



Prosperity Real Estate Investment Trust

(a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))
(Stock Code: 808)

Managed by



ARA Asset Management (Prosperity) Limited INTERIM RESULTS ANNOUNCEMENT FOR 2007

Performance Highlights

Six months ended 30 June (unaudited)

	<u>2007</u>	<u>2006</u>	<u>Percentage change</u> <u>Increase/(Decrease)</u>
Distribution per unit	HK\$0.0639	HK\$0.0577	10.7%

Six months ended 30 June (unaudited)

<u>Operation data</u>	<u>2007</u>	<u>2006</u>	<u>Percentage change</u> <u>Increase/(Decrease)</u>
Revenue	HK\$119.7 million	HK\$101.9 million	17.5%
Net property income	HK\$94.0 million	HK\$78.9 million	19.1%
Cost-to-revenue ratio	21.5%	22.6%	(4.9%)
Occupancy rate (as at 30 June)	97.0%	96.0%	1.0%
Tenant retention rate	56.1%	76.4%	(26.6%)
Average effective unit rent	HK\$13.29 per sq. ft.	HK\$11.33 per sq. ft.	17.3%

<u>Key financial figures</u>	<u>As at 30 Jun 2007</u> <u>(unaudited)</u>	<u>As at 31 Dec 2006</u> <u>(audited)</u>	<u>Percentage change</u> <u>Increase/(Decrease)</u>
Net asset value per unit	HK\$2.42	HK\$2.38	1.7%
Property valuation	HK\$5.033 billion	HK\$4.864 billion	3.5%
Gearing ratio **	34.31%	35.04%	(2.1%)

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

Prosperity Real Estate Investment Trust ("**Prosperity REIT**") is a real estate investment trust incorporated by a trust deed entered into on 29 November 2005, as amended by a first supplemental deed dated 12 December 2005 and a second supplemental deed dated 15 May 2007 (collectively the "**Trust Deed**") and made between ARA Asset Management (Prosperity) Limited, as the manager of Prosperity REIT (the "**Manager**"), and HSBC Institutional Trust Services (Asia) Limited, as the trustee of Prosperity REIT. Prosperity REIT was the first private sector Real Estate Investment Trust ("**REIT**") to list on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 December 2005. Prosperity REIT owns a diverse portfolio of seven high-quality commercial properties in Hong Kong.

DISTRIBUTABLE INCOME FOR THE PERIOD

For the six-month period from 1 January 2007 to 30 June 2007 (the "**Reporting Period**"), the unaudited distributable income of Prosperity REIT to unitholders of Prosperity REIT ("**Unitholders**") was HK\$81,331,000, representing distribution per unit of HK\$0.0639. The distributable income for the Reporting Period is calculated by the Manager as representing the consolidated net profit of Prosperity REIT and the subsidiaries of Prosperity REIT for the Reporting Period, as adjusted to eliminate the effects of certain non-cash adjustments (as defined in the Trust Deed) including finance cost of HK\$34,833,000 (equivalent to HK\$0.0274 per unit) due to the interest rate swap, which have been recorded in the consolidated income statement.

DISTRIBUTION

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

The interim distribution per unit is HK\$0.0639, representing an annualized distribution yield of 8.15% based on the last traded price of HK\$1.58 as of 29 June 2007, being the last trading day of the Reporting Period, outperforming the last corresponding half year by 10.7%. The payment date of interim distribution is Friday, 26 October 2007.

Business Overview

Prosperity REIT recorded a strong performance for the first six months of 2007. Revenue rose by 17.5% year-on-year (“YoY”), while distribution per unit (“DPU”) improved by 10.7% over the last corresponding period. This outstanding performance has been achieved on the back of buoyant economic conditions in Hong Kong and business expansion amongst all sectors in the territory.

An attractive DPU of HK\$0.0639 has been realized for our unitholders, representing an annualized tax exempt yield of about 8.15% for the first half of 2007. With the upward revaluation of the seven properties in our portfolio, the net asset value per unit increased by 1.7% to HK\$2.42 as at 30 June 2007.

Market Review

The Hong Kong economy has flourished in the first half of 2007, boosted by rising income levels, a low unemployment rate and a buoyant stock market. In the first quarter, Hong Kong’s Gross Domestic Product (“GDP”) achieved growth of 5.6% as compared to the same period last year, while the unemployment rate fell to a nine-year low of 4.2% in the second quarter.

This robust economic growth is expected to be sustained, benefiting from a weak US dollar which will help Hong Kong maintain its competitive edge in exports. With China’s GDP growth reaching 11.1% YoY in the first quarter, the Mainland’s strong economy will continue to have a positive effect on Hong Kong, particularly in the trade, manufacturing and real estate sectors. Another key factor that has helped to drive continued business expansion in Hong Kong is widespread liquidity in the local banking sector.

The rapid growth of the financial and business services sectors have fuelled demand for office space. With mounting rents in the core business districts, an increasing number of companies have looked to meet their office relocation and expansion needs in the decentralized business districts of Hong Kong. Properties in these decentralized business districts can generally offer high-quality space at more competitive terms. Prosperity REIT’s portfolio of office and industrial/office properties has capitalized on this growing trend of decentralization, to achieve high occupancy rates and to improve rental yields.

The industrial and manufacturing sectors have also benefited from more cross-border trading activities that have arisen under the Closer Economic Partnership Arrangements. In addition, the opening of the Hong Kong-Shenzhen Western Corridor in July 2007 is expected to enhance accessibility and facilitate the expansion of the trade and logistics industry. Under these favourable conditions, leasing activity in the industrial/office and warehouse sector continues to be vibrant and this condition should be sustainable.

Operation Review

Against the backdrop of a positive and bullish property market, coupled with the Manager's professional management expertise, Prosperity REIT delivered a strong performance during the period under review. For the first six months of 2007, Prosperity REIT's net property income surged 19.1% YoY to HK\$94.0 million. As a result of effective leasing strategies, portfolio occupancy reached 97.0% as at 30 June 2007. The average effective unit rent also grew substantially by 17.3% to HK\$13.29 per sq. ft.

As part of the Manager's ongoing cost rationalization initiatives, the cost-to-revenue ratio was lowered to 21.5%, as compared to 22.6% in the last corresponding period. The gearing ratio was improved to 34.3%, enhancing financing flexibility for yield accretive acquisitions in the future.

In addition to achieving strong organic growth, the Manager has also completed two yield accretive acquisitions during the interim period to boost returns to unitholders. These two acquisitions of strata-titled units in Prosperity Center will increase Prosperity REIT's ownership and strengthen management control in the building. The Manager aims to pursue more yield accretive acquisitions in the near future, with a view to generating greater returns to unitholders.

Going Forward

Looking ahead, we believe that the positive property market outlook and stable economic environment in Hong Kong will result in a fruitful year for Prosperity REIT. As corporate expansion continues from many businesses, the demand for office and industrial space is expected to maintain its strong growth momentum. The Manager plans to implement proactive asset enhancement initiatives, effective costs control practices and yield accretive acquisitions to deliver stable and sustainable returns to unitholders in the latter half of 2007.

Acknowledgement

I would like to express my gratitude to the outstanding efforts of the management teams of the Manager, Goodwell-Prosperity Property Services Limited as the property manager of Prosperity REIT, as well as my fellow Board members. Most of all, I thank you, our Unitholders, for your continued support and confidence in Prosperity REIT.

Chiu Kwok Hung, Justin

Chairman

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

Hong Kong, 15 August 2007

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review

Prosperity REIT owns a geographically diverse portfolio of seven high-quality commercial properties in Hong Kong, comprising all or a portion of three Grade A office buildings, three industrial/office buildings and one industrial building with a total gross rentable area of approximately 1.22 million sq. ft.

Information on the portfolio of properties as at 30 June 2007 is as follows:

	Location	Gross rentable area <i>Sq. ft.</i>	No. of car park spaces	Valuation <i>HK\$ Million</i>	Occupancy rate
Grade A Office					
The Metropolis Tower	Hunghom	271,418	98	1,910	97.8%
Prosperity Millennia Plaza	North Point	217,955	43	1,020	98.3%
Harbourfront Landmark (portion)	Hunghom	77,021	–	350	100.0%
Industrial/Office					
Modern Warehouse	Kwun Tong	240,000	60	596	98.4%
Trendy Centre	Cheung Sha Wan	173,764	79	535	91.2%
Prosperity Center (portion)	Kwun Tong	149,253	105	472	96.6%
Industrial					
New Treasure Centre (portion)	San Po Kong	86,168	22	150	97.1%
Total		1,215,579	407	5,033	97.0%

During the Reporting Period, Hong Kong's economy continued to thrive, supported by the resilient global economy and the strong economic ties with the Mainland. These sound economic fundamentals have led to business expansion in the office and industrial/office markets, enabling Prosperity REIT to capitalize on such growth and achieve significant improvements in rents and sustainable high occupancy in the first half of the year. As at 30 June 2007, the occupancy rate climbed to 97.0%, as compared to 96.0% of 30 June 2006.

As a result of proactive marketing strategies, the rental reversion rate recorded a vigorous double-digit growth of 21.1%, for leases successfully renewed in the Reporting Period. Demand remained strong, as new lettings of 100,920 sq. ft. together with lease renewals amounting to 104,162 sq. ft., have surpassed the total leased area expiring by 10.5%. The average effective unit rent of the portfolio also rose to HK\$13.29 per sq. ft., an increase of 17.3% YoY.

Due to the Manager's efficient management and streamlining of operations, the cost-to-revenue ratio improved to 21.5% from 22.6% in the last corresponding period. The low gearing ratio of 34.3% as at 30 June 2007 offers financing flexibility for accretive acquisitions.

Investment Review

With a view to deliver greater returns for Unitholders, the Manager has been actively sourcing for yield accretive acquisition opportunities. In January, the Manager successfully completed two acquisitions - the entire 10th floor and additional units on the 26th floor in Prosperity Center, thereby increasing Prosperity REIT's ownership control in Prosperity Center, as well as benefiting from higher economies of scale operations management.

Asset Enhancement

As part of the Manager's ongoing strategy to provide high quality accommodation and achieve sustainable rental growth, the Manager has proactively been planning and executing asset enhancement initiatives including revenue generating works, aesthetic improvements and facility upgrades.

Such works also augments the professional image of Prosperity REIT's buildings and preserves its competitive edge to continue to attract tenants. Various asset enhancement works were completed in the Reporting Period and more plans will be put in place to improve the quality of the properties

The Metropolis Tower

The main lobby of The Metropolis Tower has been uplifted with a modern look, reinforcing the business-like environment of the property. A new service counter has also been upgraded to serve tenants and visitors better.

Trendy Centre

The face-lifting work of Trendy Centre's typical floor is in progress. Upon completion, the building's image will be enhanced, complementing the successful lobby upgrade completed in the first quarter of 2007. This helps to maintain Trendy Centre's competitiveness and attractiveness as a place of business.

Modern Warehouse

Plans are underway to convert a part of the large ground floor lobby of Modern Warehouse into revenue generating retail space. At the same time, the lobby will be renovated to a modern design with a professional image when current fixtures and fittings are upgraded to higher standards. The conversion of the ground floor space into retail use and the renovation work are subject to relevant authorities' approval, and are expected to be completed the fourth quarter of 2007. Additional rental income will be available by end 2007.

Outlook

The Manager has been managing and operating Prosperity REIT in accordance with its asset management, financing and acquisition strategies set forth in the Trust Deed and the initial public offering circular of Prosperity REIT dated 5 December 2005 (the “**Offering Circular**”).

Going forward, with local economy remains prosperous, both the office and industrial/office markets shall continue to flourish in 2007 and beyond. Given the Manager’s professional experience and management expertise, as well as the diligent devotion of Goodwell-Prosperity Property Services Limited, we are confident that Prosperity REIT will continue to perform well in the second half of 2007.

Financial Review

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

	Turnover	Rental related income	Revenue	Net property income
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Grade A Office				
The Metropolis Tower	33,647	7,636	41,283	34,708
Prosperity Millennia Plaza	17,460	5,404	22,864	17,487
Harbourfront Landmark (portion)	6,931	1,080	8,011	6,722
Industrial/Office				
Modern Warehouse	16,783	148	16,931	12,972
Trendy Centre	11,170	2,678	13,848	10,259
Prosperity Center (portion)	10,367	1,419	11,786	8,586
Industrial				
New Treasure Centre (portion)	4,127	855	4,982	3,249
Total	100,485	19,220	119,705	93,983

Revenue

During the Reporting Period, revenue stood at HK\$119.7 million, which was HK\$17.8 million or 17.5% higher than the last corresponding half year.

The revenue was made up of HK\$100.5 million of rental and car park income, plus HK\$19.2 million of rental related income. Rental and car park income was HK\$16.3 million or 19.3% above the last corresponding half year. The increase was mainly due to an increase in average effective unit rent.

Net Property Income

Net property income was HK\$94.0 million, exceeding the last corresponding half year by HK\$15.1 million or 19.1%. The growth was attributed to higher revenue generated during the Reporting Period. The cost-to-revenue ratio has improved to 21.5% from 22.6% in the last corresponding half year.

Liquidity and Financing

As at the end of the Reporting Period, Prosperity REIT had a facility of HK\$1,900 million, comprising a HK\$1,770 million term loan facility and a HK\$130 million revolving credit facility, each for a term of five years. The whole term loan facility was fully drawn on 16 December 2005 (the "Listing Date") and revolving credit facility amounted to HK\$40 million was drawn down. The term loan is repayable in five years from the date of the drawdown. The revolving facility will be repaid on each maturity date and can be redrawn upon maturity.

Each of the term loan facility and the revolving credit facility bears interest at a variable rate. In order to hedge against fluctuations in interest rate under the term loan, effective on the Listing Date, Prosperity REIT's finance company entered into interest rate swap agreements for a total notional amount equivalent to HK\$1,770 million. Under the terms of the interest rate swap arrangement, the interest rate of the term loan portion of the facility will be fixed from the Listing Date until 16 December 2010 at an average interest rate of 1.4% per annum.

The total borrowings of Prosperity REIT, excluding the origination fees, as a percentage of Prosperity REIT's gross assets was 34.3% as at the end of the Reporting Period, whereas the gross liability of Prosperity REIT as a percentage of Prosperity REIT's gross assets was 41.6% as at the end of the Reporting Period.

Prosperity REIT with a cash balance of HK\$29.6 million and available revolving credit facility of approximate HK\$90 million as at 30 June 2007, has sufficient financial resources to satisfy its commitments and working capital requirements.

Balance Sheet Highlights

Investment properties and property valuation

For the half year ended 30 June 2007, Prosperity REIT's portfolio recorded an investment property revaluation surplus of HK\$124 million, based on a professional valuation performed by an independent valuer, Knight Frank Petty Limited. The movements of fair values are tabulated below:

	<i>unaudited</i>	<i>audited</i>
	30 June 2007	31 Dec 2006
	HK\$' 000	HK\$' 000
Fair value at beginning of the financial period/year	4,864,000	4,548,000
Acquisitions	43,403	-
Additional expenditure	1,535	-
Increase in fair value during the period/year	124,062	316,000
	<hr/>	<hr/>
Fair value at the end of period/year	5,033,000	4,864,000
	<hr/> <hr/>	<hr/> <hr/>

Charges on Assets

As at 30 June 2007, certain properties of Prosperity REIT, with aggregate carrying value of HK\$4,990.7 million, were pledged to secure bank loan facilities of Prosperity REIT's finance company.

Prosperity REIT and its subsidiaries have provided guarantees for the loan facility of HK\$1,900 million, comprising a HK\$1,770 million term loan facility and a HK\$130 million revolving credit facility.

EMPLOYEES

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

REPURCHASE, SALE 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 Securities and Futures Commission from time to time. During the Reporting Period, other than the disposal of 7,381,000 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.

CORPORATE GOVERNANCE

The Manager was established for the purpose of managing Prosperity REIT. The Manager is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Manager emphasize a quality board, sound internal control, and transparency and accountability to all Unitholders. The Manager has adopted its compliance manual (the "**Compliance Manual**") for use in relation to the management and operation of Prosperity REIT which sets out the key processes, systems and measures, and certain corporate governance policies and procedures to be applied for compliance with all applicable regulations and legislation. During the Reporting Period, both the Manager and Prosperity REIT have complied with the provisions of the Compliance Manual.

CLOSURE OF REGISTER OF UNITHOLDERS

The register of Unitholders will be closed from 17 October 2007 to 25 October 2007, both days inclusive, during which period no transfer of units will be effected. In order to qualify for the distribution, all unit certificates with completed transfer forms must be lodged with Prosperity REIT's unit registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Tuesday, 16 October 2007. The payment date of interim distribution is Friday, 26 October 2007.

REVIEW OF INTERIM RESULTS

The interim results of Prosperity REIT for the Reporting Period have been reviewed by the Disclosures Committee and the Audit Committee of the Manager and by the Prosperity REIT's auditors in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

ISSUANCE OF 2007 INTERIM REPORT

The Interim Report 2007 of Prosperity REIT for the Reporting Period will be published on the websites of the Stock Exchange and Prosperity REIT and will be dispatched or sent to the Unitholders on or before 31 August 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

		<i>Unaudited</i>	
		<i>Six months ended 30 June</i>	
	<i>Note</i>	<i>2007</i>	<i>2006</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	1	119,705	101,898
Property management fees		(2,763)	(2,344)
Property operating expenses		(22,959)	(20,682)
Total property operating expenses		<u>(25,722)</u>	<u>(23,026)</u>
Net property income		93,983	78,872
Interest income		351	1,424
Manager's fee		(12,676)	(11,683)
Trust and other expenses		(5,595)	(3,275)
Increase in fair value of investment properties at period end		124,062	267,000
Finance costs	2	<u>(42,190)</u>	<u>(40,909)</u>
Profit before taxation and transactions with unitholders		157,935	291,429
Taxation	3	<u>(23,905)</u>	<u>(42,162)</u>
Profit for the period, before transactions with unitholders		<u>134,030</u>	<u>249,267</u>
Earnings per unit (HK\$)	4	<u>0.11</u>	<u>0.20</u>

DISTRIBUTION STATEMENT

For the six month ended 30 June 2007

	<i>Unaudited</i>	
	<i>Six months ended 30 June</i>	
	<i>2007</i>	<i>2006</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period, before transactions with unitholders	134,030	249,267
Adjustments:		
Manager's fee	12,625	11,683
Increase in fair value of investment properties at period end	(124,062)	(267,000)
Finance costs	34,833	36,524
Deferred tax	23,905	42,162
	<hr/>	<hr/>
Income available for distribution (note (i))	81,331	72,636
	<hr/> <hr/>	<hr/> <hr/>
Distribution to unitholders:		
For the six month ended 30 June	81,331	72,636
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Distribution per unit (HK\$) (note (ii))	0.0639	0.0577
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Notes:

(i) Pursuant to the Trust Deed, distributable income is defined as the amount calculated by the Manager as representing the consolidated profit after tax of Prosperity REIT and its subsidiaries for the relevant financial year, as adjusted to eliminate the effects of certain Adjustments which have been recorded in the income statement for the relevant financial year/period. "Adjustments" means significant adjustments which are charged or credited to the income statement for the relevant financial period. The Manager's policy is to distribute to Unitholders 100% of total distributable income. For the purposes of the above distribution statement, consolidated profit after tax represents profit for the period, before transactions with Unitholders.

(ii) The distribution per unit of HK\$0.0639 is calculated based on Prosperity REIT's income available for distribution of HK\$81,331,000 for the Reporting Period and 1,272,267,245 units, units as at 30 June 2007 plus the number of units issued after the distribution period to the Manager as manager's fee for the second quarter of 2007.

In previous period, the distribution per unit of HK\$0.0577 is calculated based on Prosperity REIT's income available for distribution of HK\$72,636,000 for the period and 1,257,494,730 units, entitled to the distribution as at 31 July 2006, being the day immediately after issuance of units for payment of management fees to the Manager for the second quarter of 2006.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

	<i>Note</i>	<i>(unaudited)</i> 30 Jun 2007 <i>HK\$'000</i>	<i>(audited)</i> 31 Dec 2006 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		5,033,000	4,864,000
Derivative financial instruments		204,904	190,375
		5,237,904	5,054,375
Total non-current assets			
Current assets			
Trade and other receivables	5	7,764	7,855
Purchase deposit for investment properties		-	4,115
Tax recoverable		609	609
Bank balances and cash		29,610	41,737
		37,983	54,316
Total current assets			
		5,275,887	5,108,691
Total assets			
Non-current liabilities, excluding net assets attributable to unitholders			
Secured term loan		1,756,575	1,754,996
Deferred tax liabilities		220,451	196,546
		1,977,026	1,951,542
Total non-current liabilities, excluding net assets attributable to unitholders			
Current liabilities			
Trade and other payables	6	81,442	74,790
Amount due to related companies		8,883	9,434
Secured revolving loan		40,000	20,000
Manager's fee payable		6,389	6,264
Distribution payable		81,331	78,913
		218,045	189,401
Total current liabilities			
		2,195,071	2,140,943
Total liabilities, excluding net assets attributable to unitholders			
Net assets attributable to unitholders		3,080,816	2,967,748

Units in issue ('000)	7	1,268,308	1,260,927
Net asset value per unit (HK\$)	8	2.42	2.38

Notes

- (1) Revenue of Prosperity REIT is as follows:

	<i>Unaudited</i>	
	<i>Six months ended 30 June</i>	
	<i>2007</i>	<i>2006</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	92,911	77,535
Car park income	7,574	6,717
	100,485	84,252
Rental related income	19,220	17,646
	119,705	101,898

- (2) Finance costs:

	<i>Unaudited</i>	
	<i>Six months ended 30 June</i>	
	<i>2007</i>	<i>2006</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expense on		
– Secured term loan	42,014	43,516
Reduction of interest expense through cashflow hedge	(467)	(4,359)
	41,547	39,157
– Secured revolving loan	643	1,752
	42,190	40,909

- (3) No provision for Hong Kong profits tax is required as Prosperity REIT did not have any assessable profits for the period. Deferred tax is provided on temporary differences using the current applicable rates.

	<i>Unaudited</i>	
	<i>Six months ended 30 June</i>	
	<i>2007</i>	<i>2006</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred tax	23,905	42,162
	23,905	42,162

- (4) The calculation of earnings per unit is based on the profit for the period, before transactions with unitholders of HK\$134,030,000 and on the weighted average of 1,265,284,024 units in issue during the period. The diluted earnings per unit is based on the profit for the period, before transactions with unitholders of HK\$134,030,000 and on the weighted average of potential units (units issued for manager's fee) 1,268,425,441 units in issue during the period.

- (5) Ageing analysis of Prosperity REIT's trade receivables at the balance sheet date is as follows:

	<i>(unaudited)</i> 30 Jun 2007 HK\$'000	<i>(audited)</i> 31 Dec 2006 HK\$'000
Current – 1 month	200	162
2 – 3 months	32	-
	<u>232</u>	<u>162</u>

Prosperity REIT maintains a defined credit policy. The collection of rental income is closely monitored to minimise any credit risk associated with receivables.

- (6) Ageing analysis of Prosperity REIT's trade payables at the balance sheet date is as follows:

	<i>(unaudited)</i> 30 Jun 2007 HK\$'000	<i>(audited)</i> 31 Dec 2006 HK\$'000
Current – 1 month	390	96
2 – 3 months	276	275
Over 3 months	96	196
	<u>762</u>	<u>567</u>

- (7) Issued Units

	Number of units	HK\$'000
Balance at 31 December 2006	1,260,927,196	2,720,789
Payment of Manager's base fee and variable fee	7,380,473	12,530
Balance at 30 June 2007	<u>1,268,307,669</u>	<u>2,733,319</u>

- (8) The net asset value per unit is calculated based on the net assets of Prosperity REIT excluding hedging reserve and the total number of units used for computing the net asset value per unit is 1,268,307,669 (31 December 2006: 1,260,927,196).

- (9) At the balance sheet date, Prosperity REIT's net current liabilities, defined as current liabilities less current assets, amounted to HK\$180,062,000 (31 December 2006: HK\$135,085,000) and Prosperity REIT's total assets less current liabilities amounted to HK\$5,057,842,000 (31 December 2006: HK\$4,919,290,000).

- (10) The condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.
- (11) The results have been reviewed by the Disclosures Committee and Audit Committee of the Manager and by Prosperity REIT's auditors, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The directors of the Manager as at the date of this announcement are Mr. Chiu Kwok Hung, Justin (Chairman), Mr. Lim Hwee Chiang and Mr. Ma Lai Chee, Gerald as Non-executive Directors; Mr. Yip Kam Thai as Executive Director; Mr. Lan Hong Tsung, David, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Mr. Robert Douglas Pope as Independent Non-executive Directors.