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If you have sold or transferred all of your units in Prosperity REIT, you should at once hand this Circular, together with the accompanying form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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

**CIRCULAR TO UNITHOLDERS IN RELATION TO
(A) PROPOSED EXPANSION OF THE SCOPE OF
PROSPERITY REIT'S INVESTMENT STRATEGY
(B) PROPOSED AMENDMENTS TO THE TRUST DEED
(C) NOTICE OF EGM**

A letter from the Board is set out on pages 5 to 13 of this Circular.

A notice convening the EGM to be held at 3:00 p.m. on 14 May 2008, at Exhibition Venue A on Level 7, The Metropolis Mall, 6 Metropolis Drive, Hung Hom, Kowloon, Hong Kong (or immediately after the conclusion of the AGM which is scheduled to be held on the same day) is set out on pages N-1 to N-6 of this Circular. Whether or not you are able to attend and vote at the EGM in person, please complete and return the accompanying form of proxy to the Unit Registrar of Prosperity REIT, Computershare Hong Kong Investor Services Limited at Rooms 1806-07, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

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CORPORATE INFORMATION

Prosperity REIT	Prosperity Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO subject to applicable conditions from time to time.
Manager	ARA Asset Management (Prosperity) Limited Units 5508–5509, 55/F The Center 99 Queen’s Road Central Hong Kong
Directors of the Manager	<i>Non-executive Directors</i> Chiu Kwok Hung, Justin (<i>Chairman</i>) Lim Hwee Chiang Ma Lai Chee, Gerald <i>Executive Director and Acting Chief Executive Officer</i> Yip Kam Thai <i>Independent Non-Executive Directors</i> Lan Hong Tsung, David Sng Sow-Mei (alias Poon Sow Mei) Robert Douglas Pope
Trustee	HSBC Institutional Trust Services (Asia) Limited 1 Queen’s Road Central Hong Kong
Unit Registrar	Computershare Hong Kong Investor Services Limited Rooms 1806–07 18th Floor, Hopewell Centre 183 Queen’s Road East, Wanchai Hong Kong
Legal Advisers to the Manager	<i>As to Hong Kong law</i> Baker & McKenzie 14th Floor, Hutchison House 10 Harcourt Road, Central Hong Kong

DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated:

AGM	The annual general meeting of Unitholders scheduled to be held on 14 May 2008 at 2:30 p.m.
Amendments	The proposed amendments to the Trust Deed as set out in the EGM Notice.
associates	Has the meaning ascribed to it in the SFO.
Authorisation	Authorisation under section 104 of the SFO.
Base Fee	The base fee payable to the Manager pursuant to Clause 14.1.1 of the Trust Deed.
Board	The board of Directors.
Business Day	Any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning No. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between the hours of 9:00 a.m. and 5:00 p.m.) on which licensed banks are open for general business in Hong Kong.
Connected Person	Has the meaning ascribed to it in the Trust Deed.
Convertible Instruments	Has the meaning ascribed to it in the Trust Deed.
Directors	The directors of the Manager.
EGM	The extraordinary general meeting of Unitholders convened by and referred to in the EGM Notice.
EGM Notice	The notice included in this Circular in respect of the extraordinary general meeting of Unitholders to consider and, if thought fit, approve expansion of the scope of Prosperity REIT’s investment strategy and the Amendments.
Excluded Associate	Any person or entity who/which is an associate of the relevant Connected Person solely by virtue of the operation of paragraphs (b), (c), and/or (k) (other than a related corporation covered under paragraph (a) of the definition of “related corporation” in Schedule 1 of the SFO) of the definition of “associate” in Schedule 1 of the SFO.
Hong Kong	The Hong Kong Special Administrative Region of the People’s Republic of China.
Issue Price	The price per Unit at which Units are from time to time issued or agreed (conditionally or unconditionally) to be issued.

DEFINITIONS

Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
Manager	ARA Asset Management (Prosperity) Limited, as manager of Prosperity REIT.
Offering Circular	The offering circular dated 5 December 2005 issued by Prosperity REIT in connection with the initial public offering of Units by Prosperity REIT.
Ordinary Resolution	A resolution passed at a meeting of Unitholders duly convened and held in accordance with the provisions contained in Schedule 1 of the Trust Deed and carried by a simple majority of the votes of those Unitholders present and entitled to vote in person or by proxy, where the votes shall be taken by way of poll, but with a quorum of two or more Unitholders holding at least 10% of Units in issue.
Prosperity REIT	Prosperity Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the SFO subject to applicable conditions from time to time.
Real Estate	Has the meaning given to it in the Trust Deed.
Record Date	14 May 2008.
REIT	Real Estate Investment Trust.
REIT Code	The Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being.
SEHK	The Stock Exchange of Hong Kong Limited.
SFC	The Securities and Futures Commission of Hong Kong.
SFO	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified for the time being.
Special Purpose Vehicle	The special purpose vehicles that are owned and controlled by Prosperity REIT in accordance with the REIT Code.

DEFINITIONS

Special Resolution	A resolution passed at a meeting of Unitholders duly convened and held in accordance with the provisions contained in Schedule 1 of the Trust Deed and carried by 75% or more of the votes of those Unitholders present and entitled to vote in person or by proxy, where the votes shall be taken by way of poll, but with a quorum of two or more Unitholders holding at least 25% of the Units in issue.
Trust	Means the unit trust scheme constituted by the Trust Deed and known as the “Prosperity Real Estate Investment Trust” which in its abbreviated form shall be “Prosperity REIT” and which in Chinese shall be 泓富產業信託 or by such other name as the Manager (with the approval of the Trustee) may from time to time determine.
Trust Deed	The deed of trust constituting Prosperity REIT dated 29 November 2005 entered into between the Trustee and the Manager as amended by a first supplemental deed dated 12 December 2005, and a second supplemental deed dated 15 May 2007, as the same may be supplemented or amended from time to time.
Trustee	HSBC Institutional Trust Services (Asia) Limited, as trustee of Prosperity REIT.
Unit	One undivided share in Prosperity REIT.
Unit Registrar	Computershare Hong Kong Investor Services Limited.
Unitholder	Any person registered as holding a Unit.
Variable Fees	The variable fees payable to the Manager pursuant to Clause 14.1.2 of the Trust Deed.
%	Per centum or percentage.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted.

Any reference to a time of day in this Circular shall be a reference to Hong Kong time unless otherwise stated.

LETTER FROM THE BOARD



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

Directors of the Manager:

Non-executive Directors

Chiu Kwok Hung, Justin (*Chairman*)

Lim Hwee Chiang

Ma Lai Chee, Gerald

Registered Office of the Manager:

Units 5508–5509, 55/F

The Center

99 Queen's Road Central

Hong Kong

Executive Director and Acting Chief Executive Officer

Yip Kam Thai

Independent Non-executive Directors

Lan Hong Tsung, David

Sng Sow-Mei (alias Poon Sow Mei)

Robert Douglas Pope

18 April 2008

To: Unitholders of Prosperity REIT

Dear Sir/Madam,

**CIRCULAR TO UNITHOLDERS IN RELATION TO
(A) PROPOSED EXPANSION OF THE SCOPE OF
PROSPERITY REIT'S INVESTMENT STRATEGY
(B) PROPOSED AMENDMENTS TO THE TRUST DEED
(C) NOTICE OF EGM**

Reference is made to the announcement dated 18 April 2008 by the Manager in relation to the proposed expansion of the scope of Prosperity REIT's investment strategy and the Amendments. The purpose of this Circular is to provide you with further information regarding (a) the proposed expansion of the scope of Prosperity REIT's investment strategy; and (b) the special resolutions to be proposed at the EGM relating to the Amendments. This Circular also contains the notice of the EGM.

LETTER FROM THE BOARD

1. PROPOSED EXPANSION OF THE SCOPE OF PROSPERITY REIT'S INVESTMENT STRATEGY

1.1 Existing Investment Strategy of Prosperity REIT

The existing principal investment strategy of the Manager is to invest in office and commercial properties in Hong Kong. At the time of the initial Authorisation of Prosperity REIT and at present, Prosperity REIT's property portfolio comprises of seven properties, which are situated in Hong Kong. Accordingly, the scope of the investment strategy initially adopted by the Manager for Prosperity REIT has been limited to Hong Kong.

1.2 Proposed Expansion of the Scope of Prosperity REIT's Investment Strategy

The Manager proposes to expand the scope of Prosperity REIT's investment strategy so that (i) Prosperity REIT may invest in office, commercial and retail properties, and (ii) such investments will no longer be geographically restricted to Hong Kong. The reasons for doing so are as follows:

- ***Investor expectations.*** Since the roadshow for Prosperity REIT's initial public offering, the Manager has received feedback from many investors that REITs with geographic and segment diversified portfolios are preferred. The reason for this is that REITs need to have the flexibility to expand beyond their existing investment scope in order to stay competitive.
- ***The trend for diversified investments.*** The more recently SFC-authorized REITs have diversified investment scopes. The Manager notes that it is also a growing market trend in other regional REIT markets for REITs to have such geographical/segmental diversification.
- ***Greater investment opportunities.*** A geographic and segment diversified investment scope will allow the Manager to seize greater investment opportunities.
- ***Flexibility to maximize returns.*** A diversified investment scope allows the Manager to select appropriate markets and/or sectors to maximize returns.
- ***Enhancement of Unitholder base.*** By enabling the Manager to capitalize on investment opportunities available in different jurisdictions and/or property sectors, Prosperity REIT may also have greater opportunity to attract different types of investors.
- ***Enhancement of stability in rental revenue level and ability to make stable distributions.*** As the market in each jurisdiction and each property sector may experience different vacancy rates and rental growth cycles, a diversified portfolio will have a more stable rental revenue level and this, in turn, enhances Prosperity REIT's ability to make stable and sustainable distributions to the Unitholders. A diversified portfolio will also be less susceptible to any adverse changes which may occur due to the political and economic conditions of any particular market and/or sector.

1.3 Other Aspects of Prosperity REIT's Investment Strategy to Remain Unchanged

The investment strategy of the Manager includes an acquisition strategy that seeks to capitalize on acquisition opportunities primarily in the Hong Kong commercial property sector that provides attractive cash flow yields and the potential for net asset growth. The Manager intends to retain the same acquisition strategy while expanding its scope. In doing so, the Manager will continue to focus on the following investment criteria in its evaluation of acquisition opportunities:

- ***Post-tax yield thresholds.*** The Manager will seek to acquire properties with post-tax yields that are estimated to be above Prosperity REIT's cost of capital, ensuring incremental returns to the Unitholders.
- ***Occupancy and tenant characteristics.*** The Manager will seek to acquire properties with strong existing or potentially higher rental and tenant retention rates relative to competing properties in their respective markets. In addition, tenant credit quality will be evaluated in order to estimate delinquency probability. Rental rates and occupancy trends will also be assessed prior to the acquisition of new properties.
- ***Location.*** The Manager will examine properties for convenient access to major roads, public transportation and proximity to highly populated areas.
- ***Value-adding opportunities.*** The Manager may also seek to acquire properties where there is potential to improve value through active property management. Opportunities to add value through selective renovation or other enhancements will also be assessed.
- ***Building and facilities specifications.*** The Manager will examine specifications such as compliance with building and zoning codes, as well as the size and age of the buildings. The Manager will also evaluate building conditions and expected levels of capital expenditure in the short to medium term.

1.4 Some Considerations when Investing Overseas

The Manager, in selecting appropriate overseas investments, will consider all relevant factors, including but not limited to factors such as:

- ***Investor confidence in the market.*** The Manager will consider investing in markets in which investor confidence is strong as ownership of properties in such markets is likely to make investment in Prosperity REIT more attractive and enhance Prosperity REIT's Unitholder base.
- ***Stability of the market.*** The Manager will assess the economic, political and social conditions of the potential market to assess the risks related to such conditions and evaluate the feasibility of an investment in such a market.
- ***Maturity and development of the market.*** The Manager will consider whether the potential country of investment has a well planned and developed infrastructure network along with high accessibility for commercial properties, as such factors enhance the value of the properties located in that country. The legislative and regulatory regime of

LETTER FROM THE BOARD

a potential country of investment, including without limitation, the certainty of interpretation of the relevant legislation and regulation and the ease of enforcement of judgments, will also be considered.

- ***Growth potential of the market.*** The Manager will assess the growth potential of the potential market including consideration of whether there is a high and rising demand for the type of properties Prosperity REIT intends to invest in and whether such demand is offset by an excessive supply or rising costs and expenses related to property management.
- ***Availability of reliable market information and reputable service providers.*** The Manager will consider investing in markets in which there are reputable service providers and reliable market information for the assessment of investment opportunities, implementation of the investment and management of the properties.

1.5 Compliance with Laws and Regulations

In considering investments overseas, the Manager will have regard to, and comply with, all applicable legal and regulatory requirements, including but not limited to the requirements prescribed under the Practice Note on Overseas Investments by SFC-authorized REITs contained in the REIT Code.

1.6 Approvals Required

The Authorisation was granted on the condition that, among other things, Prosperity REIT must comply with the strategy of investing in office and commercial properties in Hong Kong as described in the Offering Circular. However, the Manager notes that in its circular to management companies of SFC-authorized REITs dated 12 October 2007, the SFC has (among other things) clarified that in acquiring overseas and/or new types of properties, REIT managers do not have to seek re-approval of their licences or re-authorisation of the relevant REIT by the SFC before proceeding to make such acquisitions.

Under Paragraph 10.7(a)(v) of the REIT Code, a circular is required to be issued where there is a change in the general character or nature of a REIT, such as its investment objectives and/or policy.

Under Clause 10.2.4 of the Trust Deed, in order for the Manager to change its investment policies or strategy for Prosperity REIT as stated in the Offering Circular, it is required to notify the Unitholders of the change by way of a circular in accordance with the requirements of the REIT Code, and obtain the prior approval of the Unitholders for the change by way of a Special Resolution.

Accordingly, the Manager proposes to seek the necessary Unitholders' approval required to expand the scope of Prosperity REIT's investment strategy by way of a Special Resolution.

LETTER FROM THE BOARD

1.7 Recommendation

The Directors consider that the proposed expansion of the scope of Prosperity REIT's investment strategy is in the best interests of Prosperity REIT and the Unitholders as a whole, and accordingly, recommend all Unitholders to vote in favour of the Special Resolution relating to the expansion of the scope of Prosperity REIT's investment strategy to be proposed at the EGM.

(See Special Resolution number 1 in the EGM Notice)

2. PROPOSED AMENDMENTS TO THE TRUST DEED

2.1 Issue of Units and/or Convertible Instruments to Connected Persons

Currently, under Clause 5.1.7 of the Trust Deed, except pursuant to, among others, a rights issue, an issue of new Units to a Connected Person (other than as part of an offer made to all Unitholders on a pro rata basis or pursuant to Clauses 14.1.1 and 14.1.2 of the Trust Deed) shall require specific prior approval of Unitholders by an ordinary resolution at a meeting convened in accordance with the provisions of the Trust Deed.

The proposed amendments will allow the Manager to issue Units and/or Convertible Instruments to a Connected Person, without the requirement of obtaining Unitholders' approval, in the following circumstances:

- (a) when the Connected Person receives a pro rata entitlement to Units and/or Convertible Instruments in its capacity as an Unitholder;
- (b) when Units are issued to the Manager to satisfy the relevant amount of the Base Fee and Variable Fees; or
- (c) when Units and/or Convertible Instruments are issued to a Connected Person within 14 days after such Connected Person has executed an agreement to reduce its holding in the same class of Units and/or Convertible Instruments by placing such Units and/or Convertible Instruments to or with any person(s) who is/are not its associate(s) (other than any Excluded Associate), provided always that (i) the new Units and/or Convertible Instruments must be issued at a price not less than the placing price (which may be adjusted for the expenses of placing); and (b) the number of Units and/or Convertible Instruments issued to the Connected Person must not exceed the number of Units and/or Convertible Instruments placed by it.

The Manager is of the view that allowing it to issue Units, without requiring Unitholders' approval, in the circumstances set out in (a) is consistent with the current Clause 5.1.7 of the Trust Deed. The proposed amendments merely clarify that such arrangements should also be extended to the issue of Convertible Instruments to Connected Persons. As for the circumstance in (b), the proposed amendment is merely to clarify the current position adopted by Prosperity REIT and the Manager.

LETTER FROM THE BOARD

With respect to the circumstance in (c) above, the Manager is of the view that such a procedure is in line with the corresponding practice in relation to placing and top-up subscription transactions adopted by listed companies in Hong Kong under the Listing Rules, and the limited scope under which it may operate affords sufficient protection to Unitholders. As a result of the proposed amendment to Clause 5.1.7 of the Trust Deed, the Manager proposes to include in the Trust Deed a definition of “Excluded Associate”, which is to be defined as “any person or entity who/which is an associate of the relevant Connected Person solely by virtue of the operation of paragraphs (b), (c) and/or (k) (other than a related corporation covered under paragraph (a) of the definition of “related corporation” in Schedule 1 of the SFO) of the definition of “associate” in Schedule 1 of the SFO”.

The Manager has applied to the SFC for a waiver from strict compliance with Paragraph 6.2, Chapter 8, Paragraph 10.7(b)(iv) and Paragraph 12.2 of the REIT Code so as to allow the issue of Units and/or Convertible Instruments to a Connected Person, as described in the circumstance in (c) above, without the need for compliance with any reporting, announcement, disclosure or Unitholders’ approval requirements under Chapter 8, Paragraph 10.7(b)(iv) and/or Paragraph 12.2 of the REIT Code, or any valuation requirement under Paragraph 6.2 of the REIT Code, in circumstances where the issuance complies with the terms of the proposed new Clause 5.1.7 above. The Manager shall, notwithstanding such waiver, issue an announcement(s) at the relevant time(s) in relation to the placing and top-up subscription transaction pursuant to Paragraph 10.4 of the REIT Code.

(See Special Resolution number 2 in the EGM Notice)

2.2 Issue Price of New Units

Currently, the Issue Price of new Units issued by the Manager is determined in accordance with Clauses 5.2.2 and 5.2.3 of the Trust Deed.

Clause 5.2.2 of the Trust Deed sets the pricing basis of new Units by reference to the “Market Price”, as determined in accordance with Clause 5.2.3 of the Trust Deed. Although Unitholders may approve an issue of new Units at a discount greater than 20% to the Market Price, there is no discretion for Unitholders to approve an issuance of new Units on a different pricing basis. The proposed amendments to Clause 5.2.2 of the Trust Deed will allow the Manager to issue, or agree to be issued, new Units in accordance with the pricing basis as stipulated in an Ordinary Resolution duly approved by Unitholders, giving the Manager greater flexibility in determining the pricing of such new Units to accommodate commercial needs.

(See Special Resolution number 3 in the EGM Notice)

2.3 Drafting amendments in relation to ownership of special purpose vehicles

(a) Definition of Special Purpose Vehicle

Currently, the definition of “special purpose vehicle” under Clause 1.1 of the Trust Deed provides that it shall have the meaning ascribed to it in Clause 10.5 of the Trust Deed.

LETTER FROM THE BOARD

To be consistent with the definition of “special purpose vehicle” under the REIT Code, the proposed amendment will amend the definition such that “special purpose vehicle” shall mean a special purpose vehicle that is owned and controlled by Prosperity REIT in accordance with the REIT Code.

(b) *Special Purpose Vehicles as unlisted corporations*

Currently, Clause 10.2.1 of the Trust Deed provides, among other things, that Prosperity REIT is established to invest in Real Estate by way of shareholding in Special Purpose Vehicles which are unlisted corporations.

To be consistent with the definition of “special purpose vehicle” under the REIT Code, the proposed amendment will amend Clause 10.2.1 to remove the stipulation that Special Purpose Vehicles are unlisted corporations.

(c) *Acquisition of Special Purpose Vehicles*

Currently, Clause 10.5.1 of the Trust Deed provides, among other things, that Prosperity REIT may legally and beneficially acquire and own the issued share capital of any corporation in or outside of Hong Kong if the Manager considers it necessary or desirable for Prosperity REIT to incorporate or acquire an entity whose primary purpose is to hold or own real estate or arrange financing for Prosperity REIT.

The proposed amendment will amend Clause 10.5.1 such that Prosperity REIT may acquire and own Special Purpose Vehicles in accordance with the REIT Code.

(d) *Interpretation clause of Special Purpose Vehicles*

In connection with the drafting amendments in relation to ownership of Special Purpose Vehicles by Prosperity REIT, a new general interpretation clause in relation to Special Purpose Vehicles will be added to Clause 1 of the Trust Deed.

(See Special Resolution number 4 in the EGM Notice)

2.4 Approvals Required

Clause 26 of the Trust Deed, read with Paragraph 2.2 of Schedule 1 to the Trust Deed, provides that, save for certain limited exceptions as certified by the Trustee in writing, any modification, alteration or addition to the Trust Deed must be made with the sanction of a Special Resolution obtained at a meeting of Unitholders duly convened in accordance with Schedule 1 to the Trust Deed. The Manager and the Trustee are only entitled to modify, alter or add to the Trust Deed by a supplemental deed after the requisite approval of the Unitholders and the prior approval of the SFC are obtained.

LETTER FROM THE BOARD

The Manager is convening the EGM for the purposes of seeking the sanction of Special Resolutions by Unitholders for the Amendments. Pursuant to Paragraph 3.3 of Schedule 1 to the Trust Deed, at any meeting a resolution put to the vote of the meeting shall be decided on a poll and the result of the poll shall be deemed to be the resolution of the meeting. The Special Resolutions set out in the EGM Notice will each be decided on a poll at the EGM.

With respect to each of the resolutions to be proposed at the EGM, any Unitholder who has a material interest in such resolution and that interest is different from that of all other Unitholders, shall abstain from voting in respect of such resolution. As at the date of this Circular, the Manager is unaware of any Unitholder that is required to abstain from voting in respect of the proposed resolutions contained in the EGM Notice.

The Trustee has confirmed to the Manager that the Amendments require the sanction of a Special Resolution in accordance with Clause 26 of the Trust Deed and that the Amendments will not impose upon any Unitholder any obligation to make further payment in respect of his outstanding Units or to accept any further liability in respect of his outstanding Units. Furthermore, the Trustee has no objection to the Amendments proposed by the Manager and accordingly, subject to the Unitholders' and the SFC's prior approvals, the Trustee will enter into a supplemental deed effecting the Amendments.

2.5 Recommendation

The Directors consider that the Amendments are each in the best interests of Prosperity REIT and the Unitholders as a whole, and accordingly, recommend all Unitholders to vote in favour of all of the Special Resolutions relating to the Amendments to be proposed at the EGM.

3. EXTRAORDINARY GENERAL MEETING

The EGM will be held at Exhibition Venue A on Level 7, The Metropolis Mall, 6 Metropolis Drive, Hung Hom, Kowloon, Hong Kong on 14 May 2008 at 3:00 p.m. (or immediately after the conclusion of the AGM which is scheduled to be held on the same day), for the purpose of considering and, if thought fit, passing with or without modifications, the Special Resolutions set out in the EGM Notice on pages N-1 to N-6 of this Circular.

The Register of Unitholders will be closed from 8 May 2008 to 14 May 2008, both days inclusive, during which period no transfers of Units will be effected.

For those Unitholders who are not already on the Register of Unitholders, in order to qualify to attend and vote at the EGM, all Unit certificates accompanied by the duly completed transfer forms must be lodged with the Unit Registrar of Prosperity REIT, Computershare Hong Kong Investor Services Limited of Rooms 1806-07, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 7 May 2008.

You can vote at the EGM if you are a Unitholder as at the close of business on 14 May 2008, which is referred to in this Circular as the Record Date. You will find enclosed with this Circular the EGM Notice (see pages N-1 to N-6 of this Circular) and a form of proxy for use for the EGM.

LETTER FROM THE BOARD

Your vote is very important. Accordingly, please complete, sign and date the enclosed form of proxy, whether or not you plan to attend the EGM in person, in accordance with the instructions printed on the form of proxy, and return it to the Unit Registrar of Prosperity REIT, Computershare Hong Kong Investor Services Limited at Rooms 1806-07, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The form of proxy should be completed and returned as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

4. MISCELLANEOUS

A copy of the Trust Deed is available for inspection at the offices of the Manager at all times from 9:00 a.m. to 5:00 p.m. on Business Days in accordance with the provisions of the Trust Deed. A copy of the proposed form of the supplemental deed to effect the Amendments will be available for inspection at the offices of the Manager from 9:00 a.m. to 5:00 p.m. on Business Days from the date of this Circular up to and including the date of the EGM.

The Manager and the Directors, collectively and individually, accept full responsibility for the accuracy of the information given in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this Circular misleading.

Yours faithfully,

By Order of the Board

ARA ASSET MANAGEMENT (PROSPERITY) LIMITED
(as manager of Prosperity Real Estate Investment Trust)

Yip Kam Thai

Executive Director and Acting Chief Executive Officer

NOTICE OF EXTRAORDINARY GENERAL MEETING



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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an **EXTRAORDINARY GENERAL MEETING** of the unitholders (the “Unitholders”) of Prosperity Real Estate Investment Trust (“**Prosperity REIT**”) will be held at Exhibition Venue A on Level 7, The Metropolis Mall, 6 Metropolis Drive, Hung Hom, Kowloon, Hong Kong on 14 May 2008 at 3:00 p.m. (or immediately after the conclusion of the annual general meeting which is scheduled to be held on the same day) for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions:

SPECIAL RESOLUTIONS

1. “**That:**

- (a) pursuant to Clause 10.2.4 of the trust deed constituting Prosperity REIT dated 29 November 2005 (as supplemented by a first supplemental deed dated 12 December 2005 and a second supplemental deed dated 15 May 2007) (the “**Trust Deed**”) entered into between ARA Asset Management (Prosperity) Limited, as the manager (the “**Manager**”) of Prosperity REIT, and HSBC Institutional Trust Services (Asia) Limited, as trustee of Prosperity REIT (the “**Trustee**”), approval be and is hereby given for the investment strategy of Prosperity REIT to be amended so as to expand the asset class scope to include office, commercial and retail properties, and not to contain any geographical restrictions; and
- (b) the Manager, any director of the Manager and the Trustee each be and is hereby severally authorised to complete and do or cause to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or the Trustee, as the case may be, may consider expedient or necessary or in the interests of Prosperity REIT to give effect to the matters resolved upon in sub-paragraph (a) of this resolution.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

2. **“That:**

(a) pursuant to Clause 26 of the Trust Deed, approval be and is hereby given for:

- (i) the amendment of Clause 5.1.6(iii) of the Trust Deed by deleting the words “For the purposes of this Clause 5.1.6, and Clauses 5.2.2 and 5.2.4:” and replacing the same by “For the purposes of Clauses 5.1.6, 5.1.7, 5.2.2, and 5.2.4:”;
- (ii) Clause 5.1.7 of the Trust Deed to be deleted in its entirety and replaced with the text below:

“5.1.7 Any issue, grant or offer of Units or Convertible Instruments to a Connected Person will require specific prior approval of Holders by Ordinary Resolution at a meeting to be convened by the Manager in accordance with Schedule 1, unless such issue, grant or offer is made under the following circumstances (where, for the avoidance of doubt, no Holders’ approval will be required):

- (i) the Connected Person receives a pro rata entitlement to Units and/or Convertible Instruments in its capacity as a Holder;
- (ii) Units are issued to a Connected Person under Clauses 14.1.1 and 14.1.2 in or towards the satisfaction of the Base Fee and Variable Fees; or
- (iii) Units and/or Convertible Instruments are issued to a Connected Person within 14 days after such Connected Person has executed an agreement to reduce its holding in the same class of Units and/or Convertible Instruments by placing such Units or Convertible Instruments to or with any person(s) who is/are not its associate(s) (other than any Excluded Associate), provided always that (a) the new Units and/or Convertible Instruments must be issued at a price not less than the placing price (which may be adjusted for the expenses of placing); and (b) the number of Units and/or Convertible Instruments issued to the Connected Person must not exceed the number of Units and/or Convertible Instruments placed by it.”;

(b) pursuant to Clause 26 of the Trust Deed, approval be and is hereby given for the amendment of Clause 1.1 of the Trust Deed by inserting the following definition immediately after the definition of “Duties and Charges”:

“**“Excluded Associate”** means any person or entity who/which is an associate of the relevant Connected Person solely by virtue of the operation of paragraphs (b), (c), and/ or (k) (other than a related corporation covered under paragraph (a) of the definition of “related corporation” in Schedule 1 of the SFO) of the definition of “associate” in Schedule 1 of the SFO;”;

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- (c) the Manager, any director of the Manager and the Trustee each be and is hereby severally authorised to complete and do or cause to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or the Trustee, as the case may be, may consider expedient or necessary or in the interests of Prosperity REIT to give effect to the matters resolved upon in sub-paragraphs (a) and (b) of this resolution.”

3. “**That:**

- (a) pursuant to Clause 26 of the Trust Deed, approval be and is hereby given for Clause 5.2.2 of the Trust Deed to be deleted in its entirety and replaced with the text below:

“5.2.2 After the Listing Date, and for so long as the Units are admitted for trading on the SEHK:

- (a) the Manager may, subject to Clauses 5.1.5 and 5.1.6, effect or agree to effect the issue of Units on behalf of the Trust (whether directly, or pursuant to any Convertible Instruments issued by the Trust) on any Business Day at an Issue Price per Unit that is:
- (i) equal to the Market Price;
 - (ii) in its discretion, at a discount to the Market Price not exceeding the relevant level of discount set forth in Clause 5.2.3 or at a premium to the Market Price; or
 - (iii) where approval by way of an Ordinary Resolution is obtained pursuant to Clause 5.2.2(b), on the pricing basis as authorised in such Ordinary Resolution.

For the avoidance of doubt, the Issue Price shall in the case of any Convertible Instruments, mean the initial price per Unit at which Units are to be issued pursuant to the exercise of any conversion, exchange or subscription or similar rights under such Convertible Instruments, before any adjustments which may apply thereunder (the “**Initial Issue Price**”); and

- (b) an issue of, or agreement (whether conditional or unconditional) to issue, new Units at an Issue Price or Initial Issue Price (as the case may be) that is otherwise than in accordance with the pricing basis and/or discount allowed in Clauses 5.2.2(a)(i) and 5.2.2(a)(ii) above, will require specific prior approval of Holders by Ordinary Resolution at a meeting to be convened by the Manager in accordance with Schedule 1, and such approval may be subject to such conditions as the Holders may approve, including without limitation stating the basis of pricing, or authorising the Manager to determine the pricing basis on such terms as are authorised under that Ordinary Resolution.”; and

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- (b) the Manager, any director of the Manager and the Trustee each be and is hereby severally authorised to complete and do or cause to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or the Trustee, as the case may be, may consider expedient or necessary or in the interests of Prosperity REIT to give effect to the matters resolved upon in sub-paragraph (a) of this resolution.”

4. **“That:**

- (a) pursuant to Clause 26 of the Trust Deed, approval be and is hereby given for the definition of “special purpose vehicle” in Clause 1.1 of the Trust Deed to be deleted in its entirety and replaced with the text below:

“**“Special Purpose Vehicle”** shall mean a special purpose vehicle that is owned and controlled by the Trust in accordance with the Code.”;

- (b) pursuant to Clause 26 of the Trust Deed, approval be and is hereby given for the amendment of Clause 1 of the Trust Deed by inserting the following text after Clause 1.8, as new Clause 1.9:

“1.9 Special Purpose Vehicles

Having regard to the fact that Special Purpose Vehicles may include non-corporate entities, when used in this Deed in relation to a Special Purpose Vehicle:

1.9.1 references to **“incorporation”** (or similar or derivative words) shall, *mutatis mutandis*, be deemed to include references to all relevant methods of establishment of the Special Purpose Vehicle;

1.9.2 references to **“shares”** and **“shareholders”** (or similar or derivative words) shall, *mutatis mutandis*, be deemed to include references to all relevant types of ownership interests in or in respect of the Special Purpose Vehicle, and holders of such ownership interests, respectively; and

1.9.3 references to **“board of directors”** and **“director”** (or similar or derivative words) shall, *mutatis mutandis*, be deemed to include references to the equivalent or comparable governing body of the Special Purpose Vehicle, and a member of such governing body, respectively.”;

- (c) pursuant to Clause 26 of the Trust Deed, approval be and is hereby given for the amendment of Clause 10.2.1 of the Trust Deed by replacing the words “by way of shareholding in” with the word “through” and deleting the words “which are unlisted corporations”;

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- (d) pursuant to Clause 26 of the Trust Deed, approval be and is hereby given for Clause 10.5.1 to be deleted in its entirety and replaced with the text below:

“10.5.1 The Trust may legally and beneficially acquire and own any Special Purpose Vehicles in accordance with the Code if the Manager considers it necessary or desirable for the Trust to do so, in which event the Manager shall instruct the Trustee to, and the Trustee shall, accordingly establish, subscribe, or acquire by transfer, or otherwise invest in on behalf of the Trust a Special Purpose Vehicle provided that (i) the Special Purpose Vehicle is wholly-owned by the Trust, or (ii) the Trust has majority ownership and control of such Special Purpose Vehicle and there are sufficient and proper safeguards in relation to the Special Purpose Vehicle to address the risks arising from the non-wholly owned structure, and such investment is not in conflict with this Deed, the Code and other applicable law.”; and

- (e) the Manager, any director of the Manager and the Trustee each be and is hereby severally authorised to complete and do or cause to be done all such acts and things (including executing all such documents as may be required) as the Manager, such director of the Manager or the Trustee, as the case may be, may consider expedient or necessary or in the interests of Prosperity REIT to give effect to the matters resolved upon in sub-paragraphs (a), (b) (c) and (d) of this resolution.”

By Order of the Board
ARA ASSET MANAGEMENT (PROSPERITY) LIMITED
(as manager of Prosperity Real Estate Investment Trust)
Yip Kam Thai
Executive Director and Acting Chief Executive Officer

Hong Kong, 18 April 2008

Registered Office of the Manager:
Units 5508–5509, 55/F The Center
99 Queen’s Road Central
Hong Kong

Notes:

- (a) A Unitholder entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint one or more proxies to attend and vote on poll in his/her stead. The person appointed to act as proxy need not be a Unitholder.
- (b) In order to be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, if any, must be deposited at the Unit Registrar of Prosperity REIT, Computershare Hong Kong Investor Services Limited at Rooms 1806–07, 18th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the Extraordinary General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person should you so wish. In the event that you attend the meeting or adjourned meeting (as the case may be) after having lodged a form of proxy, the form of proxy will be deemed to have been revoked.

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- (c) Where there are joint registered Unitholders of a Unit, any one of such Unitholders may vote at the meeting either personally or by proxy in respect of such Unit as if he/she were solely entitled thereto, but if more than one of such Unitholders is present at the meeting personally or by proxy, that one of such Unitholders so present whose name stands first on the Register of Unitholders in respect of such Unit shall alone be entitled to vote in respect thereof.
- (d) The Register of Unitholders will be closed from 8 May 2008 to 14 May 2008, both days inclusive, during which period no transfers of Units will be effected. For those Unitholders who are not already on the Register of Unitholders, in order to qualify to attend and vote at the Extraordinary General Meeting, all Unit certificates accompanied by the duly completed transfer forms must be lodged with the Prosperity REIT's Unit Registrar, Computershare Hong Kong Investor Services Limited at Rooms 1806-07, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 7 May 2008.

The directors of ARA Asset Management (Prosperity) Limited as at the date of this notice 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.

This circular (in both English and Chinese versions) (the "Circular") has been posted on Prosperity REIT's website at www.prosperityreit.com and the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk. Unitholders who have chosen to rely on copies of Prosperity REIT's Corporate Communications (including but not limited to annual report, interim report, notice of meeting, listing documents, circular and proxy form) posted on Prosperity REIT's website in lieu of the printed copies thereof may request the printed copy of the Circular.

Unitholders who have chosen to receive the Corporate Communications using electronic means through Prosperity REIT's website and who for any reason have difficulty in receiving or gaining access to the Circular posted on Prosperity REIT's website will promptly upon request be sent the Circular in printed form free of charge.

Unitholders may at any time change their choice of language and/or means of receipt (i.e. in printed form or by electronic means through Prosperity REIT's website) of Prosperity REIT's Corporate Communications by notice in writing to Prosperity REIT's unit registrar, Computershare Hong Kong Investor Services Limited at Rooms 1806-07, 18/F., Hopewell Centre, 183 Queen's Road East, Hong Kong.

Unitholders who have chosen to receive printed copy of the Corporate Communication in either English or Chinese version will receive both English and Chinese versions of this Circular since both languages are bound together into one booklet.