

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 Transaction – 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 2006:

Name of Connected Party	Relationship with Prosperity REIT	Nature of the Connected Transaction	Rental and charge out collection (excluding rental deposit, if applicable) for the year ended 31 December 2006	Rental deposit received as at 31 December 2006
			HK\$	HK\$
AMTD Financial Planning Limited	Associate of a significant holder ¹	Tenancy of property of Prosperity REIT ³	1,849,608	485,043
e-Smart System Inc.	Subsidiary of a significant holder ¹	Tenancy of properties of Prosperity REIT ⁴	2,067,708	191,259
Goodwell Property Management Limited	Subsidiary of a significant holder ¹	Tenancy of property of Prosperity REIT ⁵	852,672	223,968
Fusion System Limited	Subsidiary of a significant holder ¹	Tenancy of property of Prosperity REIT ⁶	130,736	44,778
Tremayne Investments Limited	Subsidiary of an associate of a significant holder ²	Tenancy of property of Prosperity REIT ⁷	16,024,788	see note 9
E-Park Parking Management Limited	Subsidiary of a significant holder ¹	Tenancy of property of Prosperity REIT ⁸	187,098	51,381
Total			21,112,610	996,429

1 Significant holder being Cheung Kong (Holdings) Limited ("**Cheung Kong**").

2 The connected party is an indirect wholly-owned subsidiary of Hutchison Whampoa Limited ("**HWL**"), an associate of a significant holder of Prosperity REIT, namely Cheung Kong.

3 For Units 2501-3 & Units 2505-11, MLC Millennia Plaza.

4 For 18/F, Prosperity Center (surrendered during the year) and Unit 2903, Modern Warehouse.

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

6 For Unit 2905, Modern Warehouse (surrendered during the year).

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

8 For Unit 807, Prosperity Center (surrendered during the year) and Unit 306, Modern Warehouse.

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

Connected Transaction – Building Management Services

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

Name of Connected Party ¹	Relationship with Prosperity REIT	Nature of the Connected Transaction	Payment received/receivable for the year ended 31 December 2006
			HK\$
Goodwell Property Management Limited ¹	Subsidiary of a significant holder ³	Remuneration of DMC Manager ³	177,446
Goodwell Property Management Limited ²	Subsidiary of a significant holder ³	Remuneration of Carpark Manager	7,099
Citybase Property Management Limited ¹	Subsidiary of a significant holder ³	Remuneration of DMC Manager ³	156,849
Citybase Property Management Limited ²	Subsidiary of a significant holder ³	Remuneration of Carpark Manager	60,782
Harbourfront Landmark Premium Services Limited ¹	Subsidiary of an associate of a significant holder ⁴	Remuneration of DMC Manager ³	36,182
Total			438,358

1 These managers appointed under the deed of mutual covenant of the properties of Prosperity REIT 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 Transaction – Expenses

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

Name of Connected Party	Relationship with Prosperity REIT	Nature of the Connected Transaction	Expenses for the year ended 31 December 2006 HK\$
Goodwell Property Management Limited	Subsidiary of a significant holder ¹	Car park lease agency fee	28,695
Goodwell-Prosperity Property Services Ltd	Subsidiary of a significant holder ¹	Property Management and lease management fee	4,988,086
Goodwell-Prosperity Property Services Ltd	Subsidiary of a significant holder ¹	Marketing service fee	3,404,501
E-Park Parking Management Limited	Subsidiary of a significant holder ¹	Car park lease agency fee	1,388,143
HSBC Institutional Trust Services (Asia) Limited	Trustee	Trustee fee	1,412,611
ARA Asset Management (Prosperity) Limited	Manager	Base fee and variable fee	24,104,129
Cheung Kong Real Estate Agency Limited	Subsidiary of a significant holder ¹	Back-office support service fee	693,000
Total			36,019,165

¹ Significant holder being Cheung Kong.

Connected Party Transaction with HSBC Group* for Bank Deposits

Prosperity REIT has engaged The Hongkong and Shanghai Banking Corporation Limited, the holding company of the Trustee, to provide ordinary banking and financial services (namely, bank deposits and interest earned therefrom) within the 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 Transaction	Annual income ³ HK\$
Tremayne Investments Limited	Subsidiary of an associate of a significant holder ¹	Tenancy agreement for 3/F, 5/F & 6/F, Harbourfront Landmark	13,863,780
AMTD Financial Planning Limited	Associate of a significant holder ²	Tenancy agreement for Units 2505-11, MLC Millennia Plaza	1,107,180
e-Smart System Inc.	Subsidiary of a significant holder ²	Tenancy agreement for 18/F, Prosperity Center ⁴	1,516,032
Total			16,486,992

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

² Significant holder being Cheung Kong.

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

⁴ The lease was surrendered during the year.

Connected Party Transactions

Other Connected Party Transactions

The following companies provided back-office services, car park management services and property management services to Prosperity REIT for the year and hence had amount due from Prosperity REIT as at 31 December 2006:

Name of Connected Party	Amount payable HK\$
Goodwell-Prosperity Property Services Limited	2,217,052
Goodwell Property Management Limited	4,851,540
E-Park Parking Management Limited	221,410
Cheung Kong Real Estate Agency Limited	693,000
Citybase Property Management Limited	1,344,562
Harbourfront Landmark Premium Services Limited	106,244
Total	9,433,808

Confirmation by the INEDs

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

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

Confirmation by the Auditors of Prosperity REIT

Pursuant to the waiver from strict compliance with disclosure requirement under Chapter 8 of the REIT Code, the Manager has engaged the auditor of the Prosperity REIT to perform certain factual finding procedures in respect of the connected transactions on the rental and charge out collection on leasing of properties, remuneration of DMC Manager/Carpark Manager, car park 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 2006 of the 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 Manager their factual findings.

In the opinion of the Manager, they have fully complied with the terms and conditions of the waiver other than the inadvertent excess in respect of the annual cap amount for Property Management Transactions, as defined in the Offering Circular, for the year ended 31 December 2006. The Manager confirms that the relevant Property Management Transactions for the year ended 31 December 2006 were entered into in the ordinary and usual course of business of Prosperity REIT, on normal commercial terms and in accordance with the relevant agreement, if any, on terms that are fair and reasonable and in the interests of Unitholders as a whole.

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

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

Repurchase or Redemption of Units

Under the Trust Deed, the Manager is not permitted to repurchase or redeem any of the units in Prosperity REIT until permitted to do so by the relevant codes and guidelines issued by the SFC from time to time. During the reporting year, other than the disposal of 9,964,000 units by the Manager which the Manager 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 2006, 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)	13.98%
Wide Option Investments Limited	98,883,559 (Note 2)	7.84%
HKSCC Nominees Limited	935,743,855 (Note 3)	74.21%
ARA Asset Management (Prosperity) Limited	974 (Note 4)	0.00008%

Notes:

- (1) Total Win Group Limited was a connected person of Prosperity REIT as it was a significant holder (as defined under the REIT Code) of Prosperity REIT as at such date.
- (2) Wide Option Investments Limited was a connected person of Prosperity REIT as it was an associated company (as defined under the REIT Code) of Total Win Group Limited as at such date.
- (3) HKSCC Nominees Limited was a connected person of Prosperity REIT as it was a significant holder (as defined under the REIT Code) of Prosperity REIT as at such date. So far as the Manager is aware HKSCC Nominees Limited held such units as a nominee.
- (4) ARA Asset Management (Prosperity) Limited was a connected person of Prosperity REIT as it was 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 2006 is 1,260,927,196.

As at 31 December 2006, none of the Directors and chief executive of the Manager holds any unit of Prosperity REIT save and except that Mr. Lim Hwee Chiang, a Director of the Manager, is deemed interested in 974 units as at 31 December 2006 by virtue of his 70% shareholding in ARA Asset Management (Holdings) Limited, which in turns holds 100% shareholding interest in the Manager.

Save as disclosed above, the Manager is not aware of any connected persons (as defined under the REIT Code) of Prosperity REIT holding any units as at 31 December 2006.

So far as the Manager is aware:

- (a) Total Win Group Limited was beneficially interested in 176,328,129 units as at 31 December 2006 and 31 December 2005;
- (b) Wide Option Investments Limited was beneficially interested in 98,883,559 units as at 31 December 2006 and 31 December 2005;
- (c) The Trustee, HSBC Institutional Trust Services (Asia) Limited, had no beneficial interest in any units as at 31 December 2006 and 31 December 2005 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 2006 and 28,594 units as at 31 December 2005; and
- (d) The Manager, ARA Asset Management (Prosperity) Limited, had beneficial interest in 974 units as at 31 December 2006 and no beneficial interest in any units as at 31 December 2005.