of such derivatives are recognised directly in profit or loss.

(m) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other period and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Notes to the Financial Statements

For the period from 16 December 2005 (date of listing) to 31 December 2005

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(m) Taxation (continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(n) Potential impact arising from recently issued accounting standards

At the date of authorisation of these financial statements, the following Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations ("HK(IFRIC)") were issued but not yet effective:

HKAS 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendments)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement Contains a Lease
HK(IFRIC)-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies

The Manager anticipates that the application of these Standards and Interpretations applicable to Prosperity REIT in future periods will have no material impact on the financial statements of the Group.

Notes to the Financial Statements

For the period from 16 December 2005 (date of listing) to 31 December 2005

3 FINANCIAL RISKS MANAGEMENT OBJECTIVES AND POLICIES

Credit risk

Credit risk is the potential financial loss resulting from the failure of a tenant or counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

The Manager has established credit limits for tenants and monitors their balances on an ongoing basis. Credit evaluations are performed by the Property Manager on behalf of the Manager before lease agreements are entered into with tenants. In addition, the Manager reviews the recoverable amount of each individual trade debts regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. Cash and fixed deposits are placed with reputable financial institutions.

The maximum exposure to credit risk is represented by the carrying value of each financial asset on the balance sheet.

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Manager on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

The Group has put in place interest rate swap arrangements to minimise the variability in cash flows attributable to changes in interest rate. This involves fixing the portion of interest payable on its underlying debt liabilities via financial derivatives.

Liquidity risk

The Manager monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations. In addition, the Manager observes the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission concerning limits on total borrowings and monitors the level of borrowing to be within the permitted limit.

4 TURNOVER

	<i>HK\$'000</i>
Turnover represents gross rental from investment properties	
Rental income	5,900
Car park income	583
	<hr style="width: 100px; margin-left: auto; margin-right: 0;"/>
	6,483

Notes to the Financial Statements

For the period from 16 December 2005 (date of listing) to 31 December 2005

5 OTHER PROPERTY OPERATING EXPENSES

	<i>HK\$'000</i>
Building management fees	1,410
Utilities	63
Government rent and rates	376
Car park operating expenses	181
Valuation fees (paid to principal valuer)	45
Audit fee	201
Tax fees	120
Legal and professional fees	45
Others	116
	<hr/> 2,557

6 TRUST AND OTHER EXPENSES

	<i>HK\$'000</i>
Audit fee	346
Trustee's fee	60
Bank charges	80
Other professional fees and charges	1,333
	<hr/> 1,819

7 FINANCE COSTS

	<i>HK\$'000</i>
Interest expense on:	
– Secured term loan	3,855
– Secured revolving loan	259
	<hr/> 4,114

8 TAXATION

	<i>HK\$'000</i>
Current tax credit	(615)
Deferred tax (<i>note 16</i>)	111
	<hr/> (504)

Notes to the Financial Statements

For the period from 16 December 2005 (date of listing) to 31 December 2005

8 TAXATION (CONTINUED)

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the period and the net income tax credit for the period can be reconciled to the accounting profit as follows:

	<i>HK\$'000</i>
Income tax expense at statutory rate of 17.5%	41,858
Tax effect of excess of fair value of identifiable assets and liabilities acquired over the cost of acquisition of subsidiaries	(29,979)
Tax effect of increase in fair value of two investment properties acquired upon listing	(9,417)
Tax effect of increase in fair value of investment properties at period end	(1,750)
Tax effect of non-taxable income	(5,257)
Tax effect of non-deductible expenses	3,841
Tax effect of loss not recognised	200
	<hr/>
Net tax credit for the period	(504)

9 EARNINGS PER UNIT

The earnings per unit is calculated by dividing the net profit for the period of HK\$239,690,000 by 1,250,962,222 units being the number of units in issue during the period.

10 INVESTMENT PROPERTIES

	<i>HK\$'000</i>
FAIR VALUE	
Acquired upon listing	4,538,000
Increase in fair value of investment properties at period end	10,000
	<hr/>
At end of the period	4,548,000

On 31 December 2005, an independent valuation was undertaken by Chesterton Petty Limited. The firm is an independent qualified professional valuer not connected to the Group and having appropriate professional qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation of the seven properties was arrived at using the basis of capitalisation of the net income by reference to sales evidence as available on the market.

All of the Group's property interests in properties located in Hong Kong are held under operating leases to earn rentals or for capital appreciation purposes. They are measured using the fair value model and are classified and accounted for as investment properties.

All of the Group's investment properties have been pledged to secure banking facilities granted to the Group.

Notes to the Financial Statements

For the period from 16 December 2005 (date of listing) to 31 December 2005

11 DERIVATIVE FINANCIAL INSTRUMENTS

HK\$'000

Cash flow hedges – interest rate swaps	283,799
--	---------

The Group uses interest rate swaps to minimise its exposure to movements in interest rates in relation to its floating rates term loan by swapping from floating rates to fixed rates. The interest rate swaps and the corresponding term loan have the same terms and the Manager considers that the interest rate swaps are highly effective hedging instruments. Major terms of the interest rate swaps are set out below:

Notional amount	Maturity	Swaps
HK\$885,000,000	16 December 2010	From 3 months HIBOR+0.49% to average rate of 1.40% per annum over 5 years
HK\$885,000,000	16 December 2010	From 3 months HIBOR+0.49% to average rate of 1.40% per annum over 5 years

The above derivatives are measured at fair value at the balance sheet date. Their fair values are determined based on the discounted cash flow model.

12 TRADE AND OTHER RECEIVABLES

HK\$'000

Trade receivables	607
Deposits and prepayments	6,094
Other receivables	26,121
	<u>32,822</u>

Ageing analysis of the Group's trade receivables at the balance sheet date is as follows:

HK\$'000

Current – 1 month	431
2 – 3 months	176
	<u>607</u>

The Group maintains a defined credit policy. The collection is closely monitored to minimise any credit risk associated with these receivables. The carrying amount of the trade and other receivables approximates their fair values.

13 AMOUNT DUE FROM RELATED COMPANIES

The amount due from related companies arose from the collection of property rental on behalf of the Group by certain subsidiaries of a unitholder. The amount is unsecured, interest-free and repayable on demand. The Manager considers the carrying amount of amount due from related companies as at 31 December 2005 approximates to their fair values.

Notes to the Financial Statements

For the period from 16 December 2005 (date of listing) to 31 December 2005

14 BANK BALANCES AND CASH

	<i>HK\$'000</i>
Cash at bank	176
Fixed deposits with financial institutions	88,713
	<u>88,889</u>

Fixed deposits with financial institutions consist of overnight deposits bearing interest at approximately 3.8% per annum at period end date.

Deposits and bank balances and cash are placed with The Hongkong and Shanghai Banking Corporation Limited, a related company of the Trustee. The carrying amounts approximate their fair values.

15 BORROWINGS

	<i>HK\$'000</i>
Long-term borrowing:	
Secured term loan	1,770,000
Origination fees	(18,050)
	<u>1,751,950</u>
Short-term borrowing:	
Secured revolving loan	130,000
	<u>1,881,950</u>

Under the banking facility agreement, the Group has been granted a facility of HK\$1,900,000,000 before origination fees, comprising a HK\$1,770,000,000 term loan and a HK\$130,000,000 revolving credit facility.

The total facilities were fully drawn as at 31 December 2005 and the term and conditions are as follows:

- (i) HK\$1,770,000,000 term loan bearing interest at floating interest rate of HIBOR+0.49% per annum and repayable in full in December 2010.
- (ii) HK\$130,000,000 revolving loan bearing interest at floating interest rate of HIBOR+0.49% per annum and repayable on demand.

Notes to the Financial Statements

For the period from 16 December 2005 (date of listing) to 31 December 2005

15 BORROWINGS (CONTINUED)

The term loan carried interest, after hedging, at effective rate of approximately 5% per annum.

Both the term loan and revolving loan were secured by the Group's investment properties with carrying value of HK\$4,548,000,000. In addition, Prosperity REIT and its subsidiaries provide guarantee for the term loan and revolving loan.

The fair value of the Group's borrowings which was approximate to the carrying amount was estimated by discounting their future cash flows at market rate.

The origination fees consist of advisory fee and front-end fee in respect to the banking facility and are measured at amortised cost.

16 DEFERRED TAX LIABILITIES

The followings are the major component of deferred tax liabilities and assets recognised and movements thereon during the period:

	Accelerated tax depreciation	Investment property	Tax losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of period	–	–	–	–
Acquisition	64,045	96,840	(22,153)	138,732
Charge to income statement for the period	5,053	–	(4,942)	111
At end of period	69,098	96,840	(27,095)	138,843

At the balance sheet date, tax loss amounting to approximately HK\$1,099,000 were not recognised, due to unpredictability of future profits stream.

Notes to the Financial Statements

For the period from 16 December 2005 (date of listing) to 31 December 2005

17 TRADE AND OTHER PAYABLES

	<i>HK\$'000</i>
Trade payables	2,496
Base fee and variable fee payable to the Manager	871
Tenants' deposits	
– Outside parties	46,719
– Related parties	994
Rental received in advance	
– Outside parties	1,692
Other payables	51,428
	<hr/>
	104,200

Ageing analysis of the Group's trade payables at the balance sheet date is as follows:

	<i>HK\$'000</i>
Current – 1 month	1,833
2 – 3 months	663
	<hr/>
	2,496

The carrying amount of trade and other payables approximates their fair values.

18 ISSUED EQUITY

	<i>Number of units</i>	<i>HK\$'000</i>
Creation and issue of units on 16 December 2005 at HK\$2.16 per unit	1,250,962,222	2,702,078

Upon listing on 16 December 2005, Prosperity REIT issued 1,250,962,222 units to unitholders to finance the acquisition of subsidiaries and investment properties.

Subsequent to the balance sheet date, 360,501 units were issued to the Manager at HK\$2.4154 per unit as base fee and variable fee for the period from 16 December 2005 to 31 December 2005.

19 NET ASSET VALUE PER UNIT

The net asset value per unit is calculated based on the net assets of the Group excluding hedging reserve and the total number of units used for computing the net asset value per unit is 1,250,962,222.

Notes to the Financial Statements

For the period from 16 December 2005 (date of listing) to 31 December 2005

20 ACQUISITION OF SUBSIDIARIES

Upon listing, Prosperity REIT acquired five investment properties and a finance company through the acquisition of 100% issued share capital of property holding companies using the purchase method. The excess of the fair value of identifiable assets and liabilities of the assets acquired over the cost of acquisition of HK\$171,308,000 was recognised in the income statement.

The fair value of the net assets acquired is as follows:

	<i>HK\$'000</i>
Investment properties	3,728,000
Derivative financial instruments	315,814
Trade and other receivable	46,544
Bank balances and cash	1,671
Trade and other payables	(57,452)
Secured revolving loan	(130,000)
Tax liabilities	(1,764)
Secured term loan	(1,770,000)
Deferred tax liabilities	(127,317)
	<hr/>
Net assets acquired	2,005,496
Excess of fair value of identifiable assets and liabilities acquired over the cost of acquisition	(171,308)
	<hr/>
Total consideration satisfied by cash	1,834,188
	<hr/>
Net cash outflow arising on acquisition:	
Cash consideration	1,834,188
Bank balances and cash acquired	(1,671)
	<hr/>
	1,832,517
	<hr/>

21 MAJOR NON-CASH TRANSACTION

During the period, the Manager earned a fee of HK\$871,000. The amount will be paid in units subsequent to the period end.

Notes to the Financial Statements

For the period from 16 December 2005 (date of listing) to 31 December 2005

22 CRITICAL ACCOUNTING JUDGMENTS

In the process of applying the Group's accounting policies, which are described in note 2, management has made the judgment on significant assets that have the most significant effect on the amounts recognised in the financial statements.

As described in noted 2(d), investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates. In relying on the valuation report, the management has exercised its judgment and is satisfied that the method of valuation is reflective of the current market conditions.

As described in note 2(l), the fair value of derivative financial instruments that are not quoted in active markets are determined by using certain valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates.

23 NET CURRENT ASSETS/LIABILITIES

At the balance sheet date, the Group's net current liabilities, defined as current assets less current liabilities, amounted to HK\$130,751,000.

24 TOTAL ASSETS LESS CURRENT LIABILITIES

At the balance sheet date, the Group's total assets less current liabilities amounted to HK\$4,701,048,000.

25 SEGMENTAL REPORTING

Prosperity REIT's business is investing in offices and commercial properties located in Hong Kong.

26 OPERATING LEASE COMMITMENTS

	<i>HK\$'000</i>
Minimum lease income under operating leases included in the income statement	5,900

As at the balance sheet date, commitments in respect of non-cancellable operating leases for the rental of investment properties were as follows:

	<i>HK\$'000</i>
Future minimum lease payments receivable:	
Within one year	109,147
In the second to fifth year inclusive	121,491
Over five years	13,864
Total	244,502

Notes to the Financial Statements

For the period from 16 December 2005 (date of listing) to 31 December 2005

27 CONNECTED AND RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with connected and related parties:

	<i>Note</i>	<i>HK\$'000</i>
Rent and rental related income from		
AMTD Financial Planning Limited	(a)	58
E-Park Parking Management Limited	(b)	7
e-Smart System Inc.	(b)	99
Fusion System Limited	(b)	1
Goodwell Property Management Limited	(b)	34
Tremayne Investments Limited	(c)	641
Carpark lease agency fee for the operations of the Group's carpark		
E-Park Parking Management Limited	(b)	77
Goodwell Property Management Limited	(b)	5
Property management fee		
Goodwell-Prosperity Property Services Limited	(b)	177
Trustee's fee		
HSBC Institutional Trust Services (Asia) Limited		60
Manager's fee		
ARA Asset Management (Prosperity) Limited		871
Balances with related parties as are as follows:		
Amount due from		
Cheung Kong Property Development Limited	(b)	9,814
E-Park Parking Management Limited	(b)	1,644
Deposits placed with the Group for the lease of the Group's properties		
AMTD Financial Planning Limited	(a)	485
E-Park Parking Management Limited	(b)	49
e-Smart System Inc.	(b)	191
Fusion System Limited	(b)	45
Goodwell Property Management Limited	(b)	224

Notes:

- (a) The company is the associate of Cheung Kong (Holdings) Limited ("CKH") which is a unitholder of Prosperity REIT.
- (b) These companies are the subsidiaries of CKH.
- (c) The company is a subsidiary of Hutchison Whampoa Limited ("HWL"), an associate of CKH and a unitholder of Prosperity REIT.

Under the Code on Real Estate Investment Trusts, deed of mutual covenant which binds the Manager and all the owners of a development and their successors-in-title which include members of CKH group technically constitutes a contract between the Group and CKH group. Remuneration to the building managers, which are the wholly-owned subsidiaries of CKH, for the building management services provided constitutes a connected transaction. During the period, remuneration paid from the funds of the buildings, attributable to the properties owned by the Group, to the building managers amounted to HK\$16,201.

List of Subsidiaries

As at 31 December 2005

Name of company	Country of incorporation	Effective equity interest held by Prosperity REIT		Share capital	Principal activities in Hong Kong
		Directly	Indirectly		
		%	%		
Bandick Limited	Hong Kong	100	–	HK\$2	Property investment
Conestoga Limited	Hong Kong	–	100	HK\$10,000	Property investment
Haskins Investments Limited	Hong Kong	100	–	HK\$2	Property investment
Hero Champ Limited	British Virgin Islands	100	–	US\$1	Property investment
Jade Arch Investment Limited	British Virgin Islands	100	–	HK\$15,053	Investment holding
Prodes Company Limited	Hong Kong	–	100	HK\$10	Property owner
Progain Group Limited	British Virgin Islands	100	–	US\$1	Financing
Top Easy Profits Limited	British Virgin Islands	100	–	US\$1	Property investment
Unicenter Limited	British Virgin Islands	100	–	US\$1	Investment holding
Winrise Champion Limited	British Virgin Islands	–	100	US\$1	Property investment
Wisdom Champion Limited	British Virgin Islands	100	–	US\$1	Property investment
Wisdom Champion (12) Limited	British Virgin Islands	100	–	US\$1	Property investment
Wisdom Champion (15) Limited	British Virgin Islands	100	–	US\$1	Property investment
Wisdom Champion (16) Limited	British Virgin Islands	100	–	US\$1	Property investment
Wisdom Champion (17) Limited	British Virgin Islands	100	–	US\$1	Property investment
Wisdom Champion (18) Limited	British Virgin Islands	100	–	US\$1	Property investment
Wisdom Champion (19) Limited	British Virgin Islands	100	–	US\$1	Property investment
Wisdom Champion (20) Limited	British Virgin Islands	100	–	US\$1	Property investment
Wisdom Champion (21) Limited	British Virgin Islands	100	–	US\$1	Property investment
Wisdom Champion (22) Limited	British Virgin Islands	100	–	US\$1	Property investment
Wisdom Champion (23) Limited	British Virgin Islands	100	–	US\$1	Property investment
Wisdom Champion (25) Limited	British Virgin Islands	100	–	US\$1	Property investment
Wisdom Champion (26) Limited	British Virgin Islands	100	–	US\$1	Property investment
Wisdom Champion (27) Limited	British Virgin Islands	100	–	US\$1	Property investment
Wisdom Champion (28) Limited	British Virgin Islands	100	–	US\$1	Property investment

Performance Table

Results Analysis for the period from 16 December 2005 (date of listing) to 31 December 2005

	<i>HK\$'000</i>
Turnover	6,483
Net property income (before landlord provision)	5,468
Net profit attributable to unitholders	239,690
Income available for distribution	29,039
Earnings per unit (HK\$)	0.19
Distribution per unit (HK\$)	N/A*

Major assets and liabilities of Prosperity REIT as at 31 December 2005

	<i>HK\$'000</i>
Investment properties	4,548,000
Secured bank loans	(1,900,000)
Net asset value	2,810,255
Net asset value per unit (HK\$) (<i>Note 19</i>)	2.26

Other information

The highest traded price during the period (HK\$)	2.90
The highest premium of the traded price to net asset value	28.3%
The lowest traded price during the period (HK\$)	2.325
The lowest premium of the traded price to net asset value	2.9%
The net yield per unit	N/A*

* Pursuant to the terms of the Trust Deed, Prosperity REIT's first distribution after the Listing Date will be for the period from the Listing Date to 30 June 2006. Accordingly, distribution for the Reporting Period will be distributed together with the distribution for the first half year of 2006 and will be paid to persons who are unitholders of Prosperity REIT as of the record date for the interim distributions for the period from 1 January 2006 to 30 June 2006. As a result, unitholders of Prosperity REIT who are not recorded as holders of units on such date will not be entitled to receive any distribution for the Reporting Period.

Investment Properties Portfolio

As at 31 December 2005

Property	Type	Lease term	Lease expiry date	Location	Valuation 2005
					<i>HK\$ Million</i>
The Metropolis Tower	O	Medium-term lease	30 June 2047	No. 10 Metropolis Drive Hungohm Kowloon Hong Kong	1,790
MLC Millennia Plaza	O	Medium-term lease	30 June 2047	No. 663 King's Road North Point Hong Kong	940
Harbourfront Landmark (portion)	O	Medium-term lease	30 June 2047	No. 11 Wan Hoi Street Hungohm Kowloon Hong Kong	350
Modern Warehouse	I/O	Medium-term lease	30 June 2047	No. 6 Shing Yip Street Kwun Tong Kowloon Hong Kong	550
Trendy Centre	I/O	Medium-term lease	30 June 2047	No.682 Castle Peak Road Cheung Sha Wan Kowloon Hong Kong	460
Prosperity Center (portion)	I/O	Medium-term lease	30 June 2047	No. 25 Chong Yip Street Kwun Tong Kowloon Hong Kong	350
New Treasure Centre (portion)	I	Medium-term lease	30 June 2047	No. 10 Ng Fong Street San Po Kong Kowloon Hong Kong	108
Total					4,548

Notes: Type of properties : O-Office, I/O-Industrial/Office, I-Industrial

Corporate Information

BOARD OF DIRECTORS OF THE MANAGER

Chiu Kwok Hung, Justin

Chairman and Non-executive Director

Lim Hwee Chiang

Non-executive Director

Ma Lai Chee, Gerald

Non-executive Director

Lin Chung Sing, Charlie

Executive Director and Chief Executive Officer

Soon Yan Seen

Executive Director

Lan Hong Tsung, David

Independent Non-executive Director

Sng Sow-Mei (Phoon Sui Moy, alias Poon Sow Mei)

Independent Non-executive Director

Robert Douglas Pope

Independent Non-executive Director

TRUSTEE

HSBC Institutional Trust Services (Asia) Limited

COMPANY SECRETARY OF THE MANAGER

Seng Sze Ka Mee, Natalia

AUDITORS OF PROSPERITY REIT

Deloitte Touche Tohmatsu

PRINCIPAL VALUER

Chesterton Petty Limited

BANKER

The Hongkong and Shanghai Banking Corporation
Limited

SOLICITORS

Baker & McKenzie

REGISTERED OFFICE

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

UNIT REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716,
17/F., Hopewell Centre,
183 Queen's Road East
Wanchai,
Hong Kong.

INTERNET ADDRESS

www.prosperityreit.com

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that an Annual General Meeting of unitholders of Prosperity Real Estate Investment Trust ("Prosperity REIT") will be held at Exhibition Venue A on Level 7, The Metropolis Mall, 6 Metropolis Drive, Hunghom, Kowloon, Hong Kong on Wednesday, 10 May 2006 at 10:30 a.m. for the following purposes:

- (1) To note the audited financial statements of Prosperity REIT together with the Auditors' Report for the period from 16 December 2005 to 31 December 2005; and
- (2) To note the appointment of Auditors of Prosperity REIT and the fixing of their remuneration.

By Order of the Board
ARA Asset Management (Prosperity) Limited
as manager of Prosperity Real Estate Investment Trust
Seng Sze Ka Mee, Natalia
Company Secretary

Hong Kong, 18 April 2006

Notes:

- (a) The Register of Unitholders of Prosperity REIT will be closed from Thursday, 4 May 2006 to Wednesday, 10 May 2006, both days inclusive, during which period no transfer of units will be effected. In order to qualify for attending the Annual General Meeting, all unit certificates with completed transfer forms must be lodged with Prosperity REIT's Unit Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on Wednesday, 3 May 2006.
- (b) Any unitholder entitled to attend the Annual General Meeting is entitled to appoint a proxy to attend in his stead.
- (c) In order to be valid, an instrument of proxy, together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, if any, must be deposited at Prosperity REIT's Unit Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the commencement of the Annual General Meeting.