

PROSPERITY
REIT 泓富產業信託

HKEx Stock Code : 808

Solid Fundamentals

Annual Report 2008

Manager

ARA
Asset Management (Prosperity) Limited

About Prosperity REIT

Prosperity Real Estate Investment Trust (“Prosperity REIT”) is the first private sector real estate investment trust (“REIT”) listed on The Stock Exchange of Hong Kong Limited on 16 December 2005. Prosperity REIT owns a diverse portfolio of seven high-quality office, industrial/office and industrial properties in Hong Kong, with a total gross rentable area of about 1.22 million sq.ft.

Prosperity REIT is managed by ARA Asset Management (Prosperity) Limited (the “REIT Manager”).



About The REIT Manager

ARA Asset Management (Prosperity) Limited is a wholly-owned subsidiary of Singapore-listed ARA Asset Management Limited (“ARA”). ARA, an affiliate of the Cheung Kong Group, is an Asian real estate fund management company focusing on the management of public listed REITs and private real estate funds.

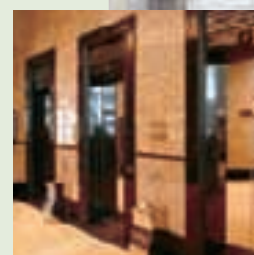
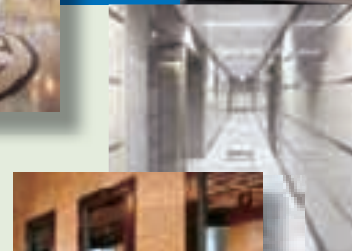
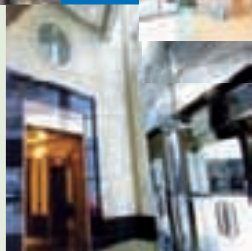
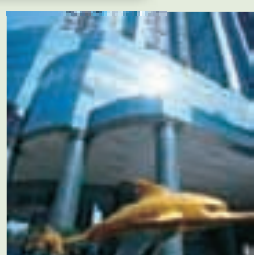
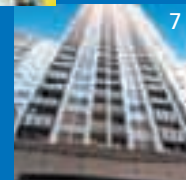
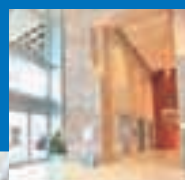
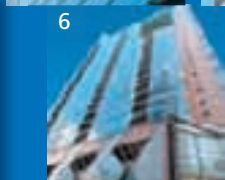
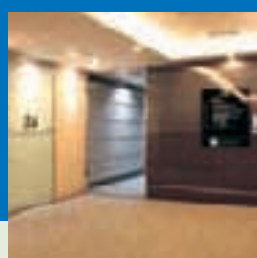
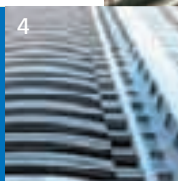
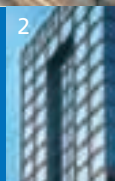
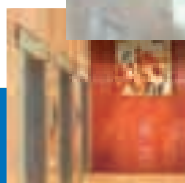
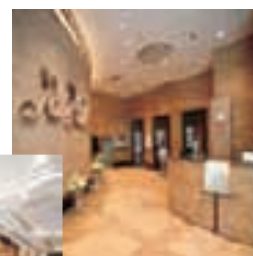
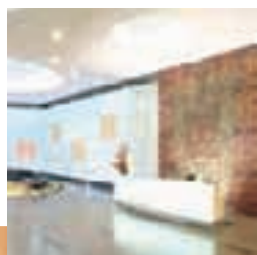
The REIT Manager is responsible for the management and administration of Prosperity REIT, as well as the implementation of Prosperity REIT’s business strategies.

Our Mission

The REIT Manager is staffed with experienced professionals who are dedicated to manage the assets of Prosperity REIT for the benefit of the unitholders through proactive asset management and multi-dimensional growth strategies.

1. The Metropolis Tower
2. Prosperity Millennia Plaza
3. Harbourfront Landmark Property
4. Prosperity Place

5. Trendy Centre
6. Prosperity Center Property
7. New Treasure Centre Property



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Chairman's Statement

Dear Unitholders,

On behalf of the Board of Directors (the "Board") of ARA Asset Management (Prosperity) Limited (the "REIT Manager"), the manager of Prosperity Real Estate Investment Trust ("Prosperity REIT"), I am pleased to present Prosperity REIT's annual report for the financial year ended 31 December 2008 (the "Reporting Year").

Results and Distribution

Prosperity REIT delivered positive results for the Reporting Year. Revenue and net property income continued to grow by 7.6% and 8.2% respectively year-on-year ("YoY"). Organic growth, mainly attributable to the REIT Manager's proactive asset management efforts, remained sustainable despite the economic slowdown in the latter part of 2008.

I am pleased to announce that our unitholders are entitled to a total distribution per unit ("DPU") of HK\$0.1268 for the Reporting Year, representing a distribution yield of 14.1%¹.

Market Review

In the first half of 2008, Hong Kong's economy remained stable. Domestic demand was steady and trading activities with Mainland China were healthy. However, as the subprime mortgage crisis escalated in the USA, adverse consequences in the financial markets around the globe emerged in the latter part of the year. This worldwide "financial tsunami" impacted most industries and economic sectors, including the local office market. Credit markets remain tight and this added downward financial pressure on various business segments in Hong Kong.

For the year ahead, it is expected that the Hong Kong office market will face an overall downward trend. To remain competitive during the downturn, companies will cut unnecessary costs, rationalise their resources, and streamline their workforce. Many tenants have relocated from the more expensive core business districts to offices in decentralised business districts at lower rents. Although the office market is generally expected to experience lower demand, individual tenants with solid balance sheets are looking to expand their office needs.

For 2009, Prosperity REIT endeavours to capitalise on the decentralisation trend with its portfolio of quality office and industrial/office buildings located in strategic decentralised districts throughout Hong Kong.

Operations Review

Prosperity REIT recorded positive results throughout the Reporting Year. In 2008, revenue reached HK\$263.1 million while net property income rose to HK\$208.7 million, an increase of 7.6% and 8.2% over that of 2007 respectively. The cost-to-revenue ratio has also come down to 20.7%.

¹ Based on Prosperity REIT's closing unit price of HK\$0.90 on 31 December 2008

Revenue and net property income continued to grow by 7.6% and 8.2% respectively year-on-year

As a result of proactive leasing efforts and efficient tenant recruitment strategies, the average effective unit rent of the portfolio increased by 6.7% from the 2007 figure to HK\$14.28 per sq.ft. and occupancy rate increased to 98.5% as at 31 December 2008. The rental reversion rate was positive at 22.8% on tenant renewal rentals, reflecting the REIT Manager's successful leasing strategies. Tenant retention rate stood at 51.5% but still remained relatively stable.


Prospects

Looking ahead, the economic uncertainties and volatility of financial markets worldwide is expected to continue during 2009, and the Hong Kong office leasing market would face challenges in the near term. Given Hong Kong's solid underlying fundamentals and strong backing of Mainland China, we expect Hong Kong to remain fairly resilient during the downturn.

Though leases which are to expire in 2009 account for 50.6% of our portfolio's gross rental income, aggressive leasing initiatives have been launched to address the situation. We are cautiously optimistic that through the implementation of well-planned business strategies, along with prudent cost controls, reinforced tenant relations and effective asset enhancements, the REIT Manager will be able to continue to deliver reasonable returns to unitholders in the coming year.

Acknowledgement

I would like to take this opportunity to thank my fellow directors, service providers, partners, and staff at all levels for their high level of integrity, hard work and dedication in delivering positive growth for the Reporting Year. Most of all, I thank you, our unitholders, for your continued support and confidence in Prosperity REIT.



Chiu Kwok Hung, Justin
Chairman
ARA Asset Management (Prosperity) Limited
as manager of Prosperity REIT

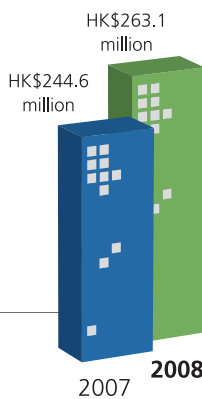
Hong Kong, 18 March 2009



Chiu Kwok Hung, Justin
Chairman

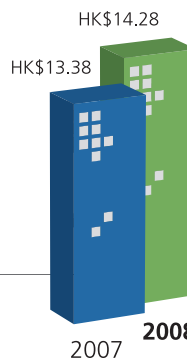
Performance Highlights in 2008

➔ **7.6%**



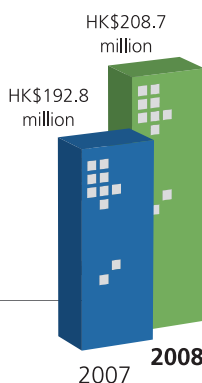
Total Revenue¹

➔ **6.7%**



Average Effective Unit Rent¹

➔ **8.2%**



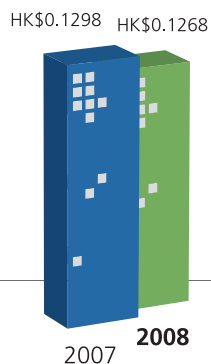
Net Property Income¹

22.8%



Average Rental Reversion Rate²

HK\$0.1268



Distribution Per Unit²

98.5%



Occupancy Rate³

Notes: ¹ Year on year comparison ² For year ended 31 December ³ As at 31 December

Trust Review

Diverse Property Portfolio

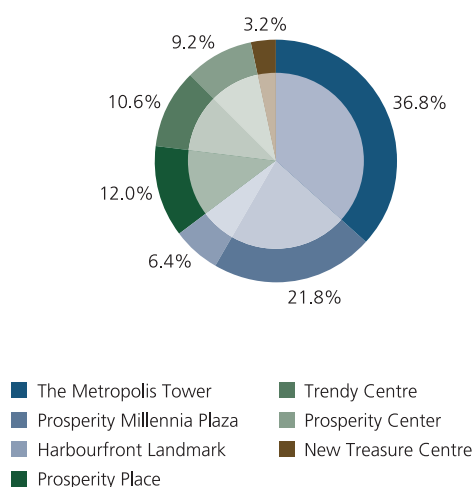
Prosperity REIT has a diversified portfolio comprising seven high-quality office, industrial/office and industrial properties in Hong Kong, with a total gross rentable area of about 1.22 million sq.ft. All properties in Prosperity REIT's portfolio are well served by multiple transportation networks.

These seven properties were completed during the period from 1995 to 2001. As at 31 December 2008, the appraised value of this portfolio was HK\$4,839 million. Grade A office buildings, industrial/office buildings and industrial buildings account for 65.0%, 31.8% and 3.2% of the portfolio's total appraised value respectively.

	Valuation HK\$ million as at 31 Dec 2008	Valuation HK\$ million as at 31 Dec 2007	Percentage change Increase/ (Decrease)
Grade A Office			
The Metropolis Tower	1,779	1,970	(9.7%)
Prosperity Millennia Plaza	1,053	1,080	(2.5%)
Harbourfront Landmark (portion)	309	350	(11.7%)
Industrial/Office			
Prosperity Place (formerly known as Modern Warehouse)	585	609	(3.9%)
Trendy Centre	515	568	(9.3%)
Prosperity Center (portion)	445	482	(7.7%)
Industrial			
New Treasure Centre (portion)	153	166	(7.8%)
Total	4,839	5,225	(7.4%)

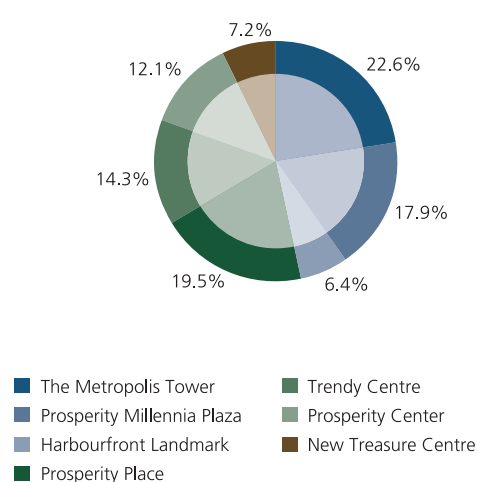
Appraised Value by Property

(as at 31 December 2008)



Gross Rentable Area by Property

(As at 31 December 2008)



Effective Lease Management

As a result of active tenant recruitment efforts by the REIT's Manager, the portfolio's occupancy rate reached 98.5% as at 31 December 2008, compared with 98.4% in the previous year. The portfolio's average effective unit rent increased by 6.7% YoY to HK\$14.28 per sq.ft., with 22.8% growth in the rental reversion rate for leases successfully renewed in 2008.

As at 31 December 2008, leases scheduled for expiry in 2009 accounted for 50.6% of the portfolio's gross rental income and 52.8% of its gross rentable area. Proactive leasing strategies will continue to be deployed in 2009 to achieve similarly positive results.

Lease Expiry Profile by Gross Rental Income (as at 31 December 2008)

	31 Dec 2008 & 2009	2010	2011 and Beyond
The Metropolis Tower	58.9%	23.2%	17.9%
Prosperity Millennia Plaza	56.1%	30.9%	13.0%
Harbourfront Landmark (portion)	0.0%	0.0%	100.0%
Prosperity Place (formerly known as Modern Warehouse)	45.8%	46.8%	7.4%
Trendy Centre	58.5%	37.4%	4.1%
Prosperity Center (portion)	48.5%	37.2%	14.3%
New Treasure Centre (portion)	52.4%	47.6%	0.0%
Portfolio	50.6%	29.9%	19.5%

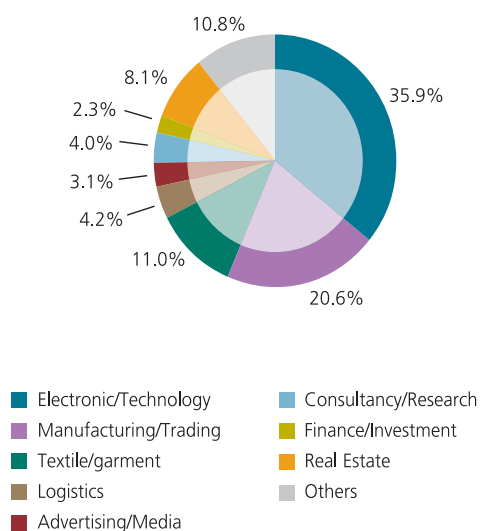
Well-balanced Tenant Mix

As at 31 December 2008, Prosperity REIT had a total of 521 tenants. This tenant base included many enterprises that have benefited from the growth of Hong Kong's economy over the past few years, as well as those with close trading ties with Mainland China. Most of these tenants were from business sectors such as electronics, technology, manufacturing, trading, as well as textiles and garments.

A mix of multinational firms and small-to-medium sized enterprises are also part of Prosperity REIT's tenant base. Overall, it is the long-term aim of the REIT Manager to maintain a well-balanced mix of tenants of credible financial standing to ensure a stable rental income stream.

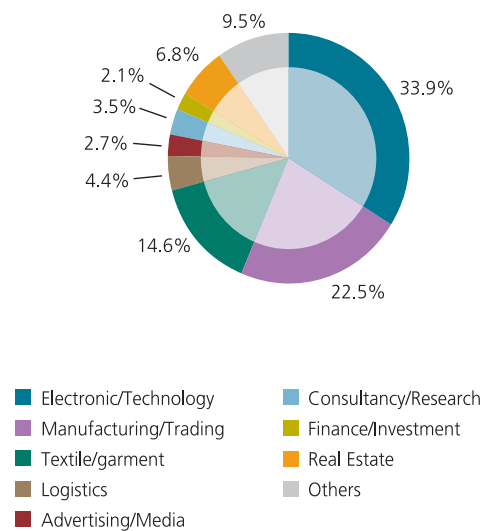
Trade Mix by Gross Rental Income

(As at 31 December 2008)



Trade Mix by Gross Rentable Area

(As at 31 December 2008)



Size of tenant premises on gross rentable area (as at 31 December 2008)	Percentage
Above 10,000 sq.ft.	22.9%
5,001 sq.ft.–10,000 sq.ft.	12.5%
2,001 sq.ft.–5,000 sq.ft.	26.6%
1,001 sq.ft.–2,000 sq.ft.	24.8%
1,000 sq.ft. and below	13.2%
Total	100.0%

Close-to-Zero Rent Delinquency Rate

During 2008, Prosperity REIT achieved a close-to-zero rent delinquency rate. This was attributed to a financially solid tenant base and effective lease management, supplemented by initiatives to phase out tenants with poor credit records.

Trust Review

Asset Enhancement

It is a longstanding strategy of the REIT Manager to provide high-quality building space in order to achieve sustainable rental growth. To this end, large-scale asset enhancement initiatives have been planned and executed on a continuous basis. These included façade refurbishments and upgrading of facilities. Prosperity Place and Trendy Centre were the two major properties to have benefited from the refurbishment programme in 2008. Asset enhancement initiatives will continue in 2009, with prudently planned payback periods.

Outlook

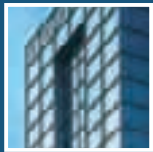
Since its listing on 16 December 2005 (the "Listing Date"), Prosperity REIT has been managing its portfolio with positive results. Supported by Goodwell-Prosperity Property Services Limited, which provides leasing and management services for properties under the REIT's portfolio, we will continue to work towards delivering sustainable returns to our unitholders in 2009 through our proven expertise in professional management.

Asset Enhancement

before



AFTER



Prosperity Millennia Plaza

At Prosperity Millennia Plaza, a Grade A office high-rise, the ground-floor lobby has been renovated with new marble flooring. This renovation has greatly enhanced the property's ambience.



Asset Enhancement

before



AFTER



Trendy Centre

Trendy Centre is a high-rise Industrial/ Office building. The passenger lift lobbies and corridors on every floor were recently upgraded to project a contemporary feel. Having been transformed into a high-quality business address, the building has increased its appeal within the district. The building façade is scheduled for retrofitting in 2009.



Asset Enhancement

before



AFTER



Prosperity Place

(formerly known as Modern Warehouse)

At Prosperity Place, a high-rise Industrial/Office building, the ground-floor lobby, upper-level lift lobby and corridors were all renovated to reflect a modern and contemporary look. The refurbishment plans for the uplifting of the building façade are scheduled for completion by the second quarter of 2009. Through the comprehensive renovations, Prosperity Place will maintain its competitiveness as a commercial landmark in Kwun Tong district.



The Metropolis Tower



Top 5 Tenants¹

Tenant	Trade	GRA* (sq.ft.)	% of GRI**	% of GRA
Canon Hongkong Company Limited	Electronic/Technology	46,151	15.9%	17.1%
Tenant of units 2703–05, 27/F and 28/F (name undisclosed)	Others	21,298	9.8%	7.9%
NEC Hong Kong Limited	Electronic/Technology	19,301	7.4%	7.1%
Oval Enterprises Limited	Electronic/Technology	18,211	6.8%	6.7%
Tenant of units 1605–16, 16/F (name undisclosed)	Finance/Investment	11,885	4.4%	4.4%

* Gross rentable area ** Gross rental income

Note 1: Top 5 tenants are measured based on tenants' contribution to the total rental income of the property as at 31 December 2008.



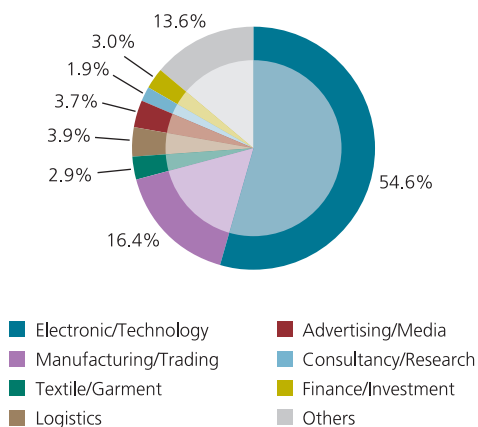
Location: No. 10 Metropolis Drive, Hunghom, Kowloon
Year of Completion: 2001
Gross Rentable Area (sq.ft.): 271,418
No. of Carpark Spaces: 98
Appraised Value (HK\$ million): 1,779
Number of Tenants: 81

Occupying a prime location in the commercial hub of Hunghom, The Metropolis Tower enjoys convenient transportation access, with the Hunghom MTR East Rail Station, several bus terminals and taxi stations nearby. It is also close to the Cross Harbour Tunnel, the busiest undersea vehicular tunnel in Hong Kong.

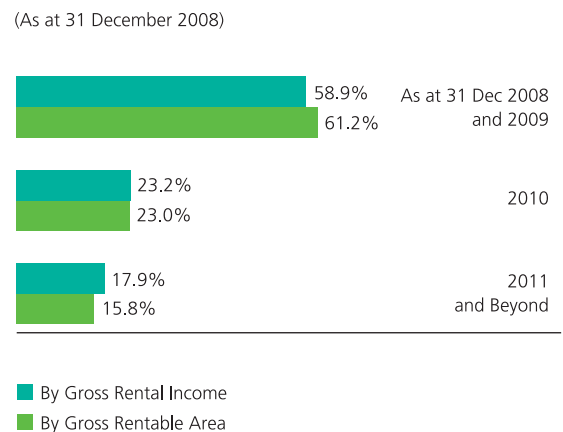
A 1.42 million sq.ft. development comprising an office tower, a popular shopping mall, a hotel and service apartments, The Metropolis Tower is an established landmark in Hunghom. Surrounding public amenities include the Hong Kong Coliseum, the Hong Kong Polytechnic University and a cluster of renowned hotels and shopping malls.

Column-free floor plates, a raised floor system, a fibre optic backbone, a back-up power supply and satellite communication are among the building's modern architectural features and facilities. In 2008, the carpeting in the common corridor areas were replaced to upgrade the overall environment and ambience for our clients. Other upgrading projects will also be carried out in 2009, including those for all washroom facilities within the building.

Trade Mix by Gross Rentable Area (as at 31 December 2008)



Lease Expiry Profile of The Metropolis Tower (As at 31 December 2008)



Prosperity Millennia Plaza



Top 5 Tenants

Tenant	Trade	GRA (sq.ft.)	% of GRI	% of GRA
Tenant of units 1606–10, 16/F; 2701–03, 2710–11, 27/F and 32/F (name undisclosed)	Consultancy/Research	16,136	8.8%	7.5%
Oracle Added Value Limited	Consultancy/Research	14,965	7.2%	7.0%
Computer and Technologies Holdings Ltd.	Electronic/Technology	16,628	7.1%	7.8%
Pacific Century Systems Ltd.	Electronic/Technology	16,628	6.1%	7.8%
Tenant of 25/F (name undisclosed)	Advertising/Media	8,314	5.1%	3.9%



Location: No. 663 King's Road, North Point, Hong Kong

Year of Completion: 1999

Gross Rentable Area (sq.ft.): 217,955

No. of Carpark Spaces: 43

Appraised Value (HK\$ million): 1,053

Number of Tenants: 62

Strategically located in the Island East office district, Prosperity Millennium Plaza stands adjacent to the Harbour Plaza North Point Hotel and the North Point Government Office. Served by a convenient transportation network, the building is a mere two minutes away from the Quarry Bay MTR Station by foot and two minutes from the Eastern Harbour Crossing Tunnel by car.

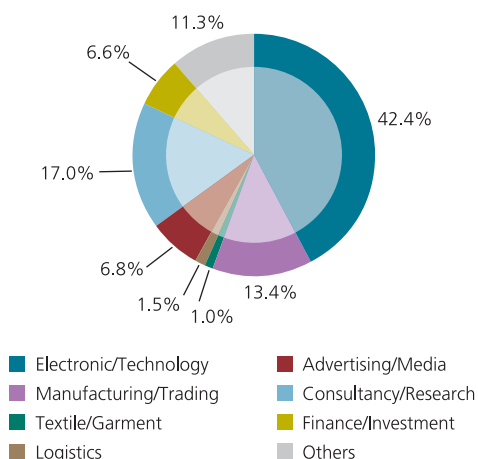
Along with a large-scale urban redevelopment programme undertaken by the government, the entire Island East district is being transformed from a decentralized commercial area into an upscale business district, featuring a blend of premium office properties and sophisticated retail outlets. There is an increasing number of international tenants who are now moving into this district from Central and other traditional prime office areas. Accordingly, the area has seen its tenant base expanding with a high-end tenant profile.

As part of its enhancement programme for Prosperity Millennium Plaza, the REIT Manager has upgraded all of the building's washroom facilities in 2008. Moreover, the marble flooring on the ground level lobby and lift lobby areas were also upgraded. All these efforts were calculated to leverage on the positive changes in the district's surroundings in order to further enhance Prosperity Millennium Plaza's tenant base and maintain a stable source of rental income.

As at 31 December 2008, 57.2% of the leased area was occupied by anchor tenants, each taking up units of over 5,000 sq.ft.

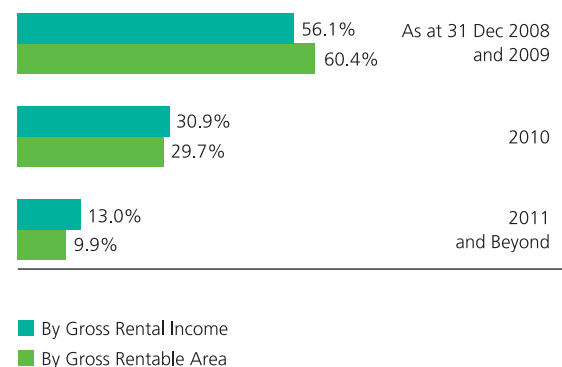
Trade Mix by Gross Rentable Area

(as at 31 December 2008)



Lease Expiry Profile of Prosperity Millennium Plaza

(As at 31 December 2008)



Harbourfront Landmark Property

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



Tenant	Trade	GRA (sq.ft.)	% of GRI	% of GRA
Tremayne Investments Limited	Real estate	77,021	100%	100%



Location: No. 11 Wan Hoi Street, Hunghom, Kowloon

Year of Completion: 2001

Gross Rentable Area (sq.ft.): 77,021

No. of Carpark Spaces: –

Appraised Value (HK\$ million): 309

Number of Tenant: 1

Harbourfront Landmark Property is a three-storey Grade A office area on the podium level of Harbourfront Landmark, a stunning skyscraper on the southern Kowloon waterfront. The property is adjacent to two Grade A office tower blocks and the renowned five-star Harbour Plaza Hong Kong Hotel. Featuring a modern curtain wall façade, Harbourfront Landmark Property overlooks the Victoria Harbour.

Harbourfront Landmark Property is just minutes away from the Hunghom MTR East Rail Station, a transportation hub which provides direct access to Tsim Sha Tsui, the New Territories and Mainland China. The building is also within a five-minute drive to the Tsim Sha Tsui East district via the Hunghom Bypass. Further, the nearby Cross Harbour Tunnel allows quick access to Hong Kong Island. A pier with regular ferry services to and from the business districts of Central, Wanchai and North Point is located within a three-minute walking distance from the building.

As at 31 December 2008, Harbourfront Landmark Property was fully leased to Tremayne Investments Limited, a property investment company and a wholly owned subsidiary of Hutchison Whampoa Properties Limited. The terms and conditions of the lease were negotiated to reflect the overall property market situation and the scale of its premises. The term of the lease is six years, ending 31 October 2011, with an option to renew for another three years.

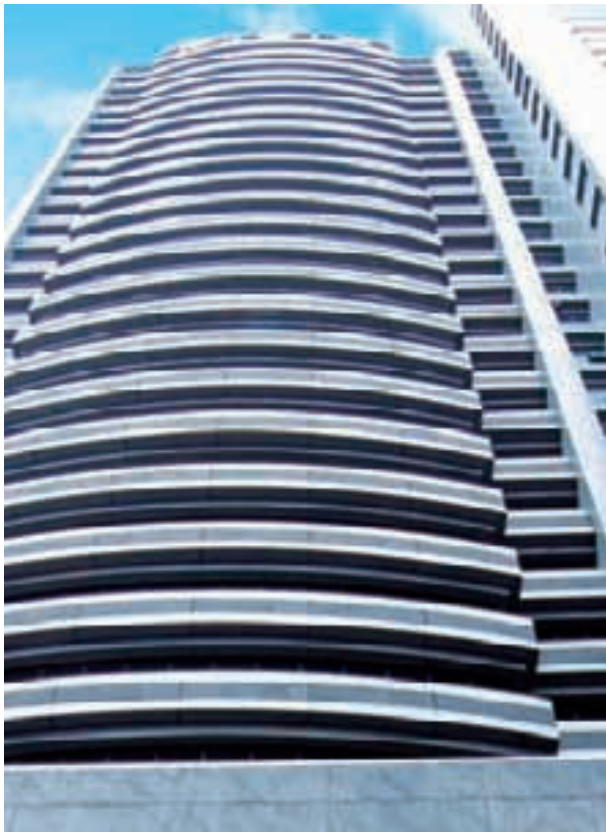
Prosperity Place

(formerly known as Modern Warehouse)



Top 5 Tenants

Tenant	Trade	GRA (sq.ft.)	% of GRI	% of GRA
Origin Red Limited	Consultancy/Research	7,164	3.0%	3.1%
Robert Bosch Company Limited	Electronic/Technology	5,402	2.9%	2.3%
Holistol International Limited	Manufacturing/Trading	6,992	2.8%	3.0%
Unique Star Limited	Manufacturing/Trading	5,402	2.6%	2.3%
Evlite Electronics Co Ltd	Electronic/Technology	7,475	2.6%	3.2%



Location: No. 6 Shing Yip Street, Kwun Tong, Kowloon

Year of Completion: 1996

Gross Rentable Area (sq.ft.): 240,000

No. of Carpark Spaces: 60

Appraised Value (HK\$ million): 585

Number of Tenants: 123

Prosperity Place is located in Kwun Tong district in Kowloon East. The district has recently experienced tremendous growth as a new commercial hub. The building is close to the Eastern Cross Harbour Tunnel, and the Kwun Tong MTR Station is just a three-minute walk away.

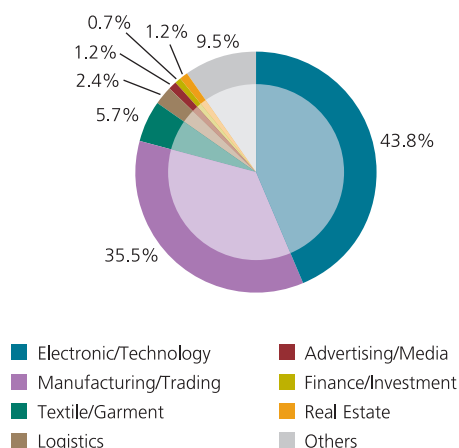
With new Grade A office buildings on the increase and re-development projects being carried out, Kowloon East has seen significant urban improvements on a number of fronts, including prominent modern architecture and dynamic shopping malls, along with leisure and public spaces. Due to these attractive developments, prestigious tenants from the traditional business districts have moved into the area.

In order to cope with intense competition from newer buildings in the district, a refurbishment project to revamp Prosperity Place began in 2008 with the renovation of the ground floor lobby as well as the lobbies on higher floors. All major parts of the building have been earmarked for similar improvements. By the first quarter of 2009, the common corridor areas on the higher floors will have been totally revamped. The large-scale renovation works have been carefully planned and implemented in different phases to minimise disruptions and inconvenience for the building's tenants. Prosperity Place has continued to maintain a high occupancy rate with steady rental income throughout the renovation period.

With the relevant government approvals obtained, the REIT Manager will complete the façade refurbishment of the building in 2009. Upon completion of the renovation, Prosperity Place will be repositioned as a premium commercial landmark in Kowloon East.

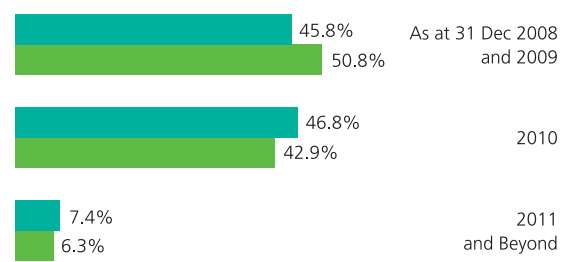
Trade Mix by Gross Rentable Area

(as at 31 December 2008)



Lease Expiry Profile of Prosperity Place

(As at 31 December 2008)



■ By Gross Rental Income
■ By Gross Rentable Area

Trendy Centre



Top 5 Tenants

Tenant	Trade	GRA (sq.ft.)	% of GRI	% of GRA
CEH Textiles Limited	Textile/Garment	6,849	3.6%	4.0%
Yuen's (HK) Co. Ltd.	Manufacturing/Trading	1,718	3.5%	1.0%
Chiu Fai Imitation Jewelry Co. Ltd.	Manufacturing/Trading	6,849	3.3%	4.0%
Ip Nga Yan	Others	708	2.0%	0.4%
Tenant of units 807-11, 8/F (name undisclosed)	Electronic/Technology	3,268	1.7%	1.9%



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

Year of Completion: 1998

Gross Rentable Area (sq.ft.): 173,764

No. of Carpark Spaces: 79

Appraised Value (HK\$ million): 515

Number of Tenants: 143

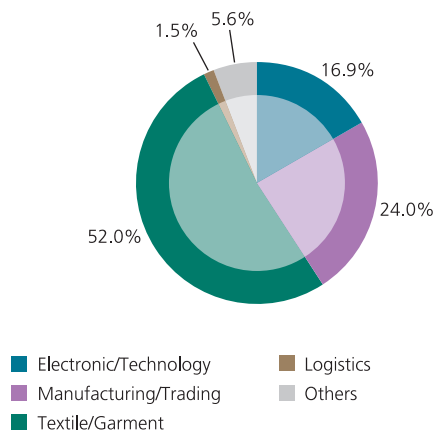
Situated on Castle Peak Road in Cheung Sha Wan, Trendy Centre is located in the heart of Kowloon's garment and fashion wholesaling district. Its close proximity to the Container Terminal and infrastructure projects such as Route 3 and the Tsing Ma Bridge, provides the building's tenants with convenient access to Hong Kong International Airport and Mainland China. The Lai Chi Kok MTR Station is a five-minute stroll from Trendy Centre.

The nature of Trendy Centre's location is reflected in its tenant base. Textile/garment tenants and manufacturing/trading tenants account for about 52% and 24% respectively of the total leased area.

In 2008, the REIT Manager renovated the passenger lift lobbies on the upper floors of the building, incorporating a stylish office design with new glass panels, brightly-coloured homogenous floor tiles and new ceiling panels. As a result, Trendy Centre's competitiveness in the leasing market has been boosted. In 2009, arrangement will be made to refurbish the building façade of Trendy Centre and this will help to strengthen its external appearance and business image.

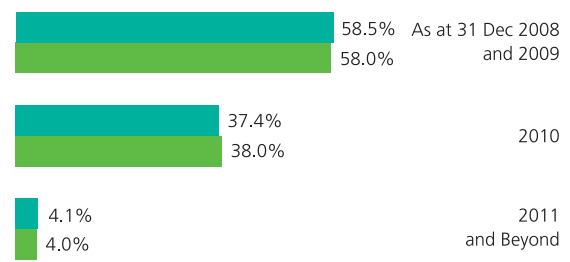
Trade Mix by Gross Rentable Area

(as at 31 December 2008)



Lease Expiry Profile of Trendy Centre

(As at 31 December 2008)



Prosperity Center Property

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



Top 5 Tenants

Tenant	Trade	GRA (sq.ft.)	% of GRI	% of GRA
Cosme De Net Co. Ltd.	Manufacturing/Trading	21,056	15.5%	14.6%
Oasis Stores Limited	Textile/Garment	10,528	6.1%	7.3%
YCH Logistics (Hong Kong) Limited	Logistics	7,339	5.1%	5.1%
Tenant of units 801-03 & 809-10, 8/F (name undisclosed)	Electronic/Technology	5,545	4.3%	3.8%
Tenant of units 807, 8/F and 2901-03, 29/F (name undisclosed)	Logistics	4,415	3.2%	3.1%



Location: No. 25 Chong Yip Street, Kwun Tong, Kowloon

Year of Completion: 1999

Gross Rentable Area (sq.ft.): 149,253

No. of Carpark Spaces: 105

Appraised Value (HK\$ million): 445

Number of Tenants: 59

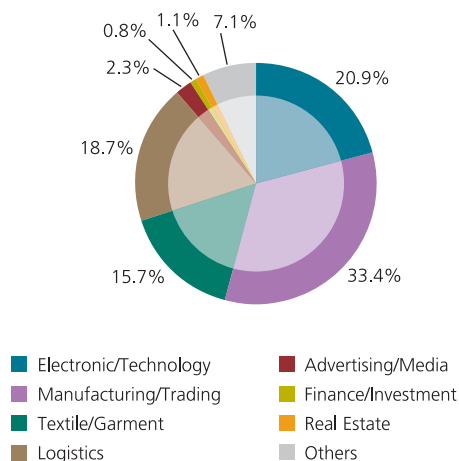
Prosperity Center Property is strategically located in the Kowloon East business district and is less than a three-minute walk from the Ngau Tau Kok MTR Station.

With the Kowloon East area now evolving into a modern commercial hub, Prosperity Center Property has capitalized on the trend and gained many new quality tenants. The building features a modern curtain wall exterior, 5 to 7.5 kPa floor loading, individual split-type air conditioning systems per unit, ample loading/unloading bays and related facilities.

The REIT Manager plans to renovate the building's ground level main lobby and lift lobby areas in 2009. This will further augment the property's competitiveness and capture new opportunities arising from a larger pool of tenants attracted to the district. Meanwhile, the REIT Manager will continue with a proactive and flexible leasing strategy to retain tenants and maintain the competitive edge of Prosperity Center Property in the rapidly transforming Kowloon East business hub.

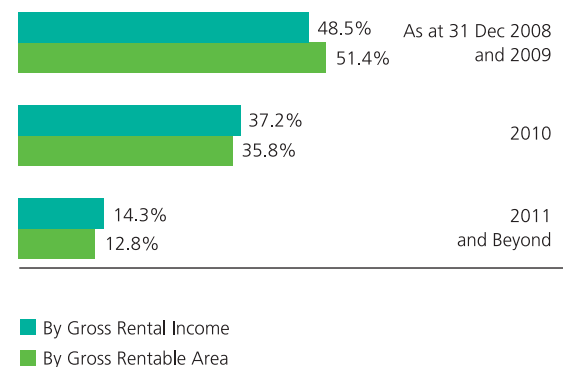
Trade Mix by Gross Rentable Area

(as at 31 December 2008)



Lease Expiry Profile of Prosperity Center Property

(As at 31 December 2008)



New Treasure Centre Property

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



Top 5 Tenants

Tenant	Trade	GRA (sq.ft.)	% of GRI	% of GRA
Goodwell Property Management Ltd*	Others	11,285	12.2%	13.1%
Megahope Limited	Manufacturing/Trading	2,496	3.4%	2.9%
Laision (China) Company Limited	Textile/Garment	2,496	3.1%	2.9%
Tenant of units 1806-07, 18/F (name undisclosed)	Manufacturing/Trading	2,496	3.1%	2.9%
Tenant of units 1706-07, 17/F (name undisclosed)	Manufacturing/Trading	2,496	3.0%	2.9%

* Goodwell Property Management Ltd is a connected person of Prosperity REIT within the meaning of the REIT Code.



Location: No. 10 Ng Fong Street, San Po Kong, Kowloon

Year of Completion: 1995

Gross Rentable Area (sq.ft.): 86,168

No. of Carpark Spaces: 22

Appraised Value (HK\$ million): 153

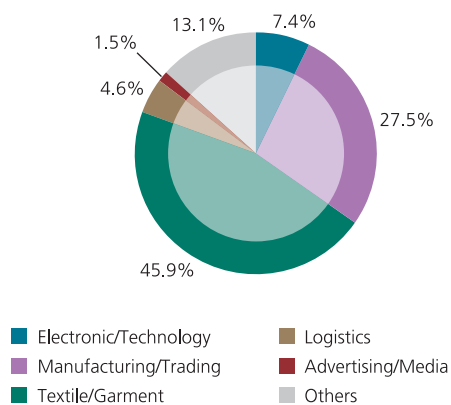
Number of Tenants: 52

New Treasure Centre Property is located in San Po Kong, Kowloon, an established industrial area well served by extensive transportation links, including the MTR, buses and public light buses.

The prestigious design of the main lobby distinguishes itself from other older industrial buildings in the vicinity. The building is within five minutes walking distance to the Diamond Hill MTR Station. The building has a flexible floor plan design which can easily cater to the needs of different tenants.

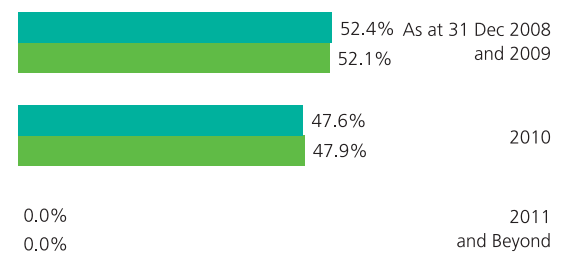
With the implementation of a proactive and effective leasing strategy, a 100% occupancy rate was achieved as at 31 December 2008. The REIT Manager will continue to utilize a proactive leasing strategy in order to maintain occupancy levels.

Trade Mix by Gross Rentable Area (as at 31 December 2008)



Lease Expiry Profile of New Treasure Centre Property

(As at 31 December 2008)



■ By Gross Rental Income
■ By Gross Rentable Area

Management Discussion and Analysis

Below is a summary of Prosperity REIT's performance for the Reporting Year:

Performance Highlights

	Year ended 31 Dec 2008	Year ended 31 Dec 2007	Percentage change Increase/(Decrease)
Distribution per unit	HK\$0.1268	HK\$0.1298	(2.3%)

	Year ended 31 Dec 2008	Year ended 31 Dec 2007	Percentage change Increase/(Decrease)
Operation data			
Revenue	HK\$263.1 million	HK\$244.6 million	7.6%
Net property income	HK\$208.7 million	HK\$192.8 million	8.2%
Cost-to-revenue ratio	20.7%	21.2%	(2.4%)
Occupancy rate (as at 31 Dec)	98.5%	98.4%	0.1%
Tenant retention rate	51.5%	59.5%	(13.4%)
Average effective unit rent	HK\$14.28 per sq.ft.	HK\$13.38 per sq.ft.	6.7%

	As at 31 Dec 2008	As at 31 Dec 2007	Percentage change Increase/(Decrease)
Key financial figures			
Net asset value per unit	HK\$2.15	HK\$2.50	(14%)
Property valuation	HK\$4,839 million	HK\$5,225 million	(7.4%)
Gearing ratio **	36.0%	33.5%	7.5%

** This excludes the origination fees and is calculated based on total borrowings.

Operation Review

Prosperity REIT owns a geographically diverse portfolio of seven commercial properties in the decentralized business districts of Hong Kong, comprising all, or a portion of, three Grade A office buildings, three industrial/office buildings, and one industrial building. The total gross rentable area is 1,215,579 sq.ft., with a total of 407 car park spaces.

Information on the portfolio of properties as at 31 December 2008 is as follows:

	Location	Gross rentable area Sq.ft.	No. of car park spaces	Valuation HK\$ Million	Occupancy rate	
Grade A Office						
	The Metropolis Tower	Hunghom	271,418	98	1,779	99.7%
	Prosperity Millennia Plaza	North Point	217,955	43	1,053	98.4%
	Harbourfront Landmark (portion)	Hunghom	77,021	—	309	100.0%
Industrial/Office						
	Prosperity Place (formerly known as Modern Warehouse)	Kwun Tong	240,000	60	585	97.4%
	Trendy Centre	Cheung Sha Wan	173,764	79	515	98.7%
	Prosperity Center (portion)	Kwun Tong	149,253	105	445	96.7%
Industrial						
	New Treasure Centre (portion)	San Po Kong	86,168	22	153	100%
Total			1,215,579	407	4,839	98.5%

With the REIT Manager's professional management expertise, Prosperity REIT was able to attain organic growth in the Reporting Year. A high occupancy rate of 98.5% was recorded as at 31 December 2008, and the average effective unit rent rose 6.7% YoY, reflecting progressive and effective leasing strategies. As a result of increased revenue, coupled with efficient streamlining of operations, the cost-to-revenue ratio improved to 20.7%.

Investment Review

In light of current economic uncertainties, the REIT Manager will implement its acquisition strategy with prudence. We will only assess potential targets which are beneficial to Prosperity REIT and unitholders as a whole. In May 2008, Prosperity REIT obtained unitholders' approval to expand its scope of acquisition coverage to invest in office, commercial and retail properties, with no geographical restrictions. In July 2008, Prosperity REIT unwound its interest rate swap arrangement to deliver a clean yield to unitholders. The REIT Manager is now able to seize greater investment opportunities to facilitate growth through yield-accretive acquisitions when appropriate opportunities arise.

Management Discussion and Analysis

Financial Review

The revenue and net property income of each property in the portfolio for the Reporting Year are summarized as follows:

	Turnover HK\$'000	Rental related income HK\$'000	Revenue HK\$'000	Net property income HK\$'000
Grade A Office				
The Metropolis Tower	72,728	15,981	88,709	73,084
Prosperity Millennia Plaza	39,697	11,735	51,432	39,230
Harbourfront Landmark (portion)	14,326	2,161	16,487	14,578
Industrial/Office				
Prosperity Place (formerly known as Modern Warehouse)	35,950	569	36,519	28,122
Trendy Centre	27,059	6,026	33,085	25,716
Prosperity Center (portion)	22,884	3,142	26,026	20,240
Industrial				
New Treasure Centre (portion)	9,226	1,662	10,888	7,707
Total	221,870	41,276	263,146	208,677

Revenue

During the Reporting Year, revenue improved to HK\$263.1 million, representing a HK\$18.5 million or 7.6% increase over 2007.

The revenue comprised HK\$221.9 million in rental and car park income, plus HK\$41.2 million in rental related income. Rental and car park income was HK\$16.0 million or 7.8% more than that of 2007. This increase was mainly due to an effective and proactive lease management which led to an overall improvement in average effective rent.

Net Property Income

The net property income was HK\$208.7 million, exceeding that of 2007 by HK\$15.9 million or 8.2%. The cost-to-revenue ratio also improved to 20.7% from 21.2% in 2007. The improvement is attributable to an increase in revenue and the REIT Manager's effective cost control measures.

Distributable Income

The annual distributable income of Prosperity REIT to unitholders for the Reporting Year amounted to HK\$164,516,000. The annual distributable income for the Reporting Year is calculated by the REIT Manager as representing the consolidated net profit/(loss) of Prosperity REIT and the subsidiaries of Prosperity REIT for that distribution period, after provision for tax, as adjusted to eliminate the effects of adjustments (as defined in the deed of trust constituting Prosperity REIT made on 29 November 2005, as amended by a first supplemental deed dated 12 December 2005, a second supplemental deed dated 15 May 2007 and a third supplemental deed dated 14 May 2008 (collectively, the "Trust Deed")) including a finance cost of HK\$55,017,000 (equivalent to HK\$0.0425 per unit) due to the interest rate swap, all of which have been recorded in the consolidated income statement.

Distribution

It is the policy of the REIT Manager to distribute to unitholders an amount equal to 100% of Prosperity REIT's annual distributable income for the financial year ended 31 December 2008. Pursuant to the Trust Deed, Prosperity REIT is required to ensure that the total amount distributed to unitholders shall be no less than 90% of Prosperity REIT's annual distributable income for each financial year.

The distributable income of the half year from 1 July 2008 to 31 December 2008 was HK\$75,492,000, equivalent to a DPU of HK\$0.0578. The interim DPU for the six months from 1 January 2008 to 30 June 2008 was HK\$0.0690, and the total DPU for the Reporting Year is HK\$0.1268, which is lower than 2007's total DPU of HK\$0.1298 by 2.3%.

The distribution for the half year from 1 July 2008 to 31 December 2008 will be paid on Wednesday, 29 April 2009.

Liquidity and Financing

As at 31 December 2008, 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 expiring on 16 December 2010. The whole term loan facility was fully drawn on the Listing Date and none of the revolving credit facility balance was drawn as at 31 December 2008. 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.

The term loan facility and the revolving credit facility bears interest at a variable rate. In order to hedge against interest rate fluctuations under the term loan, effective on the Listing Date, Prosperity REIT's finance company entered into interest rate swap agreement for a total notional amount equivalent to HK\$1,770 million. In July 2008, Prosperity REIT entered into an agreement to unwind this interest rate swap arrangement, effective on 10 July 2008, at a total consideration of approximately HK\$71.0 million.

The REIT Manager continued to monitor interest rate movements. In the latter part of 2008, Prosperity REIT hedged against interest rate fluctuations, through its finance company, by entering into three separate plain vanilla interest rate swap agreements to fix the interest rates for 100% of the HK\$1,770 million term loan until 16 December 2010. After entering into these interest rate swap agreements, the weighted average swap rate for the term loan, excluding the spread of 0.49%, is 2.472%. The total borrowings of Prosperity REIT, excluding the origination fees, as a percentage of Prosperity REIT's gross assets was 36.0% as at 31 December 2008, whereas the gross liability of Prosperity REIT as a percentage of Prosperity REIT's gross assets was 44.6%.

Prosperity REIT, with a cash balance of HK\$67.2 million and an available revolving credit facility of approximately HK\$130 million as at 31 December 2008, has ample financial resources to satisfy its commitments and working capital requirements.

Balance Sheet Highlights

Investment Properties and Property Valuation

For the year ended 31 December 2008, Prosperity REIT's portfolio recorded an investment property revaluation deficit of HK\$398.4 million, based on a professional valuation by an independent valuer, Savills Valuation and Professional Services Limited (2007: Knight Frank Petty Limited). The movements of fair values are tabulated below:

	31 Dec 2008 HK\$'000	31 Dec 2007 HK\$'000
Fair value at beginning of the financial year	5,225,000	4,864,000
Acquisitions	—	43,403
Additional expenditure	12,406	7,760
(Decrease)/increase in fair value during the year	(398,406)	309,837
Fair value at the end of year	4,839,000	5,225,000

Charges on Assets

As at 31 December 2008, the seven properties of Prosperity REIT, with an aggregate carrying value of HK\$4,799 million, were pledged to secure bank loan facilities with the finance company serving Prosperity REIT.

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.

Management Discussion and Analysis

Employees

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

Closure of Register of Unitholders

The register of unitholders will be closed from Monday, 20 April 2009 to Thursday, 23 April 2009, both days inclusive, during which period no transfer of units will be effected. In order to qualify for the distribution, all unit certificates with completed transfer forms must be lodged with Prosperity REIT's unit registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 17 April 2009. The payment date of final distribution will be on Wednesday, 29 April 2009.

Major Real Estate Agents and Contractors

The commission paid to the top five real estate agents during the year was HK\$826,000 and the total value of service contracts of the top five contractors engaged by Prosperity REIT was HK\$38,149,000.

Top Five Real Estate Agents

Respective commissions to the top five real estate agents to secure new and existing tenants are summarized as follows:

Real Estate Agents	Commission paid HK\$'000	Percentage
Savills (HK) Limited	382	32.8%
Centaline Property Agency Limited	181	15.5%
Midland Realty	139	12.0%
Hong Yip Properties Agency Limited	67	5.8%
Tyson Property Consultant Limited	57	4.9%
	826	71.0%

Top Five Contractors

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

Contractors	Nature of services	Value of contract HK\$'000	Percentage
Citybase Property Management Ltd	Building management	14,050	34.2%
Goodwell Property Management Ltd	Building management	13,678	33.2%
Goodwell-Prosperity Property Services Ltd	Property management	6,142	14.9%
Good World Engineering Limited	Repairs and maintenance/ Landlord provision	3,079	7.5%
Harbourfront Landmark Premium Services Limited	Building management	1,200	2.9%
		38,149	92.7%

The Property Manager

Pursuant to the property management agreement dated 29 November 2005 between the REIT Manager and Goodwell-Prosperity Property Services Limited (the "Property Manager"), the REIT Manager has 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 REIT Manager.

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



Directors and Senior Management Biographical Information



CHIU Kwok Hung, Justin

*Chairman and
Non-executive Director*



LIM Hwee Chiang, John

Non-executive Director



Stephen Henry CHU

*Chief Executive Officer and
Executive Director*

The Board of the REIT Manager is responsible for the overall governance of the REIT Manager, including establishing goals for management and monitoring the achievement of these goals. The Board comprises seven Directors, three of whom are Independent Non-executive Directors.

Directors

CHIU Kwok Hung, Justin, Chairman of the REIT Manager, aged 58, is also the Chairman of ARA Asset Management Limited (“ARA”), the holding company of the REIT Manager, the Chairman of ARA Trust Management (Suntec) Limited (the manager of Suntec REIT) and ARA Asset Management (Singapore) Limited (the manager of Fortune REIT). ARA, Suntec REIT and Fortune REIT are all listed on the Main Board of the Singapore Exchange Securities Trading Ltd. (“SGX-ST”). Mr. Chiu is an Executive Director of Cheung Kong. He joined Cheung Kong in 1997 and has been an Executive Director since 2000, heading the real estate sales and leasing, marketing and property management departments.

With more than 29 years of international real estate experience, Mr. Chiu is one of the most respected professionals in the Hong Kong property industry. Prior to joining Cheung Kong, Mr. Chiu was with Hang Lung Group Limited (formerly known as Hang Lung Development Company Limited) for 15 years from 1979 to 1994 and later with Sino Land Company Limited for 3 years from 1994 to 1997. He was in charge of the leasing as well as property management business for both companies.

Mr. Chiu holds a Bachelor of Sociology and Economics degree from Trent University in Ontario, Canada. He is a fellow of the Hong Kong Institute of Real Estate Administrators and a member of the Shanghai Committee of The Chinese People’s Political Consultative Conference, the People’s Republic of China.

LIM Hwee Chiang, John, a Non-executive Director of the REIT Manager, aged 52, is also the Group Chief Executive Officer and an Executive Director of ARA. He has been the Group Chief Executive Officer and a Director since ARA’s establishment. He is also a director of ARA Trust Management (Suntec) Limited (the manager

of Suntec REIT), ARA Asset Management (Singapore) Limited (the manager of Fortune REIT) and AmARA REIT Managers Sdn Bhd (the manager of AmFIRST REIT which is listed on the Main Board of Bursa Malaysia Securities Berhad). In addition, Mr. Lim is an independent director and member of the audit committees of Teckwah Industrial Corporation Limited and Inter-Roller Engineering Limited, both of which are listed on the SGX-ST. He is also the vice president of the Hong Kong-Singapore Business Association and a board member of the Asian Public Real Estate Association as well as the Valuation Review Board of the Ministry of Finance of Singapore.

Mr. Lim has more than 28 years of experience in real estate. Prior to the founding of ARA, from 1997 to 2002, he was an executive director of GRA (Singapore) Pte. Ltd. (“GRA”), a wholly-owned subsidiary of Prudential (US) Real Estate Investors. From 1996 to 1997, he founded and was the managing director of The Land Managers (S) Pte. Ltd., a Singapore-based property and consulting firm specializing in feasibility studies, marketing and leasing management in Singapore, Hong Kong and China. He was the general manager of the Singapore Labour Foundation Management Services Pte. Ltd. from 1991 to 1995, and was with DBS Land Limited (now part of CapitaLand Limited) from 1981 to 1990.

Mr. Lim holds a Bachelor of Engineering (First Class Honours) in Mechanical Engineering, a Master of Science degree in Industrial Engineering, as well as a Diploma in Business Administration, each from the National University of Singapore.

Stephen Henry CHU, Executive Director, Chief Executive Officer and a Responsible Officer of the REIT Manager, aged 48, was previously the Chief Executive Officer of ARA Asset Management (Singapore) Limited (the manager of Fortune REIT), where he was responsible for the performance and direction of the REIT. Mr. Chu originally joined the ARA Group in 2007 as a Director (non-board) of Fortune REIT. Before that he held senior posts with various international companies.

Mr. Chu has more than 19 years of international property experience in the fields of leasing, sales, facility and property



MA Lai Chee, Gerald

Non-executive Director



LAN Hong Tsung, David

Independent Non-executive Director



**SNG Sow-Mei
(alias POON Sow Mei)**

Independent Non-executive Director



Robert Douglas POPE

Independent Non-executive Director

management and marketing work covering retail, residential, hotel, and commercial sectors of the real estate market.

Mr. Chu holds a Bachelor of Arts (Honours) degree and a Master of Business Administration degree.

MA Lai Chee, Gerald, a Non-executive Director of the REIT Manager, aged 41, is currently the Director, Corporate Strategy Unit and Chief Manager, Corporate Business Development at Cheung Kong. He is also a Director of AMTD Financial Planning Limited, iBusiness Corporation Limited, CK Communications Limited, Beijing Net-Infinity Technology Development Company Limited and mReferral Corporation (HK) Limited, and a Non-Executive Director of The Ming An (Holdings) Company Limited. Mr. Ma is an Alternate Director to Mr. Ip Tak Chuen, Edmond, Director of ARA Trust Management (Suntec) Limited (the manager of Suntec REIT) and ARA Asset Management (Singapore) Limited (the manager of Fortune REIT). He is also an Alternate Director to Mr. Peter Wong, Executive Director of Hutchison Telecommunications International Limited.

Mr. Ma has over 19 years of experience in banking, investment and portfolio management, real estate development and marketing, as well as managing IT related ventures and services. He is a member of the Finance Committee and the Hospitality Services Committee for Caritas Hong Kong and a member of the Finance Committee for The Scout Association of Hong Kong. He is also a member of the Chancellor's Circle of the University of British Columbia, Canada ("UBC") and a member of the Dean's Advisory Board for the Faculty of Arts of UBC. He holds a Bachelor of Commerce degree in Finance and a Master of Arts degree in Global Business Management.

LAN Hong Tsung, David, an Independent Non-executive Director and Chairman of the Audit Committee of the REIT Manager, aged 68, 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 and SJM Holdings Ltd. He is currently the Chairman of David H T Lan Consultants Ltd., and holds directorship at Nanyang Commercial Bank Ltd. as well as being Senior Advisor of Mitsui & Co. (H.K.) Ltd. Mr. Lan was the Secretary for Home Affairs of the Government of the Hong Kong Special Administrative Region until his retirement in July 2000. He had served as civil servant in various capacities for 39

years. He was awarded the Gold Bauhinia Star Medal (GBS) on 1 July 2000. In January 2003, he was appointed as 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. He was also awarded Fellow, Queen Elizabeth House (Oxford).

SNG Sow-Mei (alias POON Sow Mei), an Independent Non-executive Director and Member of the Audit Committee of the REIT Manager, aged 67, has been appointed as Independent Non-Executive Director and member of the Audit Committee of Cheung Kong Infrastructure Holdings Limited since September 2004. She is also an Independent Director and a Member of the Audit Committee of ARA Asset Management (Singapore) Limited (the manager of Fortune REIT) and ARA Trust Management (Suntec) Limited (the manager of Suntec REIT). Since 2001, Mrs. Sng has been the Senior Consultant (International Business) of Singapore Technologies Electronics Ltd. Concurrently she is the Advisor of InfoWave Pte Ltd and Director of Infa Systems Ltd. Prior to her appointment with Singapore Technologies Pte Ltd, where she was Director, Special Projects (North East Asia) in 2000 and a Consultant in 2001, Mrs. Sng was the Managing Director of Capitaland Hong Kong Ltd for investment in Hong Kong and the region including Japan and Taiwan. In Hong Kong from 1983 to 1997, Mrs. Sng was the Centre Director and then Regional Director of the Singapore Economic Development Board and Trade Development Board respectively. She was Singapore's Trade Commissioner in Hong Kong from 1990 to 1997. Mrs. Sng, with a Bachelor of Arts degree from the Nanyang University of Singapore, has wide experience in various fields of industrial investment, business development, strategic and financial management, especially in property investment and management. In 1996, Mrs. Sng was conferred the title of PPA (P) — Pingat Pentadbrian Awam (Perak), the Singapore Public Administration Medal (Silver).

Robert Douglas POPE, an Independent Non-executive Director and Member of the Audit Committee of the REIT Manager, aged 62, was the director of the Lands Department under the Hong Kong Government and the Government of the Hong Kong Special Administrative Region for 9 years beginning in August 1993 until he

Directors and Senior Management Biographical Information

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.

Executive Officers

Stephen Henry CHU is the Chief Executive Officer of the REIT Manager. Details of his working experience are set out in the sub-section "Directors".

The Chief Executive Officer of the REIT 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 REIT Manager's management team to ensure that Prosperity REIT is operated in accordance with the REIT 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 REIT Manager. He supervises the REIT Manager's management team to ensure that Prosperity REIT operates in accordance with the stated strategies, policies and regulations.

WONG Lai Hung, Mavis is the Senior Manager, Asset and Investment Management, of the REIT Manager. Miss Wong is responsible for formulating the business plans of Prosperity REIT's properties with short, medium and long-term objectives, and with a view of maximizing the rental income of Prosperity REIT via active asset management. She is also responsible for identifying and evaluating potential acquisitions or investments consistent with Prosperity REIT's investment strategy.

Miss Wong has 14 years of experience in the industry. Prior to joining the REIT Manager, she was the Deputy Manager (Leasing) for New World Development Company Limited responsible for the marketing of office and industrial buildings and overseeing the landlord profit and loss account.

Prior to that, Miss 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. Among the projects handled by Miss Wong were the marketing of Prosperity Place (formerly known as Modern Warehouse), Prosperity Center and Trendy Centre.

Miss Wong began her career 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). Miss Wong had also worked in Jardine Matheson & Co Limited as an Assistant Property Manager before moving on to work with Cheung Kong.

Miss 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.

CHEUNG Kin Wah, Samuel is the Finance Manager of the REIT Manager. He is responsible for the financial management of Prosperity REIT. He has over 15 years of experience in audit and finance areas.

From 2000 to 2006, Mr. Cheung was the Chief Financial Controller and Company Secretary of Joynn Holdings Limited ("Joynn"), a company listed on the Main Board of SGX-ST. He was in charge of the accounting and finance functions of the group. He also performed company secretarial duties to ensure compliance with all legal and listing requirements and helped to ensure proper corporate governance. Mr. Cheung also helped to manage Joynn's Initial Public Offering in Singapore and was responsible for helping with the spinning-off of one associate company on the Hong Kong Stock Exchange's Growth Enterprise Market.

Prior to joining Joynn, Mr. Cheung served as an auditor with Messrs. Ernst & Young (Hong Kong) from 1995 to 2000 and also with Messrs. Kwan, Wong, Tan & Fong (which has merged with Deloitte Touche Tohmatsu) from 1993 to 1994.

Mr. Cheung is a Certified Public Accountant in Hong Kong and a fellow of the Association of Chartered Certified Accountants. He is also an associate of the Hong Kong Institute of Certified Public Accountants, and of the Taxation Institute of Hong Kong. He graduated from Lingnan University with an Honours Diploma in Accountancy in 1993.

CHIN Wai Yan, Ally is the Internal Auditor of the REIT Manager. She is responsible for reviewing Prosperity REIT's implementation of corporate governance practices and internal control systems and measures. She formulates risk-based internal audit plan and independently assesses the effectiveness of the REIT Manager's internal control procedures, operational functions and key processes.

Prior to joining the REIT Manager, Miss Chin was the Senior Internal Auditor of Lotus International Limited responsible for formulating and executing internal audit plan, performing risk-based internal audit reviews on operations and internal control systems for various business units.

Prior to that, Miss Chin joined Ernst & Young's Assurance & Advisory Business Services Department after obtaining a Bachelor of Accounting & Finance degree from the University of Hong Kong. She is a Certified Public Accountant, a member of the Hong Kong Institute of Certified Public Accountants and a Certified Internal Auditor with The Institute of Internal Auditors.

AU Ka Yee, Irene is the Legal & Compliance Manager of the REIT Manager. She is responsible for ensuring that the REIT Manager complies with the Trust Deed, the REIT Code, the Listing Rules, the Securities and Futures Ordinance, and other applicable laws, rules and regulation. She is also responsible for overseeing all legal issues arising from the operation of the REIT Manager.

Prior to joining the REIT Manager, Miss Au was a solicitor in private practice for over 8 years. She holds a Bachelor of Laws degree and Postgraduate Certificate in Laws. Apart from being a solicitor of the Hong Kong Special Administrative Region, she is also an associate of the Chartered Institute of Arbitrators, East Asia Branch.

CHAN Kei Kin, Ken is the Asset Manager of the REIT Manager. He is responsible for formulating the business plans of Prosperity REIT's properties with short, medium and long-term objectives, and with a view of maximizing the rental income of Prosperity REIT's properties via active asset management. Mr. Chan has about 12 years of experience in the real estate industry.

Prior to joining the REIT Manager, he was the Assistant Marketing Manager for The Great Eagle Estate Agents Limited, responsible for the marketing and leasing of commercial buildings in Central and Wanchai districts.

Prior to that, Mr. Chan was the Senior Marketing Officer of Hutchison Whampoa Properties Limited from 2001 to 2005 and his

duty was marketing and leasing of commercial buildings in Central and Hunghom districts. Mr. Chan began his career with Savills (Hong Kong) Limited as a Valuer from 1996 to 2001.

Mr. Chan holds a Master of Science degree in Finance from The Chinese University of Hong Kong and a Bachelor of Science degree in Surveying from The University of Hong Kong. He is a member of Hong Kong Institute of Surveyors and Royal Institution of Chartered Surveyors, and also a Registered Professional Surveyor (General Practice).

Responsible Officers

Stephen Henry CHU is the Responsible Officer of the REIT Manager. Details of his working experience are set out in the sub-section "Directors".

ANG Meng Huat, Anthony is the Responsible Officer of the REIT Manager. Mr. Ang is the Chief Executive Officer of ARA Managers (Asia Dragon) Pte. Ltd, the manager of the ARA Asia Dragon Fund. He is also an Independent Non-Executive director of Armstrong Industrial Corporation Limited, a precision engineering group listed on the SGX-ST.

Prior to joining the ARA Group, Mr. Ang held various senior positions with GIC Real Estate Pte. Ltd, Armstrong Industrial Corporation Limited, Vertex Management Pte. Ltd, a Singapore-based global venture capital company, and Majulah Connection Limited, a global business networking and consulting organization. Mr. Ang began his career with the Singapore Economic Development Board in 1979 where he served for 14 years, including 6 years in the United States as the regional director of their North American operations.

Mr. Ang holds a Bachelor of Science degree (Mechanical Engineering) with First Class Honours from the Imperial College, London University, and obtained a Master of Business Administration from the European Institution of Business Administration (INSEAD) in 1982 on a scholarship from the Singapore and French governments. He is also a fellow of the Chartered Management Institute (United Kingdom) and the vice chairman of the Chartered Management Institute Singapore.

WONG Lai Hung, Mavis is the Responsible Officer of the REIT Manager. Details of her working experience are set out in the sub-section "Executive Officers".

Portfolio Map



Corporate Governance

The REIT Manager was established for the purpose of managing Prosperity REIT. The REIT Manager is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the REIT Manager emphasise a quality board of directors, sound internal control, transparency and accountability to all unitholders. The REIT Manager has adopted its compliance manual (the "Compliance Manual") 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 REIT Manager and Prosperity REIT.

Authorization Structure

Prosperity REIT is a collective investment scheme authorized by the Securities and Futures Commission (the "SFC") under section 104 of the Securities and Futures Ordinance (Cap. 571) (the "SFO") and regulated by the provisions of the Code on Real Estate Investment Trusts (the "REIT Code"). The REIT Manager has been licensed by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. Mr. Stephen Henry Chu, the Chief Executive Officer and Executive Director, Mr. Ang Meng Huat, Anthony and Miss Wong Lai Hung, Mavis are the Responsible Officers of the REIT 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 (Cap. 29). The Trustee is qualified to act as a trustee for collective investment schemes authorized under the SFO pursuant to the REIT Code.

Roles of the Trustee and the REIT Manager

The Trustee and the REIT Manager are independent of each other. The Trustee is responsible under the Trust Deed for the safe custody of the assets of Prosperity REIT on behalf of the unitholders.

The REIT 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 REIT 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 REIT Manager include the following:

- (1) Setting the strategic direction and risk management policies of Prosperity REIT 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, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the Trust Deed, all other relevant legislation and all relevant contracts.
- (4) Attending to all regular communications with unitholders.

Board of Directors of the REIT Manager

The Board is responsible for the overall governance of the REIT 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 is collectively responsible for the management of the business and affairs of the REIT Manager. The Board exercises its general powers within the limits defined by the articles of association of the REIT Manager, with a view to ensuring that the 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 REIT Manager. Subject to the matters specifically reserved to the Board as set out in the Compliance Manual, 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 twenty Directors. Pursuant to the corporate governance policy adopted by the REIT Manager, the 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 REIT Manager;
- the Chief Executive Officer must be a member of the Board; and
- 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 seven members, three of whom are Independent Non-executive Directors. All Directors (including Independent Non-executive Directors) shall retire from office at every annual general meeting of the REIT Manager but shall be eligible for re-election in accordance with the articles of association of the REIT 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. Mr. Yip Kam Thai was the Acting Chief Executive Officer, Executive Director and Responsible Officer of the REIT Manager until his relinquishment of his duties and responsibilities, ceased his office as the Acting Chief Executive Officer, Executive Director and Responsible Officer of the REIT Manager with effect from 1 February 2009. Mr. Stephen Henry Chu, a Responsible Officer of the REIT Manager, was appointed as Executive Director and Chief Executive Officer with effect from 1 February 2009.

The REIT 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.

Four full Board meetings of the REIT Manager were held in 2008 and the attendance record of the Board meetings is as follows:

Members of the Board	Attendance
<i>Chairman and Non-Executive Director</i> Mr. Chiu Kwok Hung, Justin	4/4
<i>Acting Chief Executive Officer and Executive Director</i> Mr. Yip Kam Thai ⁽¹⁾	4/4
<i>Non-Executive Directors</i> Mr. Lim Hwee Chiang, John Mr. Ma Lai Chee, Gerald	4/4 4/4
<i>Independent Non-Executive Directors</i> Mr. Lan Hong Tsung, David Mrs. Sng Sow-Mei (alias Poon Sow Mei) Mr. Robert Douglas Pope	4/4 4/4 4/4

(1) Mr. Yip Kam Thai ceased his office as the Acting Chief Executive Officer and Executive Director of the REIT Manager with effect from 1 February 2009.

Appointment And Removal Of Directors

The appointment and removal of Directors is a matter for the Board and the shareholders of the REIT Manager to determine in accordance with the Compliance Manual, the REIT Manager's articles of association and the applicable law. As the REIT Manager is licensed by the SFC under Part V of the SFO, the appointment of an Executive Director who is or is to be appointed as a Responsible Officer requires the prior approval of the SFC.

Directors may be nominated for appointment and/or removed by the Board following a recommendation made by audit committee of the Board (the "Audit Committee"). In considering persons for appointment and re-appointment as Directors, the Board will have regard to a number of matters as set out in the Compliance Manual in assessing whether such persons are fit and proper to be a Director.

Internal Controls

The REIT Manager has an internal audit function in place to provide an independent assessment of the REIT Manager's internal control systems and operational functions and review of their effectiveness. The Internal Auditor prepares an audit plan using a risk based methodology in consultation with, but independent of, the management for review by the Audit Committee. The audit review focuses on operational and compliance controls of Prosperity REIT and effective implementation of the REIT Manager's internal control systems and compliance procedures.

The Board, through the Audit Committee, conducts reviews of the effectiveness of internal control system of the REIT Manager.

Audit Committee

The REIT Manager has established 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 (alias Poon Sow Mei), and Mr. Robert Douglas Pope. 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 held two meetings in 2008 for considering and reviewing the 2007 final results, 2008 interim results and other internal controls, risk management and compliance matters of Prosperity REIT. The attendance record of the Audit Committee meetings is as follows:

Members of the Audit Committee	Attendance
Mr. Lan Hong Tsung, David	2/2
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	2/2
Mr. Robert Douglas Pope	2/2

The principal duties of the Audit Committee include the review of the completeness, accuracy, clarity and fairness of Prosperity REIT's financial statements, the appointment and periodical review of the relationship with the external auditors of Prosperity REIT, as well as the review and supervision of the internal control procedures and risk management systems.

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.

Pursuant to the waiver from strict compliance with the requirement under Clause 9.13(b) of the REIT Code granted by the SFC, the Audit Committee confirms that the public relations-related expenses are incurred in accordance with the internal control procedures of the REIT Manager and the nature of the same are incurred solely for the purposes as set out in Clauses 4.5.6 and 4.5.13 of the Trust Deed.

Disclosures Committee

The REIT 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 REIT 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 REIT Manager. The Disclosures Committee presently consists of three members, namely, Mr. Chiu Kwok Hung, Justin, Chairman and a Non-executive Director, Mr. Stephen Henry Chu, Chief Executive Officer and an Executive Director, and Mr. Lan Hong Tsung, David, an Independent Non-executive Director. The chairman of the Disclosures Committee is Mr. Stephen Henry Chu who had succeeded Mr. Yip Kam Thai as a member and the chairman of the Disclosures Committee with effect from 1 February 2009. The Disclosures Committee shall meet on a half yearly basis and otherwise on an as-needed basis.

The Disclosures Committee held two meetings in 2008 for considering and reviewing the 2007 final results announcement and 2008 interim results announcement, the 2007 annual report and 2008 interim report and other corporate disclosure issues of Prosperity REIT. The Disclosures Committee also reviewed all public announcements issued by Prosperity REIT throughout the year ended 31 December 2008. The attendance record of the Disclosures Committee meetings is as follows:

Members of the Disclosures Committee	Attendance
Mr. Chiu Kwok Hung, Justin	2/2
Mr. Yip Kam Thai ⁽¹⁾	2/2
Mr. Lan Hong Tsung, David	2/2

(1) Mr. Yip Kam Thai ceased to be a member of the Disclosures Committee with effect from 1 February 2009.

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;
- (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 REIT 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 Year.

The REIT Manager has appointed experienced and well-qualified management to handle the day-to-day operations of the REIT 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.

Corporate Governance

Conflicts Of Interest

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

- (1) The REIT 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 REIT 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 REIT Manager may at any time convene a meeting of unitholders. The REIT 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 together 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 interim report for Prosperity REIT will be published and sent to unitholders within four months of the end of each financial year and within two months of the end of each financial half-year respectively.

As required by the REIT Code, the REIT 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 on the website of The Stock Exchange of Hong Kong Limited and the website of Prosperity REIT.

Directors' Responsibility for Financial Statements

The Directors acknowledge their responsibility for the preparation of a true and fair presentation of the financial statements for the year ended 31 December 2008. They are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the ability of Prosperity REIT to continue as a going concern.

The statement of the Auditors of Prosperity REIT about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report.

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 REIT Manager and Interests of the Significant Unitholders

The REIT Manager has adopted a code governing dealings in the securities of Prosperity REIT by the Directors or the REIT 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 REIT Manager or the special purpose vehicles as the Board may determine.

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 REIT Manager is in possession of any unpublished price-sensitive information, it must refrain from dealing in the units 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 REIT 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 REIT Manager, the Directors or the REIT 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.

Corporate Governance

It is noted that on 24 February 2009, The Stock Exchange of Hong Kong Limited announced that it had received approval to implement a modified version of the extension of the blackout period, which is to come into effect on 1 April 2009. As a result, the extended blackout period will now provide that, unless the circumstances are exceptional:

“A director must not deal in any securities of the listed issuer on any day on which its financial results are published and:

- (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (b) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.”

The REIT Manager takes note of such extended blackout period and will make appropriate revisions to the Compliance Manual accordingly to adhere to and uphold good corporate governance principles.

The REIT Manager has also adopted procedures for monitoring of disclosure of interests by Directors, the chief executive of the REIT Manager, and the REIT Manager. The provisions of Part XV of the SFO shall be deemed to apply to the REIT Manager, the Directors and chief executive of the REIT 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 of Hong Kong Limited and the REIT Manager of their holdings in Prosperity REIT. The REIT Manager shall then send copies of such notifications received by it to the Trustee. The REIT Manager keeps a register for the purposes of maintaining disclosure of interests in units of Prosperity REIT and it has recorded in the register, against a person's name, the particulars provided pursuant to the disclosure of interests notifications 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 REIT Manager.

Matter 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 REIT 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 REIT 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 REIT 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 together not less than 25% of the units in issue.

Compliance With The Compliance Manual

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

Review Of Annual Report

The annual report of Prosperity REIT for the year ended 31 December 2008 has been reviewed by the Audit Committee and the Disclosures Committee.

Public Float Of The Units

As far as the REIT Manager is aware, more than 25% of the issued units of Prosperity REIT were held in public hands as of 31 December 2008.

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 paragraph 8.1 of the REIT Code:

Connected Party Transactions — Income

The following table sets forth information on all the connected party transactions from which Prosperity REIT derived its income during the year ended 31 December 2008:

Name of Connected Party	Relationship with Prosperity REIT	Nature of the Connected Party Transaction	Rental and charge out collection (excluding rental deposit, if applicable) for the year ended 31 December 2008 HK\$	Rental deposit received as at 31 December 2008 HK\$
AMTD Financial Planning Limited	Subsidiary of a significant holder ¹	Tenancy of property of Prosperity REIT ³	523,782	—
e-Smart System Inc.	Subsidiary of a significant holder ¹	Tenancy of properties of Prosperity REIT ⁴	186,219	—
Goodwell Property Management Limited	Subsidiary of a significant holder ¹	Tenancy of property of Prosperity REIT ⁵	1,185,763	323,472
Tremayne Investments Limited	Subsidiary of an associate of a significant holder ²	Tenancy of property of Prosperity REIT ⁶	16,486,914	see note 9
E-Park Parking Management Limited	Subsidiary of a significant holder ¹	Tenancy of property of Prosperity REIT ⁷	190,296	51,381
Hutchison Telephone Company Limited	Subsidiary of an associate of a significant holder ²	Licence of property of Prosperity REIT ⁸	44,000	15,000
Total			18,616,974	389,853

1 Significant holder being Cheung Kong.

2 The connected parties are the subsidiaries of Hutchison Whampoa Limited ("HWL"), an associate of a significant holder of Prosperity REIT, namely Cheung Kong.

3 For Units 2501-11, Prosperity Millennia Plaza (the lease expired during the Reporting Year).

4 For Unit 2903, Prosperity Place (formerly known as Modern Warehouse) (the lease expired during the Reporting Year).

5 For 2/F, Units 306-7 & Unit 703, New Treasure Centre.

6 For 3/F, 5/F & 6/F, Harbourfront Landmark.

7 For Unit 306, Prosperity Place (formerly known as Modern Warehouse).

8 For installation of micro-transmission station equipment at Prosperity Place (formerly known as Modern Warehouse).

9 By a bank guarantee of HK\$4,850,346 given by HWL.

Connected Party Transactions — Building Management Services

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

Name of Connected Party	Relationship with Prosperity REIT	Nature of the Connected Party Transaction	Payment received/receivable for the year ended 31 December 2008 HK\$
Goodwell Property Management Limited ¹	Subsidiary of a significant holder ³	Remuneration of DMC Manager	177,447
Goodwell Property Management Limited ²	Subsidiary of a significant holder ³	Remuneration of Carpark Manager	7,098
Citybase Property Management Limited ¹	Subsidiary of a significant holder ³	Remuneration of DMC Manager	194,179
Citybase Property Management Limited ²	Subsidiary of a significant holder ³	Remuneration of Carpark Manager	62,002
Harbourfront Landmark Premium Services Limited ¹	Subsidiary of an associate of a significant holder ⁴	Remuneration of DMC Manager	64,882
Total			505,608

1 These managers appointed under the deed of mutual covenant of the properties of Prosperity REIT (the "DMC Manager") are connected parties by virtue of their relationship with Cheung Kong.

2 They are the carpark managers of certain properties of Prosperity REIT (the "Carpark Manager") as delegated by Goodwell-Prosperity Property Services Limited, the property manager of Prosperity REIT pursuant to a property management agreement dated 29 November 2005.

3 Significant holder being Cheung Kong.

4 The connected party is an indirect wholly-owned subsidiary of HWL.

Connected Party Transactions

Connected Party Transactions — 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 year ended 31 December 2008:

Name of Connected Party	Relationship with Prosperity REIT	Nature of the Connected Party Transaction	Expenses for the year ended 31 December 2008 HK\$
Goodwell Property Management Limited	Subsidiary of a significant holder ¹	Carpark lease agency fee	29,791
Goodwell-Prosperity Property Services Ltd	Subsidiary of a significant holder ¹	Property management and lease management fee	6,142,009
Goodwell-Prosperity Property Services Ltd	Subsidiary of a significant holder ¹	Marketing service fee	2,674,921
E-Park Parking Management Limited	Subsidiary of a significant holder ¹	Carpark lease agency fee	1,192,791
HSBC Institutional Trust Services (Asia) Limited	Trustee	Trustee fee	1,589,485
ARA Asset Management (Prosperity) Limited	REIT Manager	Base fee and variable fees	27,196,755
Cheung Kong Companies ²	Subsidiaries and associates of a significant holder ¹	Back-office support service fee	813,848
Total			39,639,600

¹ Significant holder being Cheung Kong.

² Cheung Kong Companies include Cheung Kong, Cheung Kong Real Estate Agency Limited, Randash Investment Limited, The Kowloon Hotel Limited and Harbour Plaza Metropolis Limited.

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 year.

* 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 Party Transaction	Annual income ² HK\$
Tremayne Investments Limited	Subsidiary of an associate of a significant holder ¹	Tenancy agreement for 3/F, 5/F & 6/F, Harbourfront Landmark	16,636,536
Total			16,636,536

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

Other Connected Party Transactions

The following companies had provided back-office services, carpark management services and property management services to Prosperity REIT for the year and hence amounts due from Prosperity REIT as at 31 December 2008:

Name of Connected Party	Amount payable HK\$
Cheung Kong (Holdings) Limited	5,781
Goodwell-Prosperity Property Services Limited	1,407,439
Goodwell Property Management Limited	3,841,929
E-Park Parking Management Limited	194,016
Citybase Property Management Limited	1,487,271
Harbourfront Landmark Premium Services Limited	370,083
Total	7,306,519

Connected Party Transactions

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 Auditor of Prosperity REIT

Pursuant to the waiver from strict compliance with disclosure requirement under Chapter 8 of the REIT Code, the REIT Manager has engaged the auditor of the Prosperity REIT to perform certain factual finding procedures in respect of the connected party transactions on the rental and charge out collection on leasing of properties, remuneration of DMC Manager/Carpark Manager, carpark lease agency fee, marketing service fee, back-office support service fee as well as property management and lease management fee for the year ended 31 December 2008 of Prosperity REIT 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 auditor has performed these procedures and reported to the Board of the REIT Manager their factual findings.

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

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

Repurchase or Redemption of Units

During the Reporting Year, other than the disposal of 22,201,000 units by the REIT Manager which the REIT Manager had received as payment of its management fee, there was no purchase, sale or redemption of the units of Prosperity REIT by Prosperity REIT or subsidiaries of Prosperity REIT.

Holding of Connected Persons in the Units of Prosperity REIT

As at 31 December 2008, the following persons, being connected persons (as defined under the REIT Code) of Prosperity REIT, hold units of Prosperity REIT:

Name	Number of Units	Percentage of Unit Holdings (Note 5)
Total Win Group Limited	176,328,129 (Note 1)	13.58%
Wide Option Investments Limited	98,883,559 (Note 2)	7.61%
HKSCC Nominees Limited	941,849,100 (Note 3)	72.52%
ARA Asset Management (Prosperity) Limited	188 (Note 4)	0.00001%

Notes:

- (1) Total Win Group Limited is a connected person of Prosperity REIT as it is a significant holder (as defined under the REIT Code) of Prosperity REIT as at such date.
- (2) Wide Option Investments Limited is a connected person of Prosperity REIT as it is an associated company (as defined under the REIT Code) of Total Win Group Limited as at such date.
- (3) HKSCC Nominees Limited is a connected person of Prosperity REIT as it is a significant holder (as defined under the REIT Code) of Prosperity REIT as at such date. So far as the REIT Manager is aware, HKSCC Nominees Limited holds such units as a nominee.
- (4) ARA Asset Management (Prosperity) Limited is a connected person of Prosperity REIT as it is the management company (as defined under the REIT Code) of Prosperity REIT as at such date.
- (5) The total number of issued units as at 31 December 2008 is 1,298,654,410.

As at 31 December 2008, none of the Directors and chief executive of the REIT Manager holds any unit of Prosperity REIT save and except that Mr. Lim Hwee Chiang, John, a Director of the REIT Manager, is deemed interested in 188 units as at 31 December 2008 by virtue of his 100% shareholding in JL Investment Group Limited which holds one third or more of shareholding interest in ARA Asset Management Limited, and his 0.2% personal interest in ARA Asset Management Limited, which in turn in a chain of corporations holds 100% shareholding interest in ARA Asset Management (Holdings) Limited, the holding company of the REIT Manager.

Save as disclosed above, the REIT Manager is not aware of any connected persons (as defined under the REIT Code) of Prosperity REIT holding any units as at 31 December 2008.

Connected Party Transactions

So far as the REIT Manager is aware:

- (a) Total Win Group Limited was beneficially interested in 176,328,129 units as at 31 December 2008 and 31 December 2007;
- (b) Wide Option Investments Limited was beneficially interested in 98,883,559 units as at 31 December 2008 and 31 December 2007;
- (c) the Trustee, HSBC Institutional Trust Services (Asia) Limited, had no beneficial interest in any units as at 31 December 2008 and 31 December 2007 and the controlling entities, holding company, subsidiaries and associated companies (within the meaning of the REIT Code) of the Trustee were beneficially interested in a total of 594 units as at 31 December 2008 and 31 December 2007; and
- (d) the REIT Manager, ARA Asset Management (Prosperity) Limited, had beneficial interest in 188 units as at 31 December 2008 and 116 units as at 31 December 2007.

Valuation Report

HSBC Institutional Trust Services (Asia) Limited
(as Trustee for 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

6 February 2009

Dear Sirs

- RE: (1) Office Accommodation of the Metropolis, 10 Metropolis Drive, Hung Hom, Kowloon**
- (2) Prosperity Millennia Plaza, 663 King's Road, North Point, Hong Kong**
- (3) Commercial Units on 3rd, 5th and 6th Floors, Harbourfront Landmark, 11 Wan Hoi Street, Hung Hom, Kowloon**
- (4) Prosperity Place, 6 Shing Yip Street, Kwun Tong, Kowloon**
- (5) Trendy Centre, 682 Castle Peak Road, Cheung Sha Wan, Kowloon**
- (6) Various Portions in Prosperity Center, 25 Chong Yip Street, Kwun Tong, Kowloon**
- (7) Various Portions in New Treasure Centre, 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 enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of these properties as at 31 December 2008 (the "Valuation Date") for accounting purposes.

Our valuation for each of the properties is our opinion of its market value 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, 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 and purchase, and without offset for any associated taxes.

Valuation Report

Our valuation is prepared in accordance with Chapter 6.8 of the REIT Code and The HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors.

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 made provisions for outgoings and in appropriate cases allowed for reversionary income potential.

In undertaking our valuation of the properties, Income Capitalization and Direct Comparison approaches are adopted. For the purposes of this valuation, we consider the Income Capitalization Approach is the most appropriate valuation method for assessing the market values of the properties, due to the income driven nature of the properties. Apart from Income Capitalization approach, Direct Comparison approach is adopted for cross referencing purpose.

Income Capitalization

The Income Capitalization approach is a method of valuation whereby the existing net rental incomes (i.e. exclusive of rates, Government rent and management fees) of all lettable units of each property are capitalized for the respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at their respective market rents as at the Valuation Date. Upon expiry of the existing tenancies, each unit is assumed to be let at its market rent as at the Valuation Date, which is in turn capitalized for the unexpired term of the Government lease under which the property is held. Due consideration has been given to the expectation of the renewal of the Government lease upon expiry. The summation of the capitalized value of the term income for the leased portion, the capitalized value of the reversion income (i.e. market rental income) as appropriately deferred for the leased portion and the capitalized value for the vacant portion provides the market value of each property.

The market rentals of all lettable units of each property are determined by reference to the rentals achieved by other units in the property and by reference to the lettings of similar properties in the neighbourhood. The capitalization rate adopted is determined by reference to the yields achieved in analysed market 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 the potential for future rental growth and capital appreciation, operating costs, risk factors and the like.

Direct Comparison

As a supporting approach to the valuation, we have also considered the Direct Comparison approach as a reference check for the valuations arrived from Income Capitalization approach. In this regard, comparable sales transactions around the Valuation Date are collected and analyzed in terms of a price per square footage. The collected comparables are then adjusted to take account of the discrepancies between the properties and comparables in terms of time, location, accessibility, age, building quality and condition, facilities and the like.

We have not been provided with extracts from title documents relating to the properties but we have caused 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.

We have relied to a very considerable extent on information given by the instructing party 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. We have no reason to doubt the truth and accuracy of the information provided to us by the instructing party, and have been advised by the instructing party that no material facts have been omitted from the information provided.

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the properties but have assumed that the floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the instructing party and are therefore only approximations.

We have inspected the exterior of the properties valued and, where possible, we have also inspected the interior of the premises. 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 of rot, infestation or any other structural defect. No tests were carried out to any of the services.

No allowance has been made in our report for any charge, mortgage or amount owing on the properties nor for any expense or taxation which may be incurred in effecting a sale. 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.

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 (now known as Prosperity Place)" in the Offering Circular of Prosperity REIT dated 5 December 2005.

The reported analyses, opinions and conclusions are subject to the assumptions and limiting conditions stated in our valuation certificate 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 Trustee, the Manager or other party/parties who, Prosperity REIT is contracting with.

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

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 REIT Code. No responsibility is accepted to any other party for the whole and any part of its contents.

We enclose herewith our summary of values, valuation certificate and market overview.

Yours faithfully

For and on behalf of

Savills Valuation and Professional Services Limited

Charles C K Chan

MSc FRICS FHKIS MCI Arb RPS(GP)

Managing Director

Enc

Valuation Report

Summary of Values

Property	Approximate Gross Area (sq.ft.)	No. of Parking Lots	Market value in existing state as at 31 December 2008
1. The Metropolis Tower	271,418	98	HK\$1,779,000,000
2. Prosperity Millennia Plaza	217,955	43	HK\$1,053,000,000
3. Harbourfront Landmark Property	77,021	N/A	HK\$309,000,000
4. Prosperity Place	240,000	60	HK\$585,000,000
5. Trendy Centre	173,764	79	HK\$515,000,000
6. Prosperity Center Property	149,253	105	HK\$445,000,000
7. New Treasure Centre Property	86,168	22	HK\$153,000,000
Total	1,215,579	407	HK\$4,839,000,000

Valuation Certificate

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2008	Estimated Net Property Yield
1 Office Accommodation of The Metropolis, 10 Metropolis Drive, Hung Hom, Kowloon	<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 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 the 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 April 2012 yielding a total monthly rental income of approximately HK\$6,000,000 exclusive of Government rates and rent, management fees and utility charges.</p> <p>The overall occupancy rate is approximately 99.7% (excluding carparking spaces).</p> <p>The carparking spaces of the property are let on monthly and hourly basis yielding an average net monthly income of approximately HK\$215,000 from January 2008 to December 2008 exclusive of Government rates and rent, management fees and utility charges.</p>	HK\$1,779,000,000	4.2%

Notes:

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

Floor	Registered Owner
11th Floor and 6 carparking spaces	Wisdom Champion Limited
12th Floor and 6 carparking spaces	Wisdom Champion (12) Limited
15th Floor and 6 carparking spaces	Wisdom Champion (15) Limited
16th Floor and 6 carparking spaces	Wisdom Champion (16) Limited
17th Floor and 6 carparking spaces	Wisdom Champion (17) Limited
18th Floor and 6 carparking spaces	Wisdom Champion (18) Limited
19th Floor and 6 carparking spaces	Wisdom Champion (19) Limited
20th Floor and 7 carparking spaces	Wisdom Champion (20) Limited
21st Floor and 7 carparking spaces	Wisdom Champion (21) Limited
22nd Floor and 7 carparking spaces	Wisdom Champion (22) Limited
23rd Floor and 7 carparking spaces	Wisdom Champion (23) Limited
25th Floor and 7 carparking spaces	Wisdom Champion (25) Limited
26th Floor and 7 carparking spaces	Wisdom Champion (26) Limited
27th Floor and 7 carparking spaces	Wisdom Champion (27) Limited
28th Floor 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 2008 and the average net monthly car parking income for the period of January 2008 to December 2008.

(6) Based on the tenancy information provided, our analysis of the existing tenancy profile (excluding carparking spaces) is set out below:

Tenancy Commencement Profile

Year	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2006	129,043	47.7	2,757,946	46.0	24	26.7
2007	47,651	17.6	1,009,858	16.8	29	32.2
2008	93,874	34.7	2,233,884	37.2	37	41.1
Total	270,568	100.0	6,001,688	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 2008 and 2009	165,521	61.2	3,537,533	58.9	47	52.2
2010	62,349	23.0	1,390,015	23.2	32	35.6
2011 and after	42,698	15.8	1,074,140	17.9	11	12.2
Total	270,568	100.0	6,001,688	100.0	90	100.0

Tenancy Duration Profile

Tenancy Duration	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
Below and up to 2 years	63,330	23.4	1,392,170	23.2	36	40.0
More than 2 years and up to 3 years	195,951	72.4	4,350,358	72.5	52	57.8
More than 3 years	11,287	4.2	259,160	4.3	2	2.2
Total	270,568	100.0	6,001,688	100.0	90	100.0

Valuation Report

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2008	Estimated Net Property Yield
2 Prosperity Millennia Plaza, 663 King's Road, North Point, Hong Kong 3,741/10,000th undivided parts or shares of and in Inland Lot No. 8885.	<p>Prosperity 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 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 February 2012 yielding a total monthly rental income of approximately HK\$3,270,000 exclusive of Government rates and rent, management fees and utility charges.</p> <p>The overall occupancy rate is approximately 98.4% (excluding carparking spaces).</p> <p>The carparking spaces of the property are let on monthly and hourly basis yielding an average net monthly income of approximately HK\$154,000 from January 2008 to December 2008 exclusive of Government rates and rent, management fees and utility charges.</p>	HK\$1,053,000,000	3.9%

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 2008 and the average net monthly car parking income for the period of January 2008 to December 2008.
- (6) According to the information provided, the building name of the property (ie "MLC Millennia Plaza") has been changed to "Prosperity Millennia Plaza".

(7) Based on the tenancy information provided, our analysis of the existing tenancy profile (excluding carparking spaces) is set out below:

Tenancy Commencement Profile

Year	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2006	94,027	43.9	1,259,942	38.5	16	22.9
2007	56,017	26.1	857,997	26.2	28	40.0
2008	64,366	30.0	1,154,655	35.3	26	37.1
Total	214,410	100.0	3,272,594	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 2008 and 2009	129,317	60.4	1,834,920	56.1	37	52.9
2010	63,769	29.7	1,010,894	30.9	25	35.7
2011 and after	21,324	9.9	426,780	13.0	8	11.4
Total	214,410	100.0	3,272,594	100.0	70	100.0

Tenancy Duration Profile

Tenancy Duration	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
Below and up to 2 years	39,957	18.6	691,545	21.1	25	35.7
More than 2 years and up to 3 years	170,785	79.7	2,489,349	76.1	42	60.0
More than 3 years	3,668	1.7	91,700	2.8	3	4.3
Total	214,410	100.0	3,272,594	100.0	70	100.0

Valuation Report

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2008	Estimated Net Property Yield
3 Commercial Units on 3rd, 5th and 6th Floors, Harbourfront Landmark, 11 Wan Hoi Street, Hung Hom, 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 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 Floors (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>	The property is let under a tenancy for a term of 6 years commencing in 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 of renew for a further term of 3 years.	HK\$309,000,000	5.4%

Notes:

- (1) The registered owner of the property is Harbour 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)(Sub-group 3)".
- (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 estimate net monthly rental income for December 2008.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2008	Estimated Net Property Yield
4 Prosperity Place, 6 Shing Yip Street, Kwun Tong, Kowloon Kun Tong Inland Lot No. 62.	<p>Prosperity Place 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 the Ground Floor, 1st and 2nd Floors of the building are devoted to carparking and loading/unloading purposes whereas the remaining upper floors from the 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 September 2011, 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 97.8% (including the leasing office but excluding carparking spaces).</p> <p>The carparking spaces of the property are let on monthly and hourly basis yielding an average net monthly income of approximately HK\$261,000 from January 2008 to December 2008 exclusive of Government rates and rent, management fees and utility charges.</p>	HK\$585,000,000	5.2%

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 2008 and the average net monthly car parking income for the period of January 2008 to December 2008.
- (6) According to the information provided, the building name of the property (ie "Modern Warehouse") has been changed to "Prosperity Place".

Valuation Report

(7) Based on the tenancy information provided, our analysis of the existing tenancy profile (excluding carparking spaces and leasing office of 956 sq.ft.) is set out below:

Tenancy Commencement Profile

Year	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2006	68,897	29.5	542,267	24.1	31	23.5
2007	58,473	25.0	556,997	24.8	42	31.8
2008	106,414	45.5	1,150,470	51.1	59	44.7
Total	233,784	100.0	2,249,734	100.0	132	100.0

Tenancy Expiry Profile

Year	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
31 December 2008 and 2009	118,881	50.8	1,030,651	45.8	70	53.0
2010	100,214	42.9	1,053,179	46.8	57	43.2
2011	14,689	6.3	165,904	7.4	5	3.8
Total	233,784	100.0	2,249,734	100.0	132	100.0

Tenancy Duration Profile

Tenancy Duration	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
Below and up to 2 years	103,688	44.3	1,082,530	48.1	68	51.5
More than 2 years and up to 3 years	128,236	54.9	1,146,279	51.0	63	47.7
More than 3 years	1,860	0.8	20,925	0.9	1	0.8
Total	233,784	100.0	2,249,734	100.0	132	100.0

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2008	Estimated Net Property Yield
5 Trendy Centre, 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 the Ground Floor and 1st to 3rd Floors of the building are devoted to carparking and/or loading/unloading purposes whereas the remaining portion of the 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 September 2011, yielding a total monthly rental income of approximately HK\$2,090,000 exclusive of Government rates and rent, management fees and utility charges.</p> <p>The overall occupancy rate is approximately 99.1% (including the leasing office but excluding carparking spaces).</p> <p>The carparking spaces of the property are let on monthly and hourly basis yielding an average net monthly income of approximately HK\$273,000 from January 2008 to December 2008 exclusive of Government rates and rent, management fees and utility charges.</p>	HK\$515,000,000	5.5%

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 income for December 2008 and the average net monthly car parking income for the period of January 2008 to December 2008.*

Valuation Report

(6) Based on the tenancy information provided, our analysis of the existing tenancy profile (excluding parking spaces and leasing office of 685 sq.ft.) is set out below:

Tenancy Commencement Profile

Year	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2006	27,921	16.3	390,338	18.7	19	13.0
2007	82,938	48.3	949,843	45.4	69	46.9
2008	60,700	35.4	751,768	35.9	59	40.1
Total	171,559	100.0	2,091,949	100.0	147	100.0

Tenancy Expiry Profile

Year	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
31 December 2008 and 2009	99,562	58.0	1,223,471	58.5	88	59.8
2010	65,159	38.0	783,278	37.4	53	36.1
2011	6,838	4.0	85,200	4.1	6	4.1
Total	171,559	100.0	2,091,949	100.0	147	100.0

Tenancy Duration Profile

Tenancy Duration	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
Below and up to 2 years	60,794	35.4	736,595	35.2	60	40.8
More than 2 years and up to 3 years	110,765	64.6	1,355,354	64.8	87	59.2
Total	171,559	100.0	2,091,949	100.0	147	100.0

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2008	Estimated Net Property Yield
6 Various Portions in Prosperity Center, 25 Chong Yip Street, Kwun Tong, Kowloon (see note(1)) 12,014/22,510th undivided parts or shares of and in Kwun Tong Inland Lot No. 729.	<p>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 sq.m. (20,333 sq.ft.), completed in 1999.</p> <p>Portion of the 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 the Ground Floor and upper floors from the 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 13,865.94 sq.m. (149,253 sq.ft.). The total saleable area of the property is approximately 10,095.60 sq.m. (108,669 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 office/workshop portion of the property is let under various tenancies for various terms with the latest expiring in October 2011 yielding a total monthly rental income of approximately HK\$1,730,000 exclusive of Government rates and rent, management fees and utility charges.</p> <p>The overall occupancy rate is approximately 96.7% (excluding carparking spaces).</p> <p>The carparking spaces of the property are let on monthly and hourly basis yielding an average net monthly income of approximately HK\$258,000 from January 2008 to December 2008 exclusive of Government rates and rent, management fees and utility charges.</p>	HK\$445,000,000	5.4%

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, 1001–1010 on 10th 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, 2601–2603, 2605 and 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 Center, 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. (Excluding units 1001–1010 on 10th Floor and units 2601–2603 and 2605 on 26th Floor)
- (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 2008 and the average net monthly car parking income for the period of January 2008 to December 2008.

Valuation Report

(7) Based on the tenancy information provided, our analysis of the existing tenancy profile (excluding carparking spaces) is set out below:

Tenancy Commencement Profile

Year	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2006	49,295	34.1	513,866	29.7	22	33.3
2007	57,119	39.6	687,288	39.8	25	37.9
2008	37,957	26.3	527,605	30.5	19	28.8
Total	144,371	100.0	1,728,759	100.0	66	100.0

Tenancy Expiry Profile

Year	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
31 December 2008 and 2009	74,096	51.4	839,263	48.5	38	57.5
2010	51,744	35.8	642,028	37.2	24	36.4
2011	18,531	12.8	247,468	14.3	4	6.1
Total	144,371	100.0	1,728,759	100.0	66	100.0

Tenancy Duration Profile

Tenancy Duration	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
Below and up to 2 years	18,050	12.5	254,713	14.7	13	19.7
More than 2 years and up to 3 years	126,321	87.5	1,474,046	85.3	53	80.3
Total	144,371	100.0	1,728,759	100.0	66	100.0

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2008	Estimated Net Property Yield
7 Various Portions in New Treasure Centre, 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.). The building was completed in 1995.</p> <p>Portion of the Ground Floor and Mezzanine of the building are devoted to carparking and/or loading/unloading purposes whereas the remaining upper floors from the 1st to 31st Floor (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 December 2010 yielding a total monthly rental income of approximately HK\$674,000 exclusive of Government rates and rent, management fees and utility charges.</p> <p>The overall occupancy rate is 100.0% (excluding carparking spaces).</p> <p>The carparking spaces of the property are let on monthly and hourly basis yielding an average net monthly income of approximately HK\$124,000 from January 2008 to December 2008 exclusive of Government rates and rent, management fees and utility charges.</p>	HK\$153,000,000	6.3%

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 income for December 2008 and the average net monthly car parking income for the period of January 2008 to December 2008.*

Valuation Report

(7) Based on the tenancy information provided, our analysis of the existing tenancy profile (excluding carparking spaces) is set out below:

Tenancy Commencement Profile

Year	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2006	8,111	9.4	58,308	8.7	5	9.1
2007	50,440	58.5	392,456	58.2	30	54.5
2008	27,617	32.1	223,000	33.1	20	36.4
Total	86,168	100.0	673,764	100.0	55	100.0

Tenancy Expiry Profile

Year	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
31 December 2008 and 2009	44,925	52.1	353,351	52.4	31	56.4
2010	41,243	47.9	320,413	47.6	24	43.6
Total	86,168	100.0	673,764	100.0	55	100.0

Tenancy Duration Profile

Tenancy Duration	Gross Area (sq.ft.)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
Below and up to 2 years	39,439	45.8	318,003	47.2	27	49.1
More than 2 years and up to 3 years	46,729	54.2	355,761	52.8	28	50.9
Total	86,168	100.0	673,764	100.0	55	100.0

Market Overview

1.0 Hong Kong Office Market Overview

The Hong Kong office market has witnessed robust growth over the past 20 years driven by the city's structural transformation from a manufacturing base to a more services oriented economy. This shift has also had the effect of lifting demand substantially for commercial floor space. Benefiting from its close proximity to Mainland China as well as its locational attributes, Hong Kong has become a gateway for business into Mainland China, one of the world's most rapidly growing economies. Hong Kong has also successfully evolved as a major global financial and business centre in its own right, boosting the development of the office sector over the past decade.

1.1 Office Stock

The size of Hong Kong's office sector has expanded rapidly since the 1980s. According to the Hong Kong Rating and Valuation Department ("R&V"), total office stock in Hong Kong grew more than three fold between 1980 and 2007 and stood at approximately 108.79 million sq.ft.¹ at the end of 2007. Of total stock, Grade 'A' office space accounted for approximately 60 per cent, while the remaining 40 per cent was accounted for by Grade 'B' and 'C' space.

Tsimshatsui, is one of the three core business districts of Hong Kong, featuring numerous prime Grade 'A' office buildings, renowned hotel developments, cultural and exhibition centre, museums and performance stadium, is a sophisticated and prestigious business hub. Total Grade 'A' stock in the district amounted to 8.96 million sq.ft. at the end of 2007, accounting for 14 per cent of total Grade 'A' office stock.

1.2 Grade 'A' Office Supply, Take-up and Vacancy

New supply of Grade 'A' offices in 2007 was 3.08 million sq.ft., a majority (2.3 million sq.ft. or 75% of total supply) in decentralized areas such as Island East, Kowloon East and Kowloon West. No new supply was noted in Tsimshatsui in 2007. In 2008, office supply remained high and 3.6 million sq.ft.² of Grade 'A' office space is estimated to have been completed, a majority of which was again located in decentralized areas (3.5 million sq.ft. or 96% of total supply). Grade 'A' office supply thereafter is expected to revert to low levels, particularly in the core areas of Central, Wanchai/Causeway Bay, Tsimshatsui and the emerging Kowloon Station area.

Take-up of Grade 'A' office space was concentrated in decentralized areas in 2007 and 2008 in line with the concentration of new supply in those areas over the same period. Moreover, the limited availability in core locations has pushed tenants to look at options at decentralized new office supply for business consolidation while accommodating headcounts in same building and achieve cost saving. The Tsimshatsui sub-market recorded negative take-up of 46,000 sq.ft. over 2007.

The recent round of layoffs and belt tightening measures in 2008 have not resulted in a large number of surrender cases in the office market just yet. Nevertheless, according to our in-house data, overall Grade 'A' office vacancy in core areas picked up from 2.2 per cent in May 2008 to 3.2 per cent in December 2008, showing some tenants were under pressure to downsize or relocate outside the core districts in the face of stiffening economic conditions. Vacancy rates in Tsimshatsui also climbed to 4.2 per cent in the same month. Vacancy outside the core areas, especially Kowloon East and Kowloon West, increased to 27 and 12 per cent in December 2008 respectively reflecting the volume of new completions in the two areas.

1 Internal Floor Area (IFA).

2 Source: Savills Research & Consultancy estimates.

1.3 Grade 'A' Office Rental Trend

The financial turmoil which began in early 2008 and intensified in September after Lehman Brothers filed for bankruptcy disrupted the stock market and had an impact on property market sentiment, both of which had proved fairly robust since the containment of SARS in 2003. The office sector was the first to experience the effects with rounds of layoffs in the financial industry causing an acute decline in demand for office space, in particular in core areas, though no large-scale surrender or hand back of space has been noted from investment banks and asset management houses thus far.

According to the provisional figures of the Rating and Valuation Department, the average Grade 'A' office rent rose by around 147 per cent from the end of September 2003 to the end of August 2008 before declining by 2 per cent up to November 2008.

1.4 Outlook

Demand for office space is expected to continue to shrink in 2009 as it is anticipated that real GDP growth will slump into negative territory this year reaching -1.3 per cent³. The current high supply situation, in particular in Kowloon East and Kowloon West, should see greater rental pressure on landlords in those areas, and we may see more incentives will be offered by landlords in Tsimshatsui, Wanchai/Causeway Bay and Island East to retain tenants.

The continuing integration of the Hong Kong and Mainland economies has seen many industries in Hong Kong benefiting from the tremendous growth of China's economy over the past few years. However, the export-driven Mainland economy will slowdown in 2009 as a result of recent decline in final demand of major western economies. The growth in real GDP of China is expected to slow to 7.4 per cent⁴ compared to 9.3 per cent⁵ in 2008, and this will inevitably have a further negative impact on Hong Kong's economy, in particular the finance and trading sectors. Therefore, we believe that the depth and duration of this slowdown in the Mainland and the timing of recovery in the US will dictate the timing of the recovery of the local office market.

2.0 Industrial/Office and Industrial Markets Overview

2.1 Stock and Supply

According to the Rating and Valuation Department, total stock of private I/O premises amounted to 6.6 million sq.ft.⁶ in 2007, a majority of which was located in Kowloon (65%). Meanwhile, private flatted factory stock amounted to 187 million sq.ft. at the end of 2007, over half of which was located in the New Territories.

New supply of I/O properties averaged approximately 45,000 sq.ft. per annum from 2001 to 2007 while that for flatted factories averaged 76,000 sq.ft. per annum over the same period.

After the completion of 2 Tai Yip Street (54,500 sq.ft.) in 2008, no new I/O supply is scheduled for completion from 2009 to 2012. More new industrial supply will be coming on line in the next five years with a total of 1.8 million sq.ft. (average 352,000 sq.ft. per annum) scheduled for completion from 2008 to 2012.

2.2 Demand

I/O take-up averaged around 128,000 sq.ft. from 2001 to 2007 and vacancy rates stood at 5.8 per cent in 2007. With demand for I/O premises shrinking in 2008 due to the economic downturn, vacancy rates are expected to increase in 2008. Take-up of flatted factories averaged 269,000 sq.ft. from 2001 to 2007 and the vacancy rate stood at 6.2 per cent at the end of 2007, but with the weakening trading performance during 2008, the vacancy rate can be expected to rise.

³ Source: Consensus Economics, December 2008

⁴ Source: Consensus Economics, December 2008

⁵ Source: Consensus Economics, December 2008

⁶ Internal Floor Area (IFA)

2.3 Rental Trend⁷

I/O rents have been under pressure recently with office rents in Kowloon East falling, and I/O rents softening by 7.9 per cent in Q4 as a result, bringing full year rental growth to a modest 3.6 per cent. In order to cut costs, flatted factory tenants have been downsizing, and rents decreased by 3.1 per cent during the quarter, bringing 2008 rental growth to 2.8 per cent.

2.4 Outlook

The slowdown of the U.S. and European economies has begun to affect the real economy in Asia, and both Hong Kong and China are feeling the effects with a slowdown in GDP growth and trading performance anticipated in 2009 and 2010.

The I/O leasing market should mirror the Grade 'A' office market in the coming year and thus a decline in rents is expected with demand set to shrink as competition among new office landlords intensifies.

With the expected moderation in global economic growth, flatted factory demand is expected to slow and the abundant supply coming on stream over the next few years should induce further declines in flatted factory rents over this year and next.

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 and the Second Supplemental Deed dated 15 May 2007 and the Third Supplemental Deed dated 14 May 2008, for the financial year ended 31 December 2008.

HSBC Institutional Trust Services (Asia) Limited

In its capacity as the trustee of Prosperity Real Estate Investment Trust
Hong Kong, 18 March 2009



**TO THE UNITHOLDERS OF
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))

We have audited the consolidated financial statements of Prosperity Real Estate Investment Trust ("Prosperity REIT") and its subsidiaries (collectively referred to as the "Group") set out on pages 75 to 102, which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in net assets attributable to unitholders, the consolidated cash flow statement and the distribution statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Manager's responsibility for the consolidated financial statements

The Manager of Prosperity REIT is responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the relevant provisions of the Trust Deed dated 29 November 2005, as amended by the First Supplemental Deed dated 12 December 2005, the Second Supplemental Deed dated 15 May 2007 and the Third Supplemental Deed dated 14 May 2008 (collectively referred to as the "Trust Deed") and the relevant disclosure requirements set out in Appendix C of the Code on Real Estate Investment Trusts (the "Code") issued by the Securities and Futures Commission of Hong Kong. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Appendix C of the Code, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 2008 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix C of the Code.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

18 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Note	2008 HK\$'000	2007 HK\$'000
Revenue	5	263,146	244,628
Property management fees		(6,142)	(5,676)
Property operating expenses	6	(48,327)	(46,172)
Total property operating expenses		(54,469)	(51,848)
Net property income		208,677	192,780
Interest income		543	693
Manager's fee		(27,197)	(25,986)
Trust and other expenses	7	(8,364)	(10,379)
(Decrease) increase in fair value of investment properties		(398,406)	309,837
Finance costs	8	(91,183)	(85,931)
(Loss) profit before taxation and transactions with unitholders		(315,930)	381,014
Taxation	9	58,708	(54,002)
(Loss) profit for the year, before transactions with unitholders		(257,222)	327,012
Distribution to unitholders		(164,516)	(165,727)
Change in net assets attributable to unitholders		(421,738)	161,285
Income available for distribution for unitholders		164,516	165,727
(Loss) earnings per unit and diluted (loss) earnings per unit (HK\$)	10	(0.20)	0.26

Distribution Statement

For the year ended 31 December 2008

	2008 HK\$'000	2007 HK\$'000
(Loss) profit for the year, before transactions with unitholders	(257,222)	327,012
Adjustments for non-cash items:		
Manager's fee	27,151	25,875
Decrease (increase) in fair value of investment properties	398,406	(309,837)
Finance costs	55,017	68,675
Deferred tax	(58,836)	54,002
Income available for distribution (note (i))	164,516	165,727
Distributions to unitholders:		
HK\$0.0690 (2007: HK\$0.0639) per unit for the six month ended 30 June (note (ii))	89,024	81,331
HK\$0.0578 (2007: HK\$0.0659) per unit for the six month ended 31 December (note (iii))	75,492	84,396
	164,516	165,727
Total distribution per unit (HK\$)	0.1268	0.1298

Notes:

(i) These adjustments for the current year include:

- (a) manager's fee paid in units of HK\$27,151,000 (2007: HK\$25,875,000) out of the total manager's fee of HK\$27,197,000 (2007: HK\$25,986,000) (the difference of HK\$46,000 (2007: HK\$111,000) are paid in cash);
- (b) decrease in fair value of investment properties of HK\$398,406,000 (2007: increase of HK\$309,837,000);
- (c) the adjustment is the difference between the accounting finance cost of HK\$91,183,000 (2007: HK\$85,931,000) less cash finance cost of HK\$36,166,000 (2007: HK\$17,256,000); and
- (d) deferred tax reversal of HK\$58,836,000 (2007: deferred tax provision of HK\$54,002,000).

In accordance with the Trust Deed, Prosperity REIT is required to distribute to unitholders not less than 90% of its distributable income for each financial period and it is the REIT Manager's stated policy to distribute 100% of the distributable income. Pursuant to the Trust Deed, distributable income is defined as the amount calculated by the REIT Manager as representing the consolidated profit after tax of Prosperity REIT and its subsidiaries for the relevant financial year, as adjusted to eliminate the effects of certain Adjustments (as defined in the Trust Deed) which have been recorded in the consolidated income statement for the relevant financial year.

- (ii) The distribution per unit of HK\$0.0690 (2007: HK\$0.0639) for the half year ended 30 June 2008 is calculated based on Prosperity REIT's income available for distribution of HK\$89,024,000 (2007: HK\$81,331,000) over 1,289,519,568 units (2007: 1,272,267,245 units), as at 30 June 2008 plus the number of units issued after the distribution period to the REIT Manager as manager's fee for its service in the second quarter of 2008. The distribution was paid to unitholders on 28 October 2008.
- (iii) The distribution per unit of HK\$0.0578 (2007: HK\$0.0659) for the half year ended 31 December 2008 is calculated based on Prosperity REIT's income available for distribution of HK\$75,492,000 (2007: HK\$84,396,000) over 1,305,921,359 units (2007: 1,280,666,612 units), as at 31 December 2008 plus the number of units issued after the distribution period to the REIT Manager as manager's fee for its service in the last quarter of the relevant distribution year.

Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 HK\$'000	2007 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	11	4,839,000	5,225,000
Derivative financial instruments	12	—	108,288
Total non-current assets		4,839,000	5,333,288
Current assets			
Trade and other receivables	13	8,870	7,856
Tax recoverable		302	302
Bank balances and cash	14	67,154	23,854
Total current assets		76,326	32,012
Total assets		4,915,326	5,365,300
Non-current liabilities, excluding net assets attributable to unitholders			
Derivative financial instruments	12	32,505	—
Secured term loan	15	1,761,893	1,758,266
Deferred tax liabilities	16	191,712	250,548
Total non-current liabilities, excluding net assets attributable to unitholders		1,986,110	2,008,814
Current liabilities			
Trade and other payables	17	115,015	95,986
Amount due to related companies	18	7,307	6,332
Secured revolving loan	15	—	25,000
Provision for taxation		97	—
Manager's fee payable		6,392	6,719
Distribution payable		75,492	84,396
Total current liabilities		204,303	218,433
Total liabilities, excluding net assets attributable to unitholders		2,190,413	2,227,247
Net assets attributable to unitholders		2,724,913	3,138,053
Units in issue ('000)	19	1,298,654	1,276,453
Net asset value per unit (HK\$) attributable to unitholders	20	2.15	2.50

The financial statements on pages 75 to 102 were approved and authorised for issue by the Manager on 18 March 2009 and were signed on its behalf by:

Chiu Kwok Hung, Justin

Stephen Henry Chu

Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the year ended 31 December 2008

	Issued units HK\$'000	Unit issue costs HK\$'000	Hedging reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Net assets attributable to unitholders as at 1 January 2008	2,746,240	(91,278)	(48,040)	531,131	3,138,053
OPERATIONS					
Loss for the year, before transactions with unitholders	—	—	—	(257,222)	(257,222)
Change in fair value of cashflow hedge	—	—	(38,102)	—	(38,102)
Release to income statement	—	—	19,242	—	19,242
Total expense for the year, before transactions with unitholders	—	—	(18,860)	(257,222)	(276,082)
UNITHOLDERS' TRANSACTIONS					
Units issued to the Manager	27,458	—	—	—	27,458
Distribution paid and payable	—	—	—	(164,516)	(164,516)
Increase (decrease) in net assets resulting from unitholders' transactions	27,458	—	—	(164,516)	(137,058)
Net assets attributable to unitholders as at 31 December 2008	2,773,698	(91,278)	(66,900)	109,393	2,724,913

For the year ended 31 December 2007

	Issued units HK\$'000	Unit issue costs HK\$'000	Hedging reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Net assets attributable to unitholders as at 1 January 2007	2,720,789	(91,278)	(31,609)	369,846	2,967,748
OPERATIONS					
Profit for the year, before transactions with unitholders	—	—	—	327,012	327,012
Net adjustment to cashflow hedging reserve, representing expense recognised directly in statement of changes in net assets	—	—	(16,431)	—	(16,431)
Total income (expense) for the year, before transactions with unitholders	—	—	(16,431)	327,012	310,581
UNITHOLDERS' TRANSACTIONS					
Units issued to the Manager	25,451	—	—	—	25,451
Distribution paid and payable	—	—	—	(165,727)	(165,727)
Increase (decrease) in net assets resulting from unitholders' transactions	25,451	—	—	(165,727)	(140,276)
Net assets attributable to unitholders as at 31 December 2007	2,746,240	(91,278)	(48,040)	531,131	3,138,053

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 HK\$'000	2007 HK\$'000
Operating activities		
(Loss) Profit before taxation and transactions with unitholders	(315,930)	381,014
Adjustments for:		
Allowance for doubtful debts	114	31
Manager's fees	27,151	25,875
Decrease (increase) in fair value of investment properties	398,406	(309,837)
Interest income	(543)	(693)
Finance costs	91,183	85,931
Operating cashflow before working capital changes	200,381	182,321
Increase (decrease) in amount due to related companies	975	(3,102)
Increase in trade and other receivables	(1,128)	(32)
Increase in trade and other payables	18,572	21,196
(Decrease) increase in manager's fee payable	(20)	31
Cash generated from operations	218,780	200,414
Income tax (paid) refunded	(31)	307
Net cash from operating activities	218,749	200,721
Investing activities		
Interest received	543	693
Acquisition of investment properties	—	(39,288)
Additional expenditure to investment properties	(12,406)	(7,760)
Net cash used in investing activities	(11,863)	(46,355)
Financing activities		
(Repayment) drawdown of secured revolving loan	(25,000)	5,000
Interest payment of term loan and revolving loan	(36,166)	(17,005)
Proceeds on unwinding of derivative financial instruments	71,000	—
Distribution to unitholders	(173,420)	(160,244)
Net cash used in financing activities	(163,586)	(172,249)
Net increase (decrease) in cash and cash equivalents	43,300	(17,883)
Cash and cash equivalents at beginning of the year	23,854	41,737
Cash and cash equivalents at end of year, represented by bank balances and cash	67,154	23,854

Notes to the Financial Statements

For the year ended 31 December 2008

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 (the "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, a second supplemental deed dated 15 May 2007 and a third supplemental deed dated 14 May 2008 (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 addresses of the registered office of the Manager and the Trustee are Units 5508-5509, 55th Floor, The Center, 99 Queen's Road Central, Hong Kong and 1 Queen's Road Central, Hong Kong, respectively.

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

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

Under the Property Management Agreement, the Property Manager, Goodwell-Prosperity Property Services Limited, will receive from each of the property holding subsidiaries 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.

(b) Marketing services

For the marketing services, the property holding subsidiaries 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.

(c) Trustee's fees

The Trustee is entitled to receive a 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), the fee is currently charged at 0.03% per annum.

1 General *(continued)*

(d) 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

The Manager will receive a base fee from Prosperity REIT at 0.4% per annum on the value of the properties on a quarterly basis. 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 the HKSE. Thereafter, the Manager may elect whether the base fee is to be paid in cash or in units.

Variable fee

The Manager will receive from each property holding subsidiary a variable fee of 3% of its net property income (before deduction therefrom the base fee and variable fee) on a quarterly basis. The variable fee will be paid in units during the first five years after the units are listed on the 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. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Eligible hedged items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments ²
HKFRS 8	Operating Segments ²
HK(IFRIC)-Int 13	Customer Loyalty Programmes ⁴

Notes to the Financial Statements

For the year ended 31 December 2008

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation ⁵
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ³
HK(IFRIC)-Int 18	Transfers of Assets from Customers ⁶

¹ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 January 2009

³ Effective for annual periods beginning on or after 1 July 2009

⁴ Effective for annual periods beginning on or after 1 July 2008

⁵ Effective for annual periods beginning on or after 1 October 2008

⁶ Effective for transfers on or after 1 July 2009

The application of HKAS 1 results in a change in the presentation of primary statements of the financial statements.

The adoption of HKAS 32 and 1 (Amendments) will affect the presentation and accounting treatment of the units issued by Prosperity REIT in the financial statements. The Group is in the process of assessing the impact of these amendments on the results and financial position of the Group.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The Manager anticipates that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3 Significant 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 HKICPA. In addition, the financial statements include the relevant disclosure requirements set out in Appendix C of the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission and the Rules Governing the Listing of Securities on the HKSE.

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

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Prosperity REIT and the subsidiaries controlled by Prosperity REIT. Control is achieved where Prosperity REIT has the power to govern the financial and operating policies of the subsidiaries so as to obtain benefits from their activities. The results of subsidiaries acquired or disposed of during the year 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.

3 Significant Accounting Policies *(continued)*

(c) Investment properties

Investment properties are properties held to earn rentals and for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

(d) 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. Loans and receivables 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, which includes trade and other receivables and bank balances and cash, are carried at amortised cost using the effective interest method, less any identified impairment losses.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) or payment through the expected life of the financial asset or liability, or, where appropriate, a shorter period.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

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.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio and observable changes in economic conditions that correlate with default on receivables.

The carrying amount of the trade receivables is reduced by the impairment loss through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2008

3 Significant Accounting Policies *(continued)*

(d) Financial instruments *(continued)*

Impairment of financial assets *(continued)*

If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent 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

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

In accordance with the Trust Deed, Prosperity REIT has a limited life of 80 years less one day from the date of commencement of Prosperity REIT. Accordingly, the units contain a contractual obligation to its unitholders, upon the termination of Prosperity REIT to distribute a share of all net cash proceeds derived from the sale or realisation of the assets of Prosperity REIT less any liabilities, in accordance with their proportionate interests in Prosperity REIT at the date of its termination. The unitholders' funds are therefore classified as financial liabilities in accordance with Hong Kong Accounting Standard 32: Financial Instruments: Disclosure and Presentation. It is presented on the balance sheet as net assets attributable to existing unitholders.

Financial liabilities, excluding Prosperity REIT's obligation to return the net assets attributable to the unitholders on termination of Prosperity REIT, include trade and other payables, amount due to related companies and borrowings. They are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group uses interest rate swaps to hedge its exposure against changes in interest rates. Hedging relationships are classified as cash flow hedges when such relationships are used to hedge against exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability and such variability could affect profit or loss.

At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as other gains or losses.

Amounts deferred in hedging reserve are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss.

3 Significant Accounting Policies *(continued)*

(d) Financial instruments *(continued)*

Derivative financial instruments and hedging *(continued)*

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in the hedging reserve at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred is recognised immediately in profit or loss. The hedging reserve is presented as a separate item in the consolidated statement of changes in net assets attributable to unitholders.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in hedging reserve is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(e) Unit issue costs

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

(f) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

(g) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Rental related income, representing mainly air conditioning fee, management fee and promotion fee 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.

Notes to the Financial Statements

For the year ended 31 December 2008

3 Significant Accounting Policies *(continued)*

(h) Borrowings cost

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

(i) 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 consolidated income statement because it excludes items of income or expense that are taxable or deductible in other periods 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.

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.

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 net assets attributable to unitholders, in which case the deferred tax is also dealt within net assets attributable to unitholders.

4 Financial Instruments

(a) Categories of financial instruments

	2008 HK\$'000	2007 HK\$'000
Loans and receivables		
Trade receivables	1,067	504
Other receivables	60	—
Bank balances and cash	67,154	23,854
	68,281	24,358
Derivative instruments in designated hedge accounting relationships		
Interest rate swap	(32,505)	108,288
Financial liabilities at amortised costs		
Trade payables	491	1,292
Amount due to related companies	7,307	6,332
Secured revolving loan	—	25,000
Secured term loan	1,761,893	1,758,266
Manager's fee payable	11	31
Distribution payable	75,492	84,396
	1,845,194	1,875,317

Details of the financial instruments are disclosed in respective notes.

(b) Financial risks management objectives and policies

The risks associated with the Group's financial instruments include interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 15 for details of these borrowings). The Group aims at keeping borrowings at fixed rates. In order to achieve this result, the Group entered into interest rate swaps to hedge against its exposures to changes in interest rate on its secured term loan. These interest rate swaps are designated as effective hedging instruments and hedge accounting is used (see note 12 for details). The Group's exposures to interest rate risk on revolving loan is not significant as the loan will be repaid on each maturity, the period of which is relatively short.

If the interest rates have been higher/lower by 50 basis points and all other variables were held constant, hedging reserve would increase/decrease by HK\$15,500,000 (2007: increase/decrease by HK\$22,781,000) as a result of the changes in the fair value of interest rate swap.

Notes to the Financial Statements

For the year ended 31 December 2008

4 Financial Instruments *(continued)*

(b) Financial risks management objectives and policies *(continued)*

(i) Interest rate risk *(continued)*

The above sensitivity analysis have been determined based on the exposure to interest rates for the derivatives instruments at the balance sheet date. For variable rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the effect from possible change in interest rates.

(ii) Credit risk

As at 31 December 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet.

To mitigate the risk of financial loss from default, tenants of the rental properties are required to pay three months deposits upon entering the lease. The Group has the right to offset the deposits against the outstanding receivables. There is no credit period given to the tenants of the rental properties. Rental is payable in advance and interest is charged on receivables overdue for more than 10 days at the rate of 12% per annum. In addition, the Manager has delegated the property manager responsible for follow up action to recover the overdue debt. The Manager also reviews the recoverable amount of each individual trade debtor regularly to ensure that adequate impairment losses are recognised for irrecoverable debts.

The credit risk on liquid funds is limited because cash and fixed deposits are placed with reputable financial institutions which are banks with high credit ratings assigned by international credit-rating agencies.

The credit risk on derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(iii) Liquidity risk management

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.

As at 31 December 2008, the Group had a bank loan facility of HK\$1,900,000,000, comprising a HK\$1,770,000,000 term loan and a HK\$130,000,000 revolving credit facility, each for a term of five years. The term loan is repayable five years from the date of the drawdown. The revolving credit facility will be repaid on each maturity date and can be redrawn upon maturity. The Group with a cash balance of HK\$67,154,000 and available revolving credit facility of approximately HK\$130,000,000 as at 31 December 2008 has sufficient financial resources to satisfy its commitments and working capital requirements.

4 Financial Instruments (continued)

(b) Financial risks management objectives and policies (continued)

(iii) Liquidity risk management (continued)

Liquidity risk

The following table details the Group's remaining contractual maturity for its financial liabilities except for the unitholders' funds which will be distributed to unitholders upon termination of Prosperity REIT. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

For derivative instruments settled on a net basis, undiscounted net cash inflows (outflows) are presented. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

	Weighted average effective interest rate %	Less than 1 month or on demand HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1-2 years HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amount at 31/12/2008 HK\$'000
2008							
Non-derivative							
Trade payables	—	491	—	—	—	491	491
Amount due to related companies	—	7,307	—	—	—	7,307	7,307
Secured term loan	1.72%	2,586	4,921	22,937	1,799,193	1,829,637	1,761,893
Manager's fee payable	—	11	—	—	—	11	11
Distribution payable	—	—	—	75,492	—	75,492	75,492
Cash outflow		10,395	4,921	98,429	1,799,193	1,912,938	1,845,194
Derivatives — net settlement							
Interest rate swap, cash outflow		2,603	4,896	16,958	20,297	44,754	32,505
2007							
Non-derivative							
Trade payables	—	1,292	—	—	—	1,292	1,292
Amount due to related companies	—	6,332	—	—	—	6,332	6,332
Secured revolving loan	3.94%	25,087	—	—	—	25,087	25,000
Secured term loan	3.94%	5,923	11,464	52,542	69,738	1,976,539	1,758,266
Manager's fee payable	—	31	—	—	—	31	31
Distribution payable	—	—	—	84,396	—	84,396	84,396
Cash outflow		38,665	11,464	136,938	69,738	2,093,677	1,875,317
Derivatives — net settlement							
Interest rate swap, cash inflow		2,992	6,178	33,806	20,753	21,489	108,288

Notes to the Financial Statements

For the year ended 31 December 2008

4 Financial Instruments *(continued)*

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions;
- the fair value of derivative instruments is determined based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

The Manager considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

5 Revenue

	2008 HK\$'000	2007 HK\$'000
Gross rental from investment properties		
Rental income	205,634	190,512
Car park income	16,236	15,349
	221,870	205,861
Rental related income	41,276	38,767
	263,146	244,628

6 Property Operating Expenses

	2008 HK\$'000	2007 HK\$'000
Building management fees	21,914	19,945
Utilities	5,597	5,605
Government rent and rates	479	490
Car park operating expenses	3,582	3,941
Marketing service fee	2,675	2,307
Lease commission	1,165	2,231
Repairs and maintenance	7,127	6,434
Legal cost and stamp duty	972	843
Secretarial fee	923	1,235
Valuation fees (paid to principal valuer)	162	158
Audit fee	1,131	1,028
Tax fees	226	171
Back-office support service fee	760	756
Others	1,614	1,028
	48,327	46,172

7 Trust and Other Expenses

	2008 HK\$'000	2007 HK\$'000
Audit fee	381	319
Trustee's fee	1,589	1,499
Bank charges	357	356
Legal and professional fees	1,110	1,930
Registrar fee	1,539	1,536
Back-office support service fee	54	63
Public relations-related expenses	121	60
Trust administrative expenses	3,213	4,616
	8,364	10,379

8 Finance Costs

	2008 HK\$'000	2007 HK\$'000
Interest expense on:		
— Secured term loan	58,462	87,848
— Release of hedging reserve	19,242	—
— Equalisation of interest expense through cashflow hedges	13,214	(3,140)
	90,918	84,708
— Secured revolving loan	265	1,223
	91,183	85,931

9 Taxation

	2008 HK\$'000	2007 HK\$'000
Current tax	128	—
Deferred tax (note 16)	(58,836)	54,002
	(58,708)	54,002

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/09. Therefore Hong Kong Profit Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

Notes to the Financial Statements

For the year ended 31 December 2008

9 Taxation (continued)

No provision for Hong Kong profits tax are required for certain subsidiaries as these subsidiaries companies did not have any assessable profits for the year or the assessable profit is wholly absorbed by tax losses brought forward. Deferred tax is provided on temporary differences using the current applicable rates. The taxation for the years can be reconciled to the accounting profit as follows:

	2008 HK\$'000	2007 HK\$'000
Income tax expense at statutory rate of 16.5% (2007: 17.5%)	(52,128)	66,677
Tax effect of non-taxable income	(90)	(121)
Tax effect of non-deductible expenses	2,002	2,284
Underprovision in respect of prior period	—	11
Tax effect of tax losses not recognised	—	746
Tax effect of utilization of tax losses previously not recognised	(113)	—
Tax effect of utilization of deductible temporary differences previously not recognised	—	(15,595)
Tax effect of deductible temporary differences not recognised	6,074	—
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	(14,317)	—
Others	(136)	—
Taxation for the year	(58,708)	54,002

10 Loss/Earnings Per Unit

The loss per unit is calculated by dividing the loss for the year, before transactions with unitholders of HK\$257,222,000 (2007: profit of HK\$327,012,000) by the weighted average of 1,286,663,207 (2007: 1,269,189,951) units in issue during the year.

The diluted loss per unit is calculated by dividing the loss for the year, before transactions with unitholders of HK\$257,222,000 (2007: profit of HK\$327,012,000) by the weighted average units issued during the year together with the effects of potential units (units issued for manager's fee) of 1,291,694,000 (2007: 1,272,498,124).

11 Investment Properties

	2008 HK\$'000	2007 HK\$'000
FAIR VALUE		
At beginning of the year	5,225,000	4,864,000
Acquisitions	—	43,403
Additional expenditure	12,406	7,760
(Decrease) increase in fair value of investment properties	(398,406)	309,837
At end of the year	4,839,000	5,225,000

11 Investment Properties *(continued)*

On 31 December 2008, an independent valuation was undertaken by Savills Valuation and Professional Services Limited (2007: Knight Frank 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 properties was arrived at using the basis of capitalisation of the net income. In the valuation, the market rentals of all lettable units of the properties are assessed and capitalised at market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in other lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yields derived from analysing the sales transactions and the valuer's knowledge of the market expectation from property investors.

All of the Group's property interests in properties located in Hong Kong are held under medium-term 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.

Certain of the Group's investment properties as at 31 December 2008, with aggregate carrying value of HK\$4,799 million (2007: HK\$5,182 million), have been pledged to secure banking facilities granted to the Group.

12 Derivative Financial Instruments

	2008 HK\$'000	2007 HK\$'000
Cash flow hedges — interest rate swaps	(32,505)	108,288

The Group uses interest rate swaps to minimise its exposure to cash flow changes of its floating-rates term loan of principal of HK\$1,770 million by swapping from floating rates to fixed rates. The interest rate swaps of the Group with aggregate notional amount of HK\$1,770 million have fixed interest payments at fixed interest rates ranging from 2.09% to 2.65% per annum and floating interest receipts at three months HIBOR for periods up until December 2010. The interest rate swaps and the corresponding bank borrowings have the same terms and the Manager designated that the interest rate swaps are highly effective hedging instruments.

The comparative amount represents two interest rate swaps each with notional amount of HK\$885,000,000 having fixed interest payments and floating interest receipts and maturing on 16 December 2010. The swaps were unwound on 10 July 2008 at a total consideration of approximately HK\$71.0 million.

The interest rate swaps are measured at fair value at the balance sheet date. Their fair values are determined based on the discounted future cash flows using the applicable yield curve for the duration of the swap.

Notes to the Financial Statements

For the year ended 31 December 2008

13 Trade and Other Receivables

	2008 HK\$'000	2007 HK\$'000
Trade receivables	1,199	538
Less: allowance for doubtful debts	(132)	(34)
	1,067	504
Deposit and prepayments	7,743	7,352
Other receivables	60	—
	8,870	7,856

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

	2008 HK\$'000	2007 HK\$'000
Current—1 month	945	503
2–3 months	93	1
Over 3 months	29	—
	1,067	504

The trade receivable balance are past due but not impaired at the reporting date and for which the Group has not provided for impairment loss.

The Group has provided in full all receivables overdue for 120 days after netting off the deposits received from tenant because historical experience is such that receivables that are past due beyond 120 days are generally not recoverable.

Movement of allowance for doubtful debt:

	2008 HK\$'000	2007 HK\$'000
Balance at beginning of the year	34	33
Impairment losses recognised on receivables	114	31
Impairment losses reversed	—	—
Amounts written off as uncollectible	(16)	(30)
Balance at the end of year	132	34

14 Bank Balances and Cash

	2008 HK\$'000	2007 HK\$'000
Cash at bank	39,854	12,722
Fixed deposits with financial institutions	27,300	11,132
	67,154	23,854

Fixed deposits with financial institutions at the end of year consist of deposits bearing interest at approximately 0.6% (31 December 2007: 3.3%) per annum.

Certain fixed deposits and cash at bank, with aggregate value of HK\$47,154,000 (2007: HK\$23,854,000) are placed with The Hongkong and Shanghai Banking Corporation Limited, a related company of the Trustee.

15 Borrowings

	2008 HK\$'000	2007 HK\$'000
Long-term borrowing:		
Secured term loan	1,770,000	1,770,000
Origination fees	(8,107)	(11,734)
	1,761,893	1,758,266
Short-term borrowing:		
Secured revolving loan	—	25,000
	1,761,893	1,783,266

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

The terms and conditions of the facilities are as follows:

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

The term loan, after hedging, gave an effective interest rate of 2.962% per annum (2007: 5% per annum).

Both the term loan and revolving loan were secured by the Group's investment properties as disclosed in note 11. In addition, Prosperity REIT and certain of its subsidiaries provide a guarantee for the term loan and revolving loan granted to a subsidiary.

Notes to the Financial Statements

For the year ended 31 December 2008

15 Borrowings (continued)

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 with respect to the banking facility.

16 Deferred Tax Liabilities

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

	Accelerated tax depreciation HK\$'000	Revaluation of Investment properties HK\$'000	Tax losses HK\$'000	Total HK\$'000
As at 31 December 2006	75,999	143,390	(22,843)	196,546
Charge to income statement for the year	12,020	38,627	3,355	54,002
As at 31 December 2007	88,019	182,017	(19,488)	250,548
Charge (credit) to income statement for the year	11,273	(59,189)	3,397	(44,519)
Effect of change in tax rate	(5,030)	(10,401)	1,114	(14,317)
As at 31 December 2008	94,262	112,427	(14,977)	191,712

At the balance sheet date, tax loss amounting to approximately HK\$4,581,000 (31 December 2007: HK\$5,264,000) were not recognised, due to unpredictability of future profits stream.

At the balance sheet date, the Group has deductible temporary differences of approximately HK\$57,891,000 (2007: HK\$21,078,000). No deferred tax asset has been recognized in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

17 Trade and Other Payables

	2008 HK\$'000	2007 HK\$'000
Trade payables	491	1,292
Tenants' deposits		
— Outside parties	76,197	65,604
— Related parties	390	1,105
Rental received in advance		
— Outside parties	1,231	2,210
Other payables	36,706	25,775
	115,015	95,986

17 Trade and Other Payables *(continued)*

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

	2008 HK\$'000	2007 HK\$'000
Current–1 month	38	75
2–3 months	152	1,070
Over 3 months	301	147
	491	1,292

18 Amount Due to Related Companies

The amount due to related companies arose from expenses of back-office services, property management services and car park management services provided by related companies. The amount is unsecured, interest-free and repayable on demand.

19 Issued Units

	Number of units	HK\$'000
Balance at 31 December 2006	1,260,927,196	2,720,789
Payment of Manager's base fee and variable fee through issuance of new units during the year	15,526,142	25,451
Balance at 31 December 2007	1,276,453,338	2,746,240
Payment of Manager's base fee and variable fee through issuance of new units during the year	22,201,072	27,458
Balance at 31 December 2008	1,298,654,410	2,773,698

Subsequent to the balance sheet date, 7,266,949 units (2007: 4,213,274 units) at HK\$0.8781 (2007: HK\$1.5874) per unit were issued to the Manager as settlement of base fee and variable fee for the period from 1 October 2008 to 31 December 2008.

20 Net Asset Value Per Unit Attributable to Unitholders

The net asset value per unit is calculated based on the net assets attributable to unitholders excluding hedging reserve and the total number of 1,298,654,410 units in issue at 31 December 2008 (1,276,453,338 units in issue at 31 December 2007).

Notes to the Financial Statements

For the year ended 31 December 2008

21 Major Non-cash Transaction

During the year, the Manager earned a fee of HK\$27,197,000 (2007: HK\$25,986,000) of which HK\$27,151,000 (2007: HK\$25,875,000) was paid through the issuance of units to the Manager. An amount of HK\$20,770,000 (2007: HK\$19,187,000) had been settled through the issuance of units to the Manager while the balance of HK\$6,381,000 (2007: HK\$6,688,000) will be paid in units subsequent to the year end.

22 Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, which are described in note 3, management has considered the following key sources of estimation uncertainty at the balance sheet date, that would have significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

As described in note 3(c), 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 3(d), 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 applicable yield curve requires management to make estimates.

23 Net Current Liabilities

At the balance sheet date, the Group's net current liabilities, defined as current assets less current liabilities, amounted to HK\$127,977,000 (31 December 2007: HK\$186,421,000). The Group has in place a revolving credit facility (as disclosed in note 15) to meet its liabilities as they fall due.

24 Total Assets Less Current Liabilities

At the balance sheet date, the Group's total assets less current liabilities amounted to HK\$4,711,023,000 (31 December 2007: HK\$5,146,867,000).

25 Segmental Reporting

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

26 Operating Lease Commitments

	2008 HK\$'000	2007 HK\$'000
Minimum lease income under operating leases included in the income statement	205,634	190,512

	2008 HK\$'000	2007 HK\$'000
Commitments in respect of non-cancellable operating leases for the rental of investment properties were as follows:		
Future minimum lease payments receivable:		
Within one year	152,575	165,829
In the second to fifth year inclusive	99,623	114,419
Total	252,198	280,248

Notes to the Financial Statements

For the year ended 31 December 2008

27 Connected and Related Party Transactions

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

	Note	2008 HK\$'000	2007 HK\$'000
Rent and rental related income from			
AMTD Financial Planning Limited	(a)	524	2,037
E-Park Parking Management Limited	(a)	190	190
e-Smart System Inc.	(a)	186	646
Goodwell Property Management Limited	(a)	1,186	990
Hutchison Telephone Company Limited	(b)	44	—
Tremayne Investments Limited	(b)	16,487	16,025
Carpark lease agency fee for the operations of the Group's carpark			
E-Park Parking Management Limited	(a)	1,193	1,397
Goodwell Property Management Limited	(a)	30	30
Property management fee			
Goodwell-Prosperity Property Services Limited	(a)	6,142	5,676
Marketing service fee			
Goodwell-Prosperity Property Services Limited	(a)	2,675	2,307
Trustee's fee			
HSBC Institutional Trust Services (Asia) Limited		1,589	1,499
Manager's fee			
ARA Asset Management (Prosperity) Limited		27,197	25,986
Back-office support service fee			
Cheung Kong Companies	(c)	814	819
Balances as at year end with related parties are as follows:			
Amount due to related companies			
Cheung Kong (Holdings) Limited	(a)	6	—
Citybase Property Management Limited	(a)	1,487	1,400
Goodwell-Prosperity Property Services Limited	(a)	1,408	1,290
Goodwell Property Management Limited	(a)	3,842	2,988
Harbourfront Landmark Premium Services Limited	(b)	370	429
E-Park Parking Management Limited	(a)	194	225
Deposits placed with the Group for the lease of the Group's properties			
AMTD Financial Planning Limited	(a)	—	539
E-Park Parking Management Limited	(a)	51	51
e-Smart System Inc.	(a)	—	191
Hutchison Telephone Company Limited	(b)	15	—
Goodwell Property Management Limited	(a)	324	324

27 Connected and Related Party Transactions *(continued)*

Notes:

- (a) *These companies are the subsidiaries of Cheung Kong (Holdings) Limited ("CKH"), a unitholder of Prosperity REIT.*
- (b) *The companies are the subsidiaries of Hutchison Whampoa Limited ("HWL"), an associate of CKH and a unitholder of Prosperity REIT.*
- (c) *These companies are CKH and its subsidiaries and associates being Cheung Kong Real Estate Agency Limited, Randash Investment Limited, The Kowloon Hotel Limited and Harbour Plaza Metropolis Limited.*

Under the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission, the 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 year, remuneration paid from the funds of the buildings, attributable to the properties owned by the Group, to the building managers amounted to HK\$506,000 (31 December 2007: HK\$471,000).

List of Subsidiaries

As at 31 December 2008

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
Harbour 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	Inactive
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

None of the subsidiaries had issued debt securities at the end of the year.

Performance Table

Results Analysis for the year ended 31 December 2008

	Year ended 31 December 2008 HK\$'000	Year ended 31 December 2007 HK\$'000	Year ended 31 December 2006 HK\$'000	Period from 16 December 2005 (Listing Date) to 31 December 2005 HK\$'000
Gross rental from investment properties	221,870	205,861	180,349	6,483
Net property income	208,677	192,780	167,535	814
Profit/(loss) for the year, before transactions with unitholders	(257,222)	327,012	310,744	239,690
Distribution to unitholders	164,516	165,727	151,549	29,039
Earnings/(loss) per unit (HK\$)	(0.20)	0.26	0.25	0.19
Distribution per unit (HK\$)	0.1268	0.1298	0.1201	0.0231 ¹

Performance Table

Major assets and liabilities of Prosperity REIT as at 31 December 2008

	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
Investment properties	4,839,000	5,225,000	4,864,000	4,548,000
Secured bank loans, excluding origination fees	(1,770,000)	(1,795,000)	(1,790,000)	(1,900,000)
Net asset value	2,724,913	3,138,053	2,967,748	2,810,255
Net asset value per unit (HK\$) (Note 20)	2.15	2.50	2.38	2.26
Other Information				
The highest traded price during the year (HK\$)	1.72	1.85	2.475	2.90
The highest (discount)/premium of the traded price to net asset value	(20.0%)	(26.0%)	4.0%	28.3%
The lowest traded price during the year (HK\$)	0.59	1.52	1.59	2.325
The lowest (discount)/premium of the traded price to net asset value	(72.6%)	(39.2%)	(33.2%)	2.9%
The net yield per unit based on market price at the end of year	14.1%⁽²⁾	8.4%	7.1%	N/A ⁽¹⁾

¹ Pursuant to the terms of the Trust Deed, Prosperity REIT's first distribution after the Listing Date was for the period from the Listing Date to 30 June 2006. The distribution was paid to unitholders of Prosperity REIT on 20 October 2006 together with the distribution for the half year ended 30 June 2006. As there were only 16 days for the period ended 31 December 2005, no annualized net yield per unit was presented.

² Based on the distribution per unit of HK\$0.1268 for the year ended 31 December 2008 and the closing market price of HK\$0.90 as at 31 December 2008.

Investment Properties Portfolio

As at 31 December 2008

Property	Type	Lease term	Lease expiry date	Location	Valuation 2008 HK\$ Million
The Metropolis Tower	O	Medium-term lease	30 June 2047	No. 10 Metropolis Drive Hung Hom Kowloon Hong Kong	1,779
Prosperity Millennia Plaza	O	Medium-term lease	30 June 2047	No. 663 King's Road North Point Hong Kong	1,053
Harbourfront Landmark (portion)	O	Medium-term lease	30 June 2047	No. 11 Wan Hoi Street Hung Hom Kowloon Hong Kong	309
Prosperity Place (Formerly named as Modern Warehouse)	I/O	Medium-term lease	30 June 2047	No. 6 Shing Yip Street Kwun Tong Kowloon Hong Kong	585
Trendy Centre	I/O	Medium-term lease	30 June 2047	No. 682 Castle Peak Road Cheung Sha Wan Kowloon Hong Kong	515
Prosperity Center (portion)	I/O	Medium-term lease	30 June 2047	No. 25 Chong Yip Street Kwun Tong Kowloon Hong Kong	445
New Treasure Centre (portion)	I	Medium-term lease	30 June 2047	No. 10 Ng Fong Street San Po Kong Kowloon Hong Kong	153
Total					4,839

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

Summary Financial Information

Following is a summary of the consolidated income statements and the consolidated balance sheets of Prosperity REIT for the past financial years/period prepared on a basis as consistent to the financial year ended 2008:

Consolidated Income Statements

	Year ended 31 December 2008 HK\$'000	Year ended 31 December 2007 HK\$'000	Year ended 31 December 2006 HK\$'000	Period from 16 December 2005 (Listing Date) to 31 December 2005 HK\$'000
Revenue	263,146	244,628	217,127	8,202
Profit/(loss) before taxation and transactions with unitholders	(315,930)	381,014	368,155	239,186
Taxation	58,708	(54,002)	(57,411)	504
Profit/(loss) for the years/period, before transactions with unitholders	(257,222)	327,012	310,744	239,690
Distribution to unitholders	164,516	165,727	151,549	29,039
Distribution per unit (HK\$)	0.1268	0.1298	0.1201	0.0231

Consolidated Balance Sheets

	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
Non-current assets	4,839,000	5,333,288	5,054,375	4,831,799
Current assets	76,326	32,012	54,316	133,169
Current liabilities	204,303	218,433	189,401	263,920
Net assets attributable to unitholders	2,724,913	3,138,053	2,967,748	2,810,255

Corporate Information

Board of Directors of the REIT Manager

Chiu Kwok Hung, Justin
Chairman and Non-executive Director

Lim Hwee Chiang, John
Non-executive Director

Stephen Henry Chu
Chief Executive Officer and Executive Director

Ma Lai Chee, Gerald
Non-executive Director

Lan Hong Tsung, David
Independent Non-executive Director

Sng Sow-Mei (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 REIT Manager

Seng Sze Ka Mee, Natalia

Auditors of Prosperity REIT

Deloitte Touche Tohmatsu

Principal Valuer

Savills Valuation and Professional Services Limited

Principal Bankers

The Hong Kong and Shanghai Banking Corporation Limited
Sumitomo Mitsui Banking Corporation
DBS Bank Limited

Legal Adviser

Baker & McKenzie

Registered Office

Units 5508-09, 55/F
The Center
99 Queen's Road Central
Hong Kong

Unit Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17/F
Hopewell Centre
183 Queen's Road East
Hong Kong

Website

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, Hung Hom, Kowloon, Hong Kong on Wednesday, 20 May 2009 at 2:30 p.m. for the following purposes:

- (1) To note the audited financial statements of Prosperity REIT together with the Auditors' Report for the year ended 31 December 2008; 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, 17 April 2009

Notes:

- (a) *The Register of Unitholders of Prosperity REIT will be closed from Friday, 15 May 2009 to Wednesday, 20 May 2009, 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 4:30 p.m. on Thursday, 14 May 2009.*
- (b) *Reference is made to the announcement made by ARA Asset Management (Prosperity) Limited as manager of Prosperity REIT on 18 March 2009. The Register of Unitholders of Prosperity REIT will be closed from Monday, 20 April 2009 to Thursday, 23 April 2009, both days inclusive, during which period no transfer of units will be effected. In order to qualify for the distribution per unit of HK\$0.0578 payable to unitholders on Wednesday, 29 April 2009, 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 4:30 p.m. on Friday, 17 April 2009.*
- (c) *Any unitholder entitled to attend at the Annual General Meeting is entitled to appoint a proxy to attend in his stead.*
- (d) *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 Rooms 1806-07, 18/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the commencement of the Annual General Meeting.*

The annual report ("Annual Report 2008") is available in both English and Chinese. Unitholders who have received either the English or the Chinese version of the Annual Report 2008 may request a copy in the language different from that which has been received by writing to Prosperity REIT's unit registrar, Computershare Hong Kong Investor Services Limited, Rooms 1806–07, 18/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

The Annual Report 2008 (in both English and Chinese versions) has been posted on Prosperity REIT's website at www.prosperityreit.com and the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk. Unitholders who have chosen to rely on copies of Prosperity REIT's Corporate Communications (including but not limited to annual report, interim report, notice of meeting, listing documents, circular and proxy form) posted on Prosperity REIT's website in lieu of the printed copies thereof or who for any reason have difficulty in receiving or gaining access to the Annual Report 2008 posted on Prosperity REIT's website may request the printed copy of the Annual Report 2008.

Unitholders may at any time change their choice of language and/or means of receipt (i.e. in printed form or by electronic means through Prosperity REIT's website) of Prosperity REIT's Corporate Communications by notice in writing to Prosperity REIT's unit registrar, Computershare Hong Kong Investor Services Limited or by email at prosperityenquiry@ara.com.hk.



Manager



Prosperity REIT is managed by
ARA Asset Management (Prosperity) Limited