

Valuation Report

Valuation of Properties for Prosperity REIT

28 February 2007

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, HUNG HOM, 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 2006 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, 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.

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 carried out land search to the properties valued. 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 outgoing 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 properties (including the building facilities) where available for our access to. 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
Knight Frank Petty Limited

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

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Valuation Report

SUMMARY OF VALUES

Property	Approximate Gross Area (sq ft)	No. of Parking Lots	Market Value in existing state as at 31 December 2006
1. The Metropolis Tower	271,418	98	HK\$1,910,000,000
2. MLC Millennia Plaza	217,955	43	HK\$990,000,000
3. Harbourfront Landmark Property	77,021	N/A	HK\$350,000,000
4. Modern Warehouse	240,000	60	HK\$577,000,000
5. Trendy Centre	173,764	79	HK\$518,000,000
6. Prosperity Center Property	134,307	105	HK\$389,000,000
7. New Treasure Centre Property	86,168	22	HK\$130,000,000
Total	1,200,633	407	HK\$4,864,000,000

VALUATION

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2006	Estimated Net Property Yield
1. Office Accommodation of The Metropolis, No. 10 Metropolis Drive, Hung Hom, 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 December 2009, yielding a total monthly rental income of approximately HK\$5,376,000 mostly exclusive of Government rates and rent, management fees and utility charges.</p> <p>The overall occupancy rate is approximately 96.5%.</p> <p>The carparking spaces of the property are let on monthly and hourly basis yielding an average monthly income of approximately HK\$251,000 from January 2006 to December 2006. The Government rates and rent, management fees and utility charges for the carparks are at the expenses of the landlord.</p>	HK\$1,910,000,000	3.5%

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 2006 and the average monthly car parking income for the period of January 2006 to December 2006.
- (6) The analysis of the existing tenancies is shown below:-

Lease Commencement Profile

Year	Gross Area (sq ft)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2002	17,755	6.8%	288,519	5.4%	1	1.1%
2004	4,386	1.7%	81,489	1.5%	3	3.5%
2005	47,970	18.3%	929,362	17.3%	32	36.8%
2006	191,676	73.2%	4,076,936	75.8%	51	58.6%
Total	261,787	100%	5,376,306	100%	87	100%

Lease Expiry Profile

Year	Gross Area (sq ft)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2007	41,036	15.7%	775,574	14.4%	27	31.0%
2008	89,860	34.3%	1,803,370	33.6%	37	42.5%
2009	130,891	50.0%	2,797,362	52.0%	23	26.5%
Total	261,787	100%	5,376,306	100%	87	100%

Lease 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	70,880	27.1%	1,432,105	26.6%	35	40.2%
More than 2 years and up to 3 years	173,152	66.1%	3,655,682	68.0%	51	58.6%
Above 3 years	17,755	6.8%	288,519	5.4%	1	1.2%
Total	261,787	100%	5,376,306	100%	87	100%

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Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2006	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 September 2009, yielding a total monthly rental income of approximately HK\$2,828,000 mostly exclusive of Government rates and rent, management fees and utility charges.</p> <p>The overall occupancy rate is approximately 100%.</p> <p>The carparking spaces of the property are let on monthly and hourly basis yielding an average monthly income of approximately HK\$167,000 from January 2006 to December 2006. The Government rates and rent, management fees and utility charges for the carparks are at the expenses of the landlord.</p>	HK\$990,000,000	3.6%

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 2006 and the average monthly car parking income for the period of January 2006 to December 2006.

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

Lease Commencement Profile

Year	Gross Area (sq ft)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2004	10,773	4.9%	92,112	3.3%	2	2.8%
2005	63,576	29.2%	783,850	27.7%	33	45.8%
2006	143,606	65.9%	1,952,157	69.0%	37	51.4%
Total	217,955	100%	2,828,119	100%	72	100%

Lease Expiry Profile

Year	Gross Area (sq ft)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
31 Dec 2006 and 2007	80,378	36.9%	1,025,759	36.3%	31	43.1%
2008	54,569	25.0%	705,494	24.9%	27	37.5%
2009	83,008	38.1%	1,096,866	38.8%	14	19.4%
Total	217,955	100%	2,828,119	100%	72	100%

Lease 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	61,491	28.2%	863,437	30.5%	26	36.1%
More than 2 years and up to 3 years	156,464	71.8%	1,964,682	69.5%	46	63.9%
Total	217,955	100%	2,828,119	100%	72	100%

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Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2006	Estimated Net Property Yield
3. Commercial Units on 3rd, 5th and 6th Floors, Harbourfront Landmark, No. 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 7,402.00 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 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)".
- (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 2006.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2006	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 December 2009, yielding a total monthly rental income of approximately HK\$1,955,000 exclusive of Government rates and rent, management fees and utility charges.</p> <p>The overall occupancy rate is approximately 96.9% (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\$230,000 from January 2006 to December 2006. The Government rates and rent, management fees and utility charges for the carparks are at the expenses of the landlord.</p>	HK\$577,000,000	4.5%

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 2006 and the average monthly car parking income for the period of January 2006 to December 2006.

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

Lease Commencement Profile

Year	Gross Area (sq ft)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2005	61,761	26.7%	539,785	27.6%	38	29.2%
2006	169,938	73.3%	1,414,864	72.4%	92	70.8%
Total	231,699	100%	1,954,649	100%	130	100%

Lease Expiry Profile

Year	Gross Area (sq ft)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
31 Dec. 2006 and 2007	59,251	25.6%	523,067	26.7%	41	31.6%
2008	97,307	42.0%	839,981	43.0%	57	43.8%
2009	75,141	32.4%	591,601	30.3%	32	24.6%
Total	231,699	100%	1,954,649	100%	130	100%

Lease 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	70,761	30.5%	599,032	30.6%	46	35.4%
More than 2 years and up to 3 years	160,938	69.5%	1,355,617	69.4%	84	64.6%
Total	231,699	100%	1,954,649	100%	130	100%

Note: The above analysis excludes leasing office 956 sq ft

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2006	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 November 2009, yielding a total monthly rental income of approximately HK\$1,715,000 exclusive of Government rates and rent, management fees and utility charges.</p> <p>The overall occupancy rate is approximately 94.2%.</p> <p>The carparking spaces of the property are let on monthly and hourly basis yielding an average monthly income of approximately HK\$261,000 from January 2006 to December 2006. The Government rates and rent, management fees and utility charges for the carparks are at the expenses of the landlord.</p>	HK\$518,000,000	4.6%

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 2006 and the average monthly car parking income for the period of January 2006 to December 2006.

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

Lease Commencement Profile

Year	Gross Area (sq ft)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2004	8,324	5.1%	61,925	3.6%	5	3.7%
2005	71,624	43.8%	660,834	38.5%	54	40.3%
2006	83,649	51.1%	992,135	57.9%	75	56.0%
Total	163,597	100%	1,714,894	100%	134	100%

Lease Expiry Profile

Year	Gross Area (sq ft)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
31 Dec 2006 and 2007	88,271	54.0%	820,772	47.8%	68	50.8%
2008	43,348	26.5%	467,487	27.3%	42	31.3%
2009	31,978	19.5%	426,635	24.9%	24	17.9%
Total	163,597	100%	1,714,894	100%	134	100%

Lease 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	65,505	40.0%	631,059	36.8%	48	35.8%
"More than 2 years and up to 3 years"	98,092	60.0%	1,083,835	63.2%	86	64.2%
Total	163,597	100%	1,714,894	100%	134	100%

Note: The above analysis excludes leasing office 685 sq ft.

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2006	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 November 2009, yielding a total monthly rental income of approximately HK\$1,372,000 exclusive of Government rates and rent, management fees and utility charges.	HK\$389,000,000	5%
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 97.4%.</p> <p>The carparking spaces of the property are let on monthly and hourly basis yielding an average monthly income of approximately HK\$256,000 from January 2006 to December 2006. 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 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.
- (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 2006 and the average monthly car parking income for the period of January 2006 to December 2006.

Valuation Report

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

Lease Commencement Profile

Year	Gross Area (sq ft)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2005	37,706	28.8%	380,294	27.7%	20	32.3%
2006	93,155	71.2%	991,333	72.3%	42	67.7%
Total	130,861	100%	1,371,627	100%	62	100%

Lease Expiry Profile

Year	Gross Area (sq ft)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2007	35,382	27.0%	355,758	26.0%	18	29.0%
2008	37,533	28.7%	409,170	29.8%	18	29.0%
2009	57,946	44.3%	606,699	44.2%	26	42.0%
Total	130,861	100%	1,371,627	100%	62	100%

Lease 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	48,393	37.0%	487,265	35.5%	21	33.9%
More than 2 years and up to 3 years	82,468	63.0%	884,362	64.5%	41	66.1%
Total	130,861	100%	1,371,627	100%	62	100%

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2006	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). The building was 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 September 2009, yielding a total monthly rental income of approximately HK\$576,000 exclusive of Government rates and rent, management fees and utility charges.</p> <p>The overall occupancy rate is approximately 100%.</p> <p>The carparking spaces of the property are let on monthly and hourly basis yielding an average monthly income of approximately HK\$111,000 from January 2006 to December 2006. The Government rates and rent, management fees and utility charges for the carparks are at the expenses of the landlord.</p>	HK\$130,000,000	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 for December 2006 and the average monthly car parking income for the period of January 2006 to December 2006.

Valuation Report

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

Lease Commencement Profile

Year	Gross Area (sq ft)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
2004	11,285	13.1%	63,335	11.0%	2	3.7%
2005	41,249	47.9%	267,166	46.4%	30	54.5%
2006	33,634	39.0%	245,258	42.6%	23	41.8%
Total	86,168	100%	575,759	100%	55	100%

Lease Expiry Profile

Year	Gross Area (sq ft)	% of total	Monthly Rental (HK\$)	% of total	No. of Tenancy	% of total
31 Dec 2006 and 2007	53,943	62.6%	342,731	59.5%	33	60.0%
2008	24,114	28.0%	175,918	30.6%	17	30.9%
2009	8,111	9.4%	57,110	9.9%	5	9.1%
Total	86,168	100%	575,759	100%	55	100%

Lease 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	26,316	30.5%	189,403	32.9%	19	34.5%
More than 2 years and up to 3 years	59,852	69.5%	386,356	67.1%	36	65.5%
Total	86,168	100%	575,759	100%	55	100%

MARKET OVERVIEW

Office

In accordance with the information published by The Rating and Valuation Department (RVD), Grade A office supply for 2006 is forecasted at about 1,236,000 sq ft. The supply would mainly come from developments completed in Yau Tsim Mong and New Territories. In 2006, Chong Hing Bank Building (previously known as Liu Ching Hing Bank Building) at No. 26 Des Voeux Road Central and No. 100 Queen's Road Central were the notable Grade A supply in Central. Nevertheless, about 1,744,000 sq ft of Grade A office space is anticipated to be completed in 2007 which includes Landmark extension of approximately 700,000 sq ft on Gross Floor Area in Central. Yau Tsim Mong, Kwun Tong and Shatin would expect to account for the remaining Grade A space completions. International Commerce Centre (ICC) in Kowloon Station will be released in phases between end 2007 and 2010. Completions in 2008 is forecasted at similar level.

On the demand side, the office demand continues to grow along with the local economy, especially those in prime districts. According to Annual Survey of Regional Offices Representing Overseas Companies in Hong Kong conducted by Census and Statistics Department in September 2006, 5.23% increment were recorded for the numbers of companies establishing their offices in Hong Kong as regional headquarters and similar amount of regional offices recorded comparing to the same period in 2005. 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 line with the forecast of the RVD, we expect to see a high take-up rate of Grade A office in 2007. With limited new supply of Grade A offices in the Central Business Districts like Central and Admiralty, we expect relocation trend to decentralized area such as North Point, Quarry Bay, Kowloon Bay and Kwun Tong will continue. In view of vacancy rate, as per the Grade A office vacancy rate index prepared by Knight Frank, average vacancy rate in prime districts such as Central, Admiralty, Wan Chai and Tsim Sha Tsui remained at a low level of around 3%-5% in the 4th quarter of 2006 whereas average vacancy rate in decentralized areas like North Point and Quarry Bay fell drastically to a range of 3%-4%.

Industrial and Industrial/office

According to the statistics published by the Census and Statistics Department, the volume of import goods in December 2006 has increased by 14.5% as compare with December 2005, whilst the Hong Kong's re-exports of goods increased by 18% in December 2006 over December 2005. As a whole, the volume of total exports of goods increased significantly by 13.7% on year-on-year basis. These positive trends sustained by the strong global demand and particularly the continued growth of China exports which eventually stimulate the demand for industrial properties.

Regarding the stock and supply sides, as per RVD, at the end of 2005, the total stock for godown is estimated at 3,401,400 sq m on internal floor area whereas only 27,600 sq m and 600 sq m new supply of godown spaces are estimated in 2006 and 2007 respectively. The total stock for factories is recorded at 17,468,400 sq m with no new supply completed and forecast to be completed in 2005 and 2006 respectively. Whilst, the only new supply in 2007 will be in Kwai Tsing district with internal floor area of about 6,700 sq m. The total stock for industrial /office is recorded at 615,700 sq m with limited new supply forecast to be completed in 2007. Only 4,100 sq m of industrial/office floor spaces completed in Kwai Chung in 2005. The vacancy rate for godown, factories and industrial/office are 2.9%, 9.8% and 7.3% of the stock respectively. The low vacancy rates have accordingly pushed up the rental levels.

In view of the strong demand for industrial premises and the limited supply of industrial spaces together with the active investments on industrial premises by funds and other investors, both sales and leasing activities, particularly for en-bloc and large floor plate transactions, have recorded a prominent growth at the second half of 2006. Recent en-bloc transactions such as Kerry Godown (Yuen Long I) in Yuen Long, Kerry Godown (Fanling II) in Fanling and Shibusawa (Hong Kong) Building in Tsuen Wan with unit price fetched about HK\$720/sq ft (G), HK\$810/sq ft (G) and HK\$1,100/sq ft (G) respectively. In light of the sustained improvement on industrial market together with the forecasted limited new supply of industrial premises and active investment activities, the general industrial property market is expected to remain stable or cautiously optimistic in 2007.