

Valuation Report

Valuation of Properties for Prosperity REIT

1 March 2006

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

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

Dear Sirs,

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

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

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

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

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

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

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

Income Capitalization

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

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

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Direct Comparison

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

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

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

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

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

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

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

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

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

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

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

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

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

Yours faithfully,
For and on behalf of
Chesterton Petty Limited

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

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

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SUMMARY OF VALUES

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

VALUATION

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

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Notes:

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

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

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

Tenancy Commencement Profile

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

Tenancy Expiry Profile

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

Tenancy Duration Profile

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

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

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Notes:

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

Tenancy Commencement Profile

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

Tenancy Expiry Profile

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

Tenancy Duration Profile

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

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

Notes:

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

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

Notes:

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

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

Tenancy Commencement Profile

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

Tenancy Expiry Profile

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

Tenancy Duration Profile

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

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

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

Notes:

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

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

Tenancy Commencement Profile

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

Tenancy Expiry Profile

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

Tenancy Duration Profile

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

Valuation Report

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

Notes:

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

Valuation Report

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

Tenancy Commencement Profile

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

Tenancy Expiry Profile

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

Tenancy Duration Profile

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

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

Valuation Report

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

Notes:

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

Valuation Report

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

Tenancy Commencement Profile

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

Tenancy Expiry Profile

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

Tenancy Duration Profile

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

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

MARKET OVERVIEW

Office

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

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

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

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

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

Valuation Report

Industrial and Industrial/Office

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

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

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