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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this Circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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.

The Securities and Futures Commission of Hong Kong, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

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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



Asset Management (Prosperity) Limited

**ARA Asset Management (Prosperity) Limited**

### CIRCULAR TO UNITHOLDERS IN RELATION TO EXTENSION OF EXISTING CONNECTED PARTY TRANSACTION WAIVER AND PROPOSED NEW ANNUAL LIMITS FOR CERTAIN CONNECTED PARTY TRANSACTIONS

**Independent Financial Adviser to the  
Independent Board Committee of the REIT Manager, the independent Unitholders  
and the Trustee**



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A letter from the Board is set out on pages 6 to 14 of this Circular.

A notice convening the EGM to be held at 2:30 p.m. on Thursday, 13 November 2008, at Exhibition Venue A on Level 7, The Metropolis Mall, 6 Metropolis Drive, Hung Hom, Hong Kong is set out on pages N-1 to N-2 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.

28 October 2008

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## CORPORATE INFORMATION

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<b>Prosperity REIT</b>	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.
<b>REIT Manager</b>	ARA Asset Management (Prosperity) Limited Units 5508-5509, 55/F, The Center 99 Queen's Road Central, Hong Kong
<b>Directors of the REIT Manager</b>	<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
<b>Trustee</b>	HSBC Institutional Trust Services (Asia) Limited 1 Queen's Road Central Hong Kong
<b>Unit Registrar</b>	Computershare Hong Kong Investor Services Limited Rooms 1806-07 18th Floor, Hopewell Centre 183 Queen's Road East, Wanchai Hong Kong
<b>Legal Advisers to the REIT Manager</b>	Baker & McKenzie 14th Floor, Hutchison House 10 Harcourt Road, Central Hong Kong
<b>Independent Financial Adviser to the Independent Board Committee, the independent Unitholders and the Trustee</b>	GF Capital (Hong Kong) Limited Suites 2301-5 & 2313, COSCO Tower 183 Queen's Road Central, Hong Kong

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## DEFINITIONS

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

<b>Board</b>	The board of Directors.
<b>Business Day</b>	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.
<b>Cheung Kong</b>	Cheung Kong (Holdings) Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 001).
<b>Cheung Kong Connected Persons Group</b>	Cheung Kong and any person who is a connected person of Prosperity REIT as a result of its connection with Cheung Kong.
<b>Cheung Kong Entities</b>	Each of the subsidiaries (as defined under the SFO) of Cheung Kong.
<b>Connected Party Transactions</b>	The category of transactions referred to in the section headed “Proposed New Annual Monetary Limits for the Connected Party Transactions” of this Circular.
<b>Connected Person</b>	shall bear the meaning as defined in paragraph 8.1 of the REIT Code.
<b>Directors</b>	The directors of the REIT Manager.
<b>EGM</b>	The extraordinary general meeting of Unitholders convened by and referred to in the EGM Notice.
<b>EGM Notice</b>	The notice included in this Circular in respect of the extraordinary general meeting of Unitholders to consider and, if thought fit, approve the Waiver Extension and the New Annual Caps.
<b>Hong Kong</b>	The Hong Kong Special Administrative Region of the People’s Republic of China.

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## DEFINITIONS

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<b>HWL</b>	Hutchison Whampoa Limited, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 013).
<b>HWL Entities</b>	Each of the subsidiaries (as defined under the SFO) of HWL.
<b>Independent Board Committee</b>	The independent committee of the Board established to advise the independent Unitholders on the Waiver Extension and the New Annual Caps, comprising the independent non-executive Directors, Mr. Lan Hong Tsung, David, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Mr. Robert Douglas Pope.
<b>Independent Financial Adviser</b>	GF Capital (Hong Kong) Limited.
<b>Latest Practicable Date</b>	22 October 2008, being the latest practicable date prior to the printing of this Circular for the purpose of ascertaining certain information contained in this Circular.
<b>Listing Date</b>	16 December 2005, being the date on which the Units were first listed on the SEHK.
<b>Manager Group</b>	The REIT Manager or any person who is connected person of Prosperity REIT as a result of its connection with the REIT Manager.
<b>New Annual Caps</b>	The proposed new annual limits for the Connected Party Transactions for the years ending 31 December 2009, 31 December 2010 and 31 December 2011 respectively, as set out in the section headed “Proposed New Annual Monetary Limits for the Connected Party Transactions” of this Circular.
<b>Offering Circular</b>	The offering circular dated 5 December 2005 issued by Prosperity REIT in connection with the initial public offering of Units by Prosperity REIT.

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## DEFINITIONS

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<b>Ordinary Resolution</b>	A resolution of Unitholders passed by a simple majority of the votes of those present, whether in person or by proxy, and entitled to vote, 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.
<b>Prosperity REIT</b>	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.
<b>Prosperity REIT Group</b>	Prosperity REIT and the other companies or entities held or controlled by Prosperity REIT.
<b>Record Date</b>	13 November 2008.
<b>REIT Code</b>	The Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being.
<b>REIT Manager</b>	ARA Asset Management (Prosperity) Limited, as manager of Prosperity REIT.
<b>SEHK</b>	The Stock Exchange of Hong Kong Limited.
<b>SFC</b>	The Securities and Futures Commission of Hong Kong.
<b>SFO</b>	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified for the time being.
<b>Trust Deed</b>	The deed of trust constituting Prosperity REIT dated 29 November 2005 entered into between the Trustee and the REIT Manager as amended by a first supplemental deed dated 12 December 2005, a second supplemental deed dated 15 May 2007 and a third supplemental deed dated 14 May 2008, as the same may be supplemented or amended from time to time.
<b>Trustee</b>	HSBC Institutional Trust Services (Asia) Limited, as trustee of Prosperity REIT.
<b>Unit</b>	One undivided unit in Prosperity REIT.

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## DEFINITIONS

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<b>Unit Registrar</b>	Computershare Hong Kong Investor Services Limited.
<b>Unitholder</b>	Any person registered as holding a Unit.
<b>Waiver</b>	Waiver granted by the SFC in respect of certain connected party transactions between Prosperity REIT Group and (a) the Cheung Kong Connected Persons Group and/or (b) the Manager Group.
<b>%</b>	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.

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## LETTER FROM THE BOARD

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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



Asset Management (Prosperity) Limited

#### ARA Asset Management (Prosperity) Limited

**Directors of the REIT Manager:**

*Non-executive Directors*

Chiu Kwok Hung, Justin (*Chairman*)

Lim Hwee Chiang

Ma Lai Chee, Gerald

**Registered Office of the REIT 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

28 October 2008

*To: Unitholders of Prosperity REIT*

Dear Sir/Madam,

#### **CIRCULAR TO UNITHOLDERS IN RELATION TO EXTENSION OF EXISTING CONNECTED PARTY TRANSACTION WAIVER AND PROPOSED NEW ANNUAL LIMITS FOR CERTAIN CONNECTED PARTY TRANSACTIONS**

Reference is made to the announcement dated 27 October 2008 by the REIT Manager in relation to the proposed extension of the Waiver (“**Waiver Extension**”) in respect of the Connected Party Transactions and the proposed New Annual Caps. The purposes of this Circular are to (a) provide you with information on the proposed Waiver Extension and the New Annual Caps; (b) provide you with further information as is necessary to enable you to make an informed decision on whether to vote for or against the Ordinary Resolution to be proposed at the EGM relating to the Waiver Extension and the New Annual Caps; (c) set out



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## LETTER FROM THE BOARD

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the recommendation of the Independent Board Committee relating to the Waiver Extension and the New Annual Caps; (d) set out the recommendation of the Independent Financial Adviser to the Independent Board Committee, the independent Unitholders and the Trustee relating to the Waiver Extension and the New Annual Caps; and (e) serve notice of the EGM.

### **1. WAIVER EXTENSION**

#### **(i) Waiver for Certain Connected Party Transactions**

As disclosed in the Offering Circular, the REIT Manager had obtained the Waiver from strict compliance with the disclosure requirements and the requirements for approval of Unitholders, under Chapter 8 of the REIT Code, in respect of certain categories of connected party transactions between the Prosperity REIT Group and (a) the Cheung Kong Connected Persons Group and/or (b) the Manager Group, for a period to expire on 31 December 2008.

Details of the Waiver are set out in the section headed “Waivers for Certain Transactions” of the Offering Circular. The New Annual Caps are in relation to the annual limits in respect of the leasing and/or licensing transactions and the property management transactions referred to in the Waiver.

#### **(ii) Expiration of Waiver**

The Waiver will expire on 31 December 2008. In accordance with the terms of the Waiver, the Waiver may be extended beyond 31 December 2008, and/or the conditions of the Waiver may be modified from time to time, provided that:

- (a) the approval of independent Unitholders is obtained by way of an ordinary resolution passed in a general meeting of Unitholders;
- (b) disclosure of details of the proposed extension and/or modification (as the case may be) shall be made by way of an announcement by the REIT Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- (c) any extension of the period of the waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year-end date of Prosperity REIT after the date on which the approval in (a) above is obtained.

#### **(iii) Extension of Waiver**

The REIT Manager has made a submission to the SFC for an extension of the Waiver for three financial years ending 31 December 2011. Save for the annual monetary limits set out in the section headed “Waivers for Certain Transactions” of the Offering Circular

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## LETTER FROM THE BOARD

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in connection with the Waiver, the REIT Manager confirms that the waiver conditions will continue to apply to Prosperity REIT for the three financial years ending 31 December 2011. The REIT Manager also confirms that the Connected Party Transactions with respect to which the Waiver Extension is sought are the same as those described in the section headed “Waiver for Certain Transactions” of the Offering Circular.

### 2. PROPOSED NEW ANNUAL MONETARY LIMITS FOR THE CONNECTED PARTY TRANSACTIONS

#### (i) New Annual Caps

It is proposed that the New Annual Caps for the years ending 31 December 2009, 31 December 2010 and 31 December 2011 respectively shall not exceed the respective annual limits set out in the following table:

Categories of connected party transactions	For the year ending 31 December 2009	For the year ending 31 December 2010	For the year ending 31 December 2011
Leasing/licensing transactions with the Cheung Kong Connected Persons Group	HK\$39,100,000	HK\$45,000,000	HK\$51,800,000
Leasing/licensing transactions with the Manager Group	HK\$3,800,000	HK\$4,400,000	HK\$5,100,000
Property management transactions	HK\$22,200,000	HK\$25,500,000	HK\$29,300,000

#### (ii) Computations of the New Annual Caps

Detailed computation of the New Annual Caps for the years ending 31 December 2009, 31 December 2010 and 31 December 2011 is as follows:

##### (a) *Leasing/licensing transactions with the Cheung Kong Connected Persons Group*

The New Annual Cap for the year ending 31 December 2009 is determined by applying a 15% increment to the cap amount of HK\$34,000,000 for the year ending 31 December 2008. The New Annual Caps for each of the years ending 31 December 2010 and 31 December 2011 are determined by applying a 15% increment to the New Annual Cap for the immediately preceding calendar year, with some minor rounding up of figures.

The 15% increment factor has been utilised as this takes into account the anticipated growth of Prosperity REIT together with an appropriate buffer for contingencies, for instance, possible additional leasing or licensing transactions with the Cheung Kong Connected Persons Group during the relevant period.

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## LETTER FROM THE BOARD

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*(b) Leasing/licensing transactions with the Manager Group*

The Manager Group does not currently have any leases/licenses of premises comprising Prosperity REIT's portfolio. However, it is possible that such leases/licenses may be entered into at some point during the forthcoming waiver period.

The New Annual Cap for the year ending 31 December 2009 is determined by applying a 15% increment to the cap amount of HK\$3,300,000 for the year ending 31 December 2008. The New Annual Caps for each of the years ending 31 December 2010 and 31 December 2011 are determined by applying a 15% increment to the New Annual Cap for the immediately preceding calendar year, with some minor rounding up of figures.

The 15% increment factor has been utilised as this takes into account the anticipated growth of Prosperity REIT together with an appropriate buffer for contingencies, for instance, possible additional leasing or licensing transactions with the Manager Group during the relevant period.

In accordance with the terms of the Waiver with respect to annual limits of leasing/licensing transactions, an independent valuation will be conducted for each of such leasing/licensing transactions with the Cheung Kong Connected Persons Group and/or the Manager Group, except where they are conducted on standard or published rates.

*(c) Property Management Transactions*

Reference is made to the circular to Unitholders dated 13 April 2007 in which, *inter alia*, the REIT Manager proposed certain revisions of the annual monetary limits for the years ending 31 December 2007 and 31 December 2008 in relation to the Property Management Transactions to HK\$16,700,000 and HK\$19,300,000 respectively. The New Annual Cap for the year ending 31 December 2009 is determined by applying a 15% increment to the cap amount of HK\$19,300,000 for the year ending 31 December 2008.

The New Annual Caps for each of the years ending 31 December 2010 and 31 December 2011 are determined by applying a 15% increment to the New Annual Cap for the immediately preceding calendar year, with some minor rounding up of figures.

The 15% increment factor has been utilised as this takes into account the anticipated growth of Prosperity REIT together with an appropriate buffer for contingencies, for instance, possible additional property management related

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## LETTER FROM THE BOARD

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services, additional landlord's fitting out provisions, or building facilities maintenance and improvement works being carried out by the Cheung Kong Connected Persons Group during the relevant period.

### **3. DISCLOSURE AND INDEPENDENT UNITHOLDERS' APPROVAL REQUIREMENTS**

Pursuant to the Waiver, the REIT Manager is required to issue an announcement and to issue a circular and notice to Unitholders in accordance with Chapter 10 of the REIT Code to seek independent Unitholders' approval to extend the Waiver beyond 31 December 2008 and to increase one or more of the annual limits set out in the Waiver. Accordingly, the REIT Manager intends to seek the independent Unitholders' approval for the Waiver Extension and the New Annual Caps at the EGM.

### **4. RESTRICTIONS ON VOTING**

Paragraph 8.11 of the REIT Code provides that where a Unitholder has a material interest in the transaction tabled for approval at a general meeting of Prosperity REIT, and that interest is different from that of all other Unitholders, such Unitholder shall abstain from voting.

Further, under Paragraph 3.2 of Schedule 1 to the Trust Deed, where a Unitholder has a material interest in the transaction tabled for approval at a general meeting of Prosperity REIT, and that interest is different from the interests of other Unitholders, such Unitholder shall be prohibited from voting its Units or being counted in the quorum for the general meeting.

Pursuant to the REIT Code and the Trust Deed, by virtue of Cheung Kong's material interest or deemed material interest in the transactions described in Sections (2)(ii)(a) and (c) of the Circular, Cheung Kong and the Cheung Kong Entities shall abstain from voting on the Ordinary Resolution to approve the Waiver Extension and the New Annual Caps. Cheung Kong has agreed that it will abstain, and will procure each of the Cheung Kong Entities, including Total Win Group Limited, to abstain, from voting at the EGM on the Ordinary Resolution to approve the Waiver Extension and the New Annual Caps. HWL has agreed that it will abstain, and will procure each of the HWL Entities, including Wide Option Investments Limited, to abstain, from voting at the EGM on the Ordinary Resolution to approve the Waiver Extension and the New Annual Caps.

As at the Latest Practicable Date, Cheung Kong was deemed to be interested in 176,328,129 Units (representing approximately 13.67% of the Units in issue), which were directly held by its wholly-owned subsidiary, Total Win Group Limited.

As at the Latest Practicable Date, HWL was deemed to be interested in 98,883,559 Units (representing approximately 7.67% of the Units in issue), which were directly held by its wholly-owned subsidiary, Wide Option Investments Limited. HWL constitutes an "associate" of Cheung Kong for the purposes of the REIT Code.

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## LETTER FROM THE BOARD

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Pursuant to the REIT Code and the Trust Deed, by virtue of the REIT Manager's material interest or deemed material interest in the transactions described in Section (2)(ii)(b) of the Circular, and because the REIT Manager constitutes an "associate" of Cheung Kong for the purposes of the REIT Code, the REIT Manager shall abstain from voting on the Ordinary Resolution to approve the Waiver Extension and the New Annual Caps.

As at the Latest Practicable Date, the REIT Manager held 3,352,346 Units (representing approximately 0.26% of the Units in issue).

To the best of the REIT Manager's knowledge, information and belief, after having made reasonable enquiries, the REIT Manager takes the view that save as disclosed above, no other Unitholder is required to abstain from voting at the EGM in respect of the Waiver Extension and the New Annual Caps.

### 5. OPINION OF THE BOARD

The Board (including all the independent non-executive Directors) confirms that:

- (i) in its opinion, the Waiver Extension and the New Annual Caps, and the basis of the New Annual Caps, are fair and reasonable having regard to the interests of the independent Unitholders as a whole;
- (ii) in its opinion, each of the Connected Party Transactions subsisting as at the date of this Circular has been entered into:
  - (a) in the ordinary and usual course of business of Prosperity REIT; and
  - (b) on terms which are normal commercial terms at arm's length and are fair and reasonable so far as the independent Unitholders are concerned and in the interests of Prosperity REIT and its independent Unitholders as a whole.
- (iii) in its opinion, each of the Connected Party Transactions to be entered into for the years ending 31 December 2009, 31 December 2010 and 31 December 2011, shall be entered into:
  - (a) in the ordinary and usual course of business of Prosperity REIT; and
  - (b) on terms which are normal commercial terms at arm's length and are fair and reasonable so far as the independent Unitholders are concerned and in the interests of Prosperity REIT and its independent Unitholders as a whole.

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## **LETTER FROM THE BOARD**

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### **6. OPINION OF THE INDEPENDENT FINANCIAL ADVISER**

The Independent Financial Adviser confirms that it is of the view that the Connected Party Transactions are entered into at arm's length and on normal commercial terms and in the ordinary and usual course of business of Prosperity REIT, and that the Waiver Extension and the New Annual Caps are fair and reasonable and in the interests of Prosperity REIT and the independent Unitholders as a whole.

### **7. OPINION OF THE TRUSTEE**

GF Capital (Hong Kong) Limited has been appointed by the REIT Manager to advise the Independent Board Committee, the independent Unitholders and the Trustee as to whether the Waiver Extension and New Annual Caps are fair and reasonable. Details of their opinion, together with the principal factors taken into consideration, and assumptions and qualifications in arriving at such opinion, are set out in the "Letter from the Independent Financial Adviser" in this Circular. Further, the Independent Board Committee has been appointed to advise in respect of the Waiver Extension and New Annual Caps and their advice is set out in the "Letter from the Independent Board Committee" in this Circular.

Based and in sole reliance on: (1) the information and assurances provided by the REIT Manager; (2) the opinion of the Independent Financial Adviser; and (3) the Letter from the Independent Board Committee, the Trustee, having taken into account its duties set out in the Trust Deed and the REIT Code, is of the view that the Waiver Extension and New Annual Caps are fair and reasonable so far as the independent Unitholders are concerned and in the interests of Prosperity REIT and its independent Unitholders as a whole. This view is being furnished for the sole purpose of complying with Clause 10.10(o) of the REIT Code, and is not to be taken as a recommendation or representation by the Trustee of the merits of the Waiver Extension and New Annual Caps or of any statements or information made or disclosed in this Circular.

The Trustee has not made any assessment of the merits or impact of the Waiver Extension and New Annual Caps other than as described above. Accordingly, the Trustee urges Unitholders who are in any doubt as to the merits or impact of the Waiver Extension and New Annual Caps to seek their own financial or other professional advice.

### **8. RECOMMENDATIONS**

The Independent Board Committee has been established by the Board to advise the independent Unitholders on the Waiver Extension and the New Annual Caps. GF Capital (Hong Kong) Limited has been appointed as Independent Financial Adviser to provide its opinion on these matters to the Independent Board Committee, the independent Unitholders and the Trustee.

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## LETTER FROM THE BOARD

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Your attention is drawn to the “Letter from the Independent Board Committee” set out in this Circular, which contains the Independent Board Committee’s recommendation to the independent Unitholders in respect of the Waiver Extension and the New Annual Caps, and the “Letter from the Independent Financial Adviser” set out in this Circular, which contains the Independent Financial Adviser’s advice to the Independent Board Committee, the independent Unitholders and the Trustee on the Waiver Extension and the New Annual Caps.

Having regard to the reasons for, terms of, and factors and other information taken into consideration in relation to, the Waiver Extension and the New Annual Caps, as described in this Circular, the Directors (including the independent non-executive Directors) consider that the Connected Party Transactions are entered into at arm’s length and on normal commercial terms and in the ordinary and usual course of business of Prosperity REIT, and that the Waiver Extension and the New Annual Caps are fair and reasonable and in the interests of Prosperity REIT and the independent Unitholders as a whole. The Independent Board Committee recommends that the independent Unitholders vote at the EGM in favour of the Ordinary Resolution to approve the Waiver Extension and the New Annual Caps.

### **9. EXTRAORDINARY GENERAL MEETING**

The EGM will be held at 2:30 p.m. on Thursday, 13 November 2008 at Exhibition Venue A on Level 7, The Metropolis Mall, 6 Metropolis Drive, Hung Hom, Hong Kong, for the purpose of considering and, if thought fit, passing with or without modifications, the Ordinary Resolution set out in the EGM Notice, which is set out on pages N-1 to N-2 of this Circular.

The Register of Unitholders will be closed from Monday, 10 November 2008 to Thursday, 13 November 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 Friday, 7 November 2008.

You can vote at the EGM if you are a Unitholder as at the close of business on Thursday, 13 November 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-2 of this Circular) and a form of proxy for use for the EGM.

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.

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## LETTER FROM THE BOARD

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### 10. MISCELLANEOUS

The REIT 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*





**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**



Asset Management (Prosperity) Limited

**ARA Asset Management (Prosperity) Limited**

28 October 2008

*To: The independent Unitholders*

Dear Sirs/Madam,

**EXTENSION OF EXISTING CONNECTED PARTY TRANSACTION WAIVER  
AND PROPOSED NEW ANNUAL LIMITS FOR  
CERTAIN CONNECTED PARTY TRANSACTIONS**

We have been appointed as members of the Independent Board Committee to advise you in connection with the Waiver Extension and the New Annual Cap, details of which are set out in the “Letter from the Board” in the circular dated 28 October 2008 (the “**Circular**”) from the REIT Manager to the Unitholders, of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

GF Capital (Hong Kong) Limited has been appointed by the REIT Manager to advise us and the independent Unitholders as to whether the Waiver Extension and the New Annual Caps are fair and reasonable. Details of their opinion, together with the principal factors taken into consideration, and assumptions and qualifications in arriving at such opinion, are set out in the “Letter from the Independent Financial Adviser” the text of which is contained in the Circular.

Having taken into account the opinion of GF Capital (Hong Kong) Limited and the principal factors and reasons considered by them, we consider that the Connected Party Transactions are entered into at arm’s length and on normal commercial terms and in the ordinary and usual course of business of Prosperity REIT, and that the Waiver Extension and the New Annual Caps are fair and reasonable so far as the independent Unitholders are concerned and in the interests of Prosperity REIT and the independent Unitholders as a whole.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend that the independent Unitholders vote in favour of the Ordinary Resolution which will be proposed at the EGM to approve the Waiver Extension and the New Annual Caps.

Yours faithfully,  
for and on behalf of the Independent Board Committee of  
**ARA Asset Management (Prosperity) Limited**  
**Lan Hong Tsung, David**  
*the Chairman of the Committee*

**Lan Hong Tsung, David**  
*Independent Non-executive Director*

**Sng Sow-Mei (alias Poon Sow Mei)**  
*Independent Non-executive Director*

**Robert Douglas Pope**  
*Independent Non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from GF Capital (Hong Kong) Limited, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee, independent Unitholders and the Trustee in connection with the Waiver Extension and the New Annual Caps.*



**廣發融資(香港)有限公司**

**GF Capital (Hong Kong) Limited**

Suites 2301-5 & 2313, COSCO Tower

183 Queen's Road Central

Hong Kong

28 October 2008

*The Independent Board Committee, independent Unitholders and the Trustee*

Dear Sirs,

### **EXTENSION OF EXISTING CONNECTED PARTY TRANSACTION WAIVER AND PROPOSED NEW ANNUAL LIMITS FOR CERTAIN CONNECTED PARTY TRANSACTIONS**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee, independent Unitholders and the Trustee on the Waiver Extension and the New Annual Caps for the years ending 31 December 2009, 31 December 2010 and 31 December 2011. Details of the Waiver Extension are set out in the letter from the Board contained in the circular to Unitholders dated 28 October 2008 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As disclosed in the Offering Circular, the REIT Manager had obtained the Waiver from strict compliance with the disclosure requirements, and the requirements for approval of Unitholders, under Chapter 8 of the REIT Code, in respect of certain categories of connected party transactions between Prosperity REIT Group and (i) the Cheung Kong Connected Persons Group and/or (ii) the Manager Group for a period to expire on 31 December 2008 (the “**Initial Waiver Period**”).

As disclosed in the Offering Circular, the Waiver may be extended beyond 31 December 2008, and/or the conditions of the waiver may be modified from time to time, provided that:

- (a) the approval of independent Unitholders is obtained by way of an ordinary resolution passed in a general meeting of Unitholders;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (b) disclosure of details of the proposed extension and/or modification (as the case may be) shall be made by way of an announcement by the REIT Manager of such proposal, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code;
- (c) any extension of the period of the waiver shall, on each occasion of such extension, be for a period which shall expire not later than the third full financial year-end date of Prosperity REIT after the date on which the approval referred to in (a) above is obtained.

As the REIT Manager expects that the Connected Party Transactions will continue after the Initial Waiver Period, the REIT Manager will seek approval from the independent Unitholders for the extension of Initial Waiver Period and the New Annual Caps for the years ending 31 December 2009, 31 December 2010 and 31 December 2011.

The REIT Manager has made a submission to the SFC for the Waiver Extension for three financial years ending 31 December 2011. Save for the annual monetary limits set out in the section headed “Waivers for Certain Transactions” of the Offering Circular in connection with the Waiver, the REIT Manager confirms that the waiver conditions will continue to apply to Prosperity REIT for the three financial years ending 31 December 2011.

**Pursuant to relevant paragraphs of the REIT Code and the Trust Deed, by virtue of Cheung Kong’s and the REIT Manager’s material interest or deemed material interests in the Connected Party Transactions, Cheung Kong, Cheung Kong Entities, HWL, HWL Entities and the REIT Manager shall abstain from voting on the Ordinary Resolution to approve the Waiver Extension and the New Annual Caps.**

### INDEPENDENT BOARD COMMITTEE

The Directors 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. The Independent Board Committee comprising all independent non-executive Directors has been formed to advise the independent Unitholders as to the Waiver Extension and the New Annual Caps.

### BASIS OF OUR OPINION

In forming our opinion as to whether the Waiver Extension and the New Annual Caps are fair and reasonable so far as the independent Unitholders are concerned and in the interests of Prosperity REIT and the independent Unitholders as a whole, we have relied on the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true, accurate and complete at the time when they were made and continued to be true, accurate and complete as at the date of the Circular.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have also assumed that all statements of belief, opinion and intention made by the Board contained in the Circular were reasonably made by them after their due enquiry and careful consideration and that there are no other facts the omission of which would make any statement in the Circular misleading in any material respect.

Our review and analyses were based upon the information provided by the REIT Manager which include, among others, the Property Management Agreement, the Waiver application submitted to the SFC dated 23 November 2005, the SFC approval letter dated 30 November 2005 granting the Waiver, the application submitted to the SFC in 2007 relating to the previously approved revised annual caps, the circular dated 13 April 2007 issued by Prosperity REIT in relation to the revised annual caps, sample quotations and/or sample agreements entered into by Prosperity REIT with the Cheung Kong Connected Persons Group and with the Manager Group (if any) as well as those to independent third parties for similar transactions, the Offering Circular and the audited financial statements of Prosperity REIT for the years ended 31 December 2006 and 31 December 2007.

We consider that we have reviewed sufficient information to reach a reasonably informed view to justify our reliance on the accuracy of the information contained in the Circular as aforesaid and to provide reasonable grounds for our advice.

Furthermore, we have no reason to doubt the truth, accuracy and/or completeness of the information and representations as provided to us by the REIT Manager. We have not conducted any independent in-depth investigation into nor have we carried out any independent verification of the information supplied.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our recommendation in relation to the Waiver Extension and the New Annual Caps, we have considered the following principal factors and reasons:

#### **1. Background of the Connected Party Transactions**

The Connected Party Transactions include (i) leasing and licensing transactions with the Cheung Kong Connected Persons Group, and with the Manager Group; and (ii) the property management transactions with the Cheung Kong Connected Persons Group and the Manager Group.

##### *(i) Leasing and licensing transactions*

The leasing and licensing transactions include transactions that are to be entered into in the ordinary course of the leasing business of Prosperity REIT and transacted on normal arm's length commercial terms with the Cheung Kong Connected Persons Group, and with the Manager Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(ii) *Property management transactions*

The property management transactions (the “**Property Management Transactions**”) include any transactions that are in the nature of property management and operational arrangements in respect of the properties owned by Prosperity REIT and subsequent properties to be acquired by Prosperity REIT and that are to be entered into with the Cheung Kong Connected Persons Group and the Manager Group, including, inter alia:

- *Property management in respect of Prosperity REIT’s assets:* The REIT Manager will delegate the property management functions in respect of Prosperity REIT’s real estate assets to the Property Manager; and
- *Third party services:* Under the terms of the property management agreement (the “**Property Management Agreement**”), the property manager of the Prosperity REIT (the “**Property Manager**”), as agent for the relevant Property Companies (to be defined in the following paragraph), will enter into contracts with third party service providers for the provision of, among other things, cleaning, maintenance, security, car park management and other ancillary services for the relevant property and some of these third party service providers will be members of the Cheung Kong Connected Persons Group.
- *Deeds of mutual covenant:* Each of the property companies (the “**Property Companies**”), being the respective direct owners of the properties including (i) Wisdom Champion Companies, in relation to The Metropolis Tower, (ii) Conestoga Limited, in relation to Prosperity Millennia Plaza (formerly named as MLC Millennia Plaza), (iii) Bandick Limited, in relation to Prosperity Place (formerly named as Modern Warehouse), (iv) Haskins Investments Limited, in relation to New Treasure Centre Property, (v) Winrise Champion Limited and Prodes Company Limited, in relation to Prosperity Center Property, (vi) Harbour Champ Limited (formerly known as Hero Champ Limited), in relation to Harbourfront Landmark Property, and (vii) Top Easy Profits Limited, in relation to Trendy Centre will, where applicable, be bound by the terms of the deed of mutual covenant applicable to the property owned by it. The deed of mutual covenant binds the manager under the deed of mutual covenant (the “**DMC Manager**”) and all the owners of a development and their successors-in-title, irrespective of whether they are original parties to the deed of mutual covenant. Some of the DMC Managers in respect of properties to be held by Prosperity REIT are members of the Cheung Kong Connected Persons Group. Further, there are also situations arising where one or more members of the Cheung Kong Connected Persons Group own other parts of the development of which the property owned by Prosperity REIT forms part, and therefore technically the deed of mutual covenant constitutes a contract between them; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- *Back-office support services:* Members of the Cheung Kong Connected Persons Group may provide back-office support services to the REIT Manager. Such support takes the form of full-time or part-time secondment of staff or is in other forms such as service-level arrangements for back-office support services such as accounting, corporate secretarial services and other support services with charge-back arrangements on arm's-length normal commercial terms.

The REIT Code contains rules governing transactions between Prosperity REIT Group and certain defined categories of “connected persons” within the meaning given in the REIT Code. Such transactions will constitute “connected party transactions” for the purposes of the REIT Code.

The REIT Manager has established an internal control system intended to ensure that connected party transactions between Prosperity REIT Group and its “connected persons” are monitored and that they are undertaken on terms in compliance with the REIT Code. As required by the REIT Code, all connected party transactions must be carried out at arm's length terms and in the best interests of Unitholders.

### **2. Terms of the Connected Party Transactions**

#### *(i) Leasing and licensing transactions*

In respect of leasing and licensing transactions, an independent valuation will be conducted for each of such leasing and licensing transactions except where they are conducted on standard or published rates.

#### *(ii) Property Management Transactions*

In respect of the Property Management Transactions, the Property Management Agreement was entered into on 29 November 2005 by the REIT Manager and the Property Manager.

The REIT Manager confirmed that the Connected Party Transactions with respect to which the Waiver Extension is sought are the same as those described in the section headed “Waiver for Certain Transactions” of the Offering Circular. The Directors also confirmed that all Connected Party Transactions were and will be carried out in the ordinary and usual course of business of Prosperity REIT based on normal commercial terms and in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of Prosperity REIT and the independent Unitholders as a whole. In addition, we have randomly selected samples of the agreement or quotation in respect of the leasing and licensing transactions as well as the Property Management Transactions between Prosperity REIT and the Cheung Kong Connected Persons Group, the Manager Group (if any)

and other independent parties respectively and compared the terms thereof. We have also reviewed the valuation results on the rentals of certain leasing properties which are issued by independent valuers. Based on the sample agreements and quotations reviewed as well as the opinion of the independent valuer, we are of the view that the past transactions are conducted in accordance with the Waiver. In addition, the terms are no less favorable than those available to or from independent parties for similar transactions. No irregularities have been identified from our review. Accordingly, we are of the view that the terms of the Connected Party Transactions are on normal commercial terms and are fair and reasonable so far as the independent Unitholders are concerned and the Waiver Extension is in the interests of Prosperity REIT and its independent Unitholders as a whole.

### **3. Reasons for the Connected Party Transactions**

Prosperity REIT is a real estate investment trust formed primarily to own and invest in a diverse, income-producing portfolio of office, commercial and retail properties. The properties comprising the initial portfolio of Prosperity REIT and any subsequent properties located in or outside of Hong Kong whether directly or indirectly acquired or wholly or partly owned by Prosperity REIT will be managed by the Property Manager pursuant to the Property Management Agreement. The REIT Manager considers that entering into the Property Management Transactions is necessary to facilitate the management of the properties owned by Prosperity REIT.

The leasing/licensing of the properties is in the ordinary course of business of Prosperity REIT and is its major source of income. The leasing/licensing of the properties of Prosperity REIT to the Cheung Kong Connected Persons Group and the Manager Group will contribute a stable and reliable income to Prosperity REIT.

The Directors confirm that the rental and the service fees receivable or payable under the Connected Party Transactions were and will be determined after arm's length negotiation and having taken into account of the prevailing market rate. The Directors therefore consider that the Connected Party Transactions are in the ordinary and usual course of business of Prosperity REIT and it would be in the interest of Prosperity REIT Group to continue such arrangements. We concur with the Directors' view.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 4. Basis of determination of the New Annual Caps

Set out below are the values of the Connected Party Transactions for each of the two years ended 31 December 2006 and 2007 and the six months ended 30 June 2008, the previously approved annual caps, and the New Annual Caps:

(i) *Leasing/licensing transactions with the Cheung Kong Connected Persons Group*

	For the year ended 31 December		For the six months
	2006	2007	ended 30 June 2008
Transaction value	HK\$21,112,610	HK\$19,887,874	HK\$9,401,457
	For the year ended 31 December		For the year ending
	2006	2007	31 December 2008
Previously approved annual caps	HK\$26,000,000	HK\$30,000,000	HK\$34,000,000
% of cap utilization	81	66	55 (Note)
	For the year ending 31 December		
	2009	2010	2011
Proposed New Annual Caps	HK\$39,100,000	HK\$45,000,000	HK\$51,800,000
% of increase	15	15	15

*Note:* Calculated based on the expected annualized transaction value of approximately HK\$18,800,000.

The proposed New Annual Cap for each of the year ending 31 December 2009, 31 December 2010 and 31 December 2011 is determined by applying a 15% increment to respective annual cap for the previous years and with some minor rounding up of figures.

According to the REIT Manager, the 15% increment factor has been utilized as this takes into account the anticipated growth of Prosperity REIT together with an appropriate buffer for contingencies, for instance, possible additional leasing or licensing transactions with the Cheung Kong Connected Persons during the relevant period.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(ii) *Leasing/licensing transactions with the Manager Group*

	For the year ended 31 December		For the six months ended 30 June
	2006	2007	2008
Transaction value	HK\$0	HK\$0	HK\$0
	<b>For the year ended 31 December 2006</b>	<b>For the year ended 31 December 2007</b>	<b>For the year ending 31 December 2008</b>
Previously approved annual caps	HK\$2,500,000	HK\$2,900,000	HK\$3,300,000
% of cap utilization	0	0	0 (Note)
	<b>For the year ending 31 December</b>		
	<b>2009</b>	<b>2010</b>	<b>2011</b>
Proposed New Annual Caps	HK\$3,800,000	HK\$4,400,000	HK\$5,100,000
% of increase	15	15	15

*Note:* Calculated based on the expected annualized transaction value.

The proposed New Annual Cap for each of the year ending 31 December 2009, 31 December 2010 and 31 December 2011 is determined by applying a 15% increment to respective annual cap for the previous years and with some minor rounding up of figures.

According to the REIT Manager, the 15% increment factor has been utilized as this takes into account the anticipated growth of Prosperity REIT together with an appropriate buffer for contingencies, for instance, possible additional leasing or licensing transactions with the Manager Group during the relevant period.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### (iii) Property Management Transactions

	For the year ended 31 December		For the six months
	2006	2007	ended 30 June 2008
Transaction value	HK\$10,940,783	HK\$10,700,668	HK\$5,850,139

  

	For the year ended 31 December		For the year ending
	2006	2007	31 December 2008
Previously approved annual caps	HK\$9,500,000	HK\$16,700,000	HK\$19,300,000

% of cap utilization	115 (Note (a))	64	61 (Note (b))
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	For the year ending 31 December		
	2009	2010	2011
Proposed New Annual Caps	HK\$22,200,000	HK\$25,500,000	HK\$29,300,000

  

% of increase	15	15	15
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*Notes:*

- (a) The transaction value for the year ended 2006 exceeded the previously approved annual caps, details of discrepancy was included in the announcement dated 30 March 2007. A revised annual cap was subsequently approved by independent Unitholders on 9 May 2007.
- (b) Calculated based on the expected annualized transaction value of approximately HK\$11,700,000.

The proposed New Annual Cap for each of the year ending 31 December 2009, 31 December 2010 and 31 December 2011 is determined by applying a 15% increment to respective annual cap for the previous years and with some minor rounding up of figures.

According to the REIT Manager, the 15% increment factor has been utilized as this takes into account the anticipated growth of Prosperity REIT together with an appropriate buffer for contingencies, for instance, possible additional property management related services, additional landlord's fitting out provisions, or building facilities maintenance and improvement works being carried out by the Cheung Kong Connected Persons during the relevant period.

We are of the view the New Annual Caps are fair and reasonable and in the interests of the independent Unitholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 5. Compliance with the Waiver

The Connected Party Transactions are subject to the following annual review requirements:

- a. The independent non-executive Directors must review the Connected Party Transactions annually and confirm in the annual report for the relevant financial periods that such transactions have been entered into:
  - (1) in the ordinary and usual course of business of Prosperity REIT;
  - (2) on normal commercial terms (to the extent that there are comparable transactions) or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Prosperity REIT than terms available to or from (as appropriate) independent third parties; and
  - (3) in accordance with the relevant agreement governing them (if any) on terms that are fair and reasonable and in the interests of the Unitholders as a whole.
- b. In respect of each financial period, the REIT Manager will engage and agree with the auditors of Prosperity REIT to perform certain review procedures on the Connected Party Transactions and the auditors will then report to the REIT Manager on the factual findings based on the work performed by them (and a copy of such report shall be provided to the SFC), confirming that the Connected Party Transactions:
  - (1) have received the approval of the Board (including the independent non-executive Directors);
  - (2) are in accordance with the pricing policies of Prosperity REIT;
  - (3) have been entered into in accordance with the terms of the agreements governing the Connected Party Transactions; and
  - (4) have not exceeded the relevant annual caps.
- c. The REIT Manager shall allow, and shall procure the counterparty to the Connected Party Transactions to allow, the auditors sufficient access to their records for the purpose of reporting on such transactions.
- d. Prosperity REIT shall promptly notify the SFC and publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or the auditors will not be able to confirm the matters set out in (a) and/or (b) above respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- e. Details of the relevant connected party transactions will be disclosed in Prosperity REIT's semi-annual and annual reports, as required under paragraph 8.14 of the REIT Code.

Subsequent increase in cap amount of the Connected Party Transactions shall be permitted, provided that:

- a. The approval of independent Unitholders is obtained by way of an ordinary resolution passed in a general meeting of Unitholders;
- b. Disclosure of details of the proposal to increase the cap amount shall be made by way of an announcement by the REIT Manager, and a circular and notice shall be issued to Unitholders in accordance with Chapter 10 of the REIT Code; and
- c. The requirements referred to as above shall continue to apply, save that the increased annual caps amount shall apply.

We are of the view that the aforesaid annual review requirements can provide appropriate measures to govern the REIT Manager in carrying out the Connected Party Transactions and safeguard the interests of the independent Unitholders thereunder.

### RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the Connected Party Transactions are entered into at arm's length and on normal commercial terms and in the ordinary and usual course of business of Prosperity REIT, and that the Waiver Extension and the New Annual Caps are fair and reasonable and in the interests of Prosperity REIT and the independent Unitholders as a whole. Accordingly, we have advised the Independent Board Committee to recommend and we ourselves also recommend that the independent Unitholders vote at the EGM in favour of the Ordinary Resolution to approve the Waiver Extension and the New Annual Caps.

For and on behalf of  
**GF Capital (Hong Kong) Limited**  
**Dino Ng**

*Managing Director and Co-Head of Corporate Finance*

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# NOTICE OF EXTRAORDINARY GENERAL MEETING

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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



Asset Management (Prosperity) Limited

**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, Hong Kong on Thursday, 13 November 2008 at 2:30 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions:

### ORDINARY RESOLUTION

1. “**That:**

- (a) the extension of the waiver in respect of certain connected party transactions (the “**Transactions**”), as more particularly described in the section headed “Waiver Extension” in the circular to Unitholders dated 28 October 2008 for three financial years ending 31 December 2011, together with the proposed new annual monetary limits for the years ending 31 December 2009, 31 December 2010 and 31 December 2011 respectively in relation to the Transactions, as more particularly described in the section headed “Proposed New Annual Monetary Limits for the Connected Party Transactions” in the circular to Unitholders dated 28 October 2008, be and are hereby approved; and
- (b) ARA Asset Management (Prosperity) Limited, as the Manager of Prosperity REIT (the “**REIT Manager**”), and any director of the REIT Manager each be and is hereby severally authorised to complete and do or cause to be done all such acts and things as the REIT Manager or any director of the REIT Manager, as the case may be, may consider expedient or necessary or in the interests of Prosperity REIT to give effect to the above approval.”

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, 28 October 2008

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Registered Office of the REIT 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.
- (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 Monday, 10 November 2008 to Thursday, 13 November 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 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 Friday, 7 November 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 bilingual version) (the "Circular") has been posted on Prosperity REIT's website at [www.prosperityreit.com](http://www.prosperityreit.com) and the website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://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 or who for any reason have difficulty in receiving or gaining access to the Circular posted on Prosperity REIT's website may request for the printed copy of the Circular.

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.