

## Chairman's Statement

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## Chairman's Statement

### To Our Unitholders

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

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

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

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

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

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

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

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

### **Chiu Kwok Hung, Justin**

*Chairman*

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

Hong Kong, 16 March 2006