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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.

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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 THE PROPOSED REVISED ANNUAL CAP FOR CERTAIN CONNECTED PARTY TRANSACTIONS AND PROPOSED AMENDMENTS TO THE TRUST DEED

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



A letter from the Board is set out on pages 6 to 20 of this Circular.

A notice convening the EGM to be held at Exhibition Venue A, on Level 7, The Metropolis Mall, 6 Metropolis Drive, Hung Hom, Hong Kong on Wednesday, 9 May 2007, at 3:50 p.m. (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-13 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 Shops 1712-1716, 17th 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.

13 April 2007

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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 Chief Executive Officer</i> Lin Chung Sing, Charlie <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 Shops 1712-1716 17th 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
Legal Advisers to the Trustee	<i>As to Hong Kong law</i> Simmons & Simmons 35th Floor, Cheung Kong Center 2 Queen's Road Central Hong Kong
Independent Financial Adviser to the Independent Board Committee and the independent Unitholders	GF Capital (Hong Kong) Limited 23/F., Cosco Tower 183 Queen's 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 9 May 2007 at 3:30 p.m..
Amendments	The proposed amendments to the Trust Deed as set out in the EGM Notice.
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.
Cheung Kong	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).
Cheung Kong Connected Persons Group	Cheung Kong and any person who is a connected person (as defined under the REIT Code) of Prosperity REIT as a result of its connection with Cheung Kong.
Cheung Kong Entities	Each of the subsidiaries (as defined under the SFO) of Cheung Kong.
Convertible Instruments	Any securities convertible or exchangeable into Units, or any options or warrants or similar rights for the subscription or issue of Units (or securities convertible or exchangeable into Units), issued by Prosperity REIT or any Special Purpose Vehicle (as defined in the Trust Deed); and references to an issue of Units “ pursuant to any Convertible Instruments ” means an issue of Units pursuant to exercise of any conversion, exchange and/or subscription or similar rights (as the case may be) under the terms and conditions of such Convertible Instruments.
Directors	The directors of the Manager.
EGM	The extraordinary general meeting of Unitholders convened by and referred to in the EGM Notice.

DEFINITIONS

EGM Notice	The notice included in this Circular in respect of the extraordinary general meeting of Unitholders to consider and, if thought fit, approve the Amendments and Revised Annual Cap.
Hong Kong	The Hong Kong Special Administrative Region of the People's Republic of China.
HWL	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).
HWL Entities	Each of the subsidiaries (as defined under the SFO) of HWL.
Independent Board Committee	The independent committee of the Board established to advise the independent Unitholders on the Revised Annual Cap, comprising the independent non-executive Directors, Mr. Lan Hong Tsung, David, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Mr. Robert Douglas Pope.
Independent Financial Adviser	GF Capital (Hong Kong) Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed by the Independent Board Committee in respect of the Revised Annual Cap.
Issue Price	The price per Unit at which Units are from time to time issued, as determined in accordance with Clause 5.2 of the Trust Deed.
Latest Practicable Date	10 April 2007, being the latest practicable date prior to the printing of this Circular for the purpose of ascertaining certain information contained in this Circular.
Listing Date	16 December 2005, being the date on which the Units were first listed on the SEHK.
Manager	ARA Asset Management (Prosperity) Limited, as manager of Prosperity REIT.
Market Price	In relation to a Unit, has the meaning set out in Clause 5.2.4 of the Trust Deed.

DEFINITIONS

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 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.
Property Management Transactions	The category of transactions referred to in the section headed “Proposed Revised Annual Monetary Limits for Property Management Transactions” of this Circular.
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.
Record Date	9 May 2007
REIT Code	The Code on Real Estate Investment Trusts published by the SFC as amended, supplemented or otherwise modified for the time being.
Revised Annual Cap	The proposed revised annual limits for the Property Management Transactions for the years ending 31 December 2007 and 31 December 2008 respectively, as set out in the section headed “Proposed Revised Annual Monetary Limits For Property Management Transactions” of this Circular.
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 Resolution	A resolution of Unitholders passed by a majority consisting of 75% or more 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 25% of the Units in issue.

DEFINITIONS

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, 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.
Waiver	Waiver granted by the SFC in respect of certain connected party transactions between Prosperity REIT Group (as defined in the Offering Circular) and the Cheung Kong Connected Persons Group.
%	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 Chief Executive Officer

Lin Chung Sing, Charlie

Independent Non-executive Directors

Lan Hong Tsung, David

Sng Sow-Mei (alias Poon Sow Mei)

Robert Douglas Pope

13 April 2007

To: Unitholders of Prosperity REIT

Dear Sir/Madam,

**CIRCULAR TO UNITHOLDERS
IN RELATION TO THE PROPOSED REVISED ANNUAL CAP
FOR CERTAIN CONNECTED PARTY TRANSACTIONS AND
PROPOSED AMENDMENTS TO THE TRUST DEED**

Reference is made to the announcement dated 30 March 2007 by the Manager in relation to the Amendments and the proposed revision of one of the annual monetary limits for certain connected party transactions for the years ending 31 December 2007 and 31 December 2008 in respect of Property Management Transactions, pursuant to the Waiver. The purpose of this Circular is (a) to provide you with information on the inadvertent excess in monetary value of the relevant annual cap amount of the Property Management Transactions during the year ended 31 December 2006 and the reasons for such excess; (b) to provide you with information on the proposed revision of annual monetary limits in respect of the Property Management Transactions for the years ending 31 December 2007

LETTER FROM THE BOARD

and 31 December 2008; (c) to provide you with further information regarding Special Resolutions to be proposed at the EGM relating to the Amendments; (d) to 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 Revised Annual Cap; (e) to set out the recommendation of the Independent Board Committee relating to the Revised Annual Cap and its views on the Property Management Transactions for the year ended 31 December 2006; (f) to set out the recommendation of the Independent Financial Adviser to the Independent Board Committee and the independent Unitholders relating to the Revised Annual Cap and its views on the Property Management Transactions for the year ended 31 December 2006; and (g) to serve notice of the EGM.

A. PROPOSED REVISED ANNUAL MONETARY LIMITS FOR PROPERTY MANAGEMENT TRANSACTIONS

1. WAIVER FOR CERTAIN CONNECTED PARTY TRANSACTIONS

As disclosed in the Offering Circular, the Manager had obtained a 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 (as defined in the Offering Circular) and the Cheung Kong Connected Persons Group.

Details of the Waiver are set out in the section headed “Waivers for Certain Transactions” of the Offering Circular. The proposed Revised Annual Cap is in relation to the property management transactions (“**Property Management Transactions**”) as referred to in the Waiver.

2. ANNUAL MONETARY LIMITS FOR PROPERTY MANAGEMENT TRANSACTIONS

It has come to the Manager’s attention that, for the year ended 31 December 2006, the actual value of certain Property Management Transactions between Prosperity REIT and the Cheung Kong Connected Persons Group, as stipulated in the Waiver, was inadvertently in minor excess of the relevant annual cap amount. It has come to the Manager’s attention that there is some discrepancy between the methodology it has been using for the relevant annual cap calculation for the Property Management Transactions in relation to Prosperity REIT and that used by other real estate investment trusts authorised by the SFC. The total value of the Property Management Transactions for the year ended 31 December 2006 was HK\$10,941,000 which exceeded the cap amount of HK\$9,500,000 stipulated in the Waiver by approximately HK\$1,441,000. The excess amount of HK\$1,441,000 and the actual total value of the Property Management Transactions of HK\$10,941,000 represented approximately 0.049% and approximately 0.37% respectively of the net asset value of Prosperity REIT as at 31 December 2006.

The Manager had been under the impression that the property management fee (the “**Property Management Fee**”) payable by Prosperity REIT to the property manager of Prosperity REIT, as contemplated under the property management agreement, was not required to be included in the annual cap calculation. The rationale had been that given the

LETTER FROM THE BOARD

language of Note (2) to Paragraph 8.10 of the REIT Code and the fact that details of the property management agreement and the Property Management Fee had already been fully disclosed in the Offering Circular, the Manager had thought that it would be appropriate to treat the Property Management Fee in accordance with the terms of Note (2) to Paragraph 8.10 of the REIT Code.

Due to the different operating structure of the predecessor property management services in respect of the properties of Prosperity REIT, the Property Management Fee was not fully taken into account in the annual cap calculation at the time of the application for the Waiver. It has come to the Manager's attention that the methodology it has been using for the relevant annual cap calculation appears to be inconsistent with that used by other real estate investment trusts authorized by the SFC.

The Manager has fully complied with the terms and conditions of the Waiver other than the inadvertent excess in respect of the annual cap amount for Property Management Transactions for the year ended 31 December 2006. The Manager confirms that the relevant Property Management Transactions for the year ended 31 December 2006 were entered into in the ordinary and usual course of business of Prosperity REIT, on normal commercial terms and in accordance with the relevant agreement, if any, on terms that are fair and reasonable and in the interests of Unitholders as a whole. In view of the circumstances, the Manager considers that it is appropriate to seek approval from the independent Unitholders for a revision to the annual cap amounts in respect of the Property Management Transactions for the years ending 31 December 2007 and 31 December 2008 to take into account the Property Management Fee.

3. PROPOSED REVISED ANNUAL MONETARY LIMITS

(i) Proposed Revised Annual Limits

The revised cap amounts proposed by the Manager in respect of the Property Management Transactions for the years ending 31 December 2007 and 31 December 2008 respectively are as follows:-

**For the year ending
31 December 2007**

HK\$16,700,000

**For the year ending
31 December 2008**

HK\$19,300,000

LETTER FROM THE BOARD

(ii) Computation of the Revised Annual Limits

Detailed computation of the proposed revised cap amount for the year ending 31 December 2007 is as follows:-

Actual value of the Property Management Fee for the year ended 31 December 2006 X 15% increment factor + annual limit of Property Management Transactions for the year ending 31 December 2007 as stipulated under the Waiver.

→ HK\$4,988,000 X 1.15 + HK\$11,000,000 = HK\$16,700,000 (with some minor rounding of figures)

The proposed cap for the year ending 31 December 2007 is determined by applying a 15% increment to the actual value of the Property Management Fee for the year ended 31 December 2006, then adding the resultant amount to the cap amount of HK\$11,000,000 for the year ending 31 December 2007 (as stipulated in the Waiver) and with some minor rounding of figures.

Detailed computation of the proposed revised cap amount for the year ending 31 December 2008 is as follows:-

→ HK\$16,700,000 X 1.15 = HK\$19,300,000 (with some minor rounding of figures)

The proposed cap for the year ending 31 December 2008 is determined by applying a 15% increment to the proposed figure for the year ending 31 December 2007, with some minor rounding of figures.

(iii) Basis of the Revised Annual Limits

The above basis for the proposed revised annual cap amounts is consistent with the basis adopted in the application for the Waiver. The 15% increment factor has been utilized as this is in line with the increment factor submitted at the time of application for the Waiver.

(See ordinary resolution 1 in the EGM Notice.)

4. DISCLOSURE AND INDEPENDENT UNITHOLDERS' APPROVAL REQUIREMENTS

Pursuant to the Waiver, the Manager is required to issue an announcement in respect of the proposed increase in the annual cap amounts of the Property Management Transactions, and to issue a circular and notice to Unitholders in accordance with Chapter 10 of the REIT Code to seek the independent Unitholders' approval. Accordingly, the Manager intends to seek the independent Unitholders' approval for the proposed increase in the annual cap amounts of the Property Management Transactions for the years ending 31 December 2007 and 31 December 2008 at the EGM.

LETTER FROM THE BOARD

5. 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 Property Management Transactions, Cheung Kong and the Cheung Kong Entities shall abstain from voting on the Ordinary Resolution to approve the Revised Annual Cap. 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 Revised Annual Cap. 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 Revised Annual Cap.

As at the Latest Practicable Date, Cheung Kong was deemed to be interested in 176,328,129 Units (representing approximately 13.94% 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 7.82% 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.

As at the Latest Practicable Date, the Manager held 573 Units. The Manager constitutes an "associate" of Cheung Kong for the purposes of the REIT Code. The Manager will abstain from voting at the EGM on the Ordinary Resolution to approve the Revised Annual Cap.

To the best of the Manager's knowledge, information and belief, after having made reasonable enquiries, the 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 Revised Annual Cap.

6. RECOMMENDATIONS

The Independent Board Committee has been established by the Board to advise the independent Unitholders on the Revised Annual Cap, and also to provide its views on the Property Management Transactions for the year ended 31 December 2006. GF Capital (Hong Kong) Limited has been appointed as Independent Financial Adviser to provide its opinion on these matters to the Independent Board Committee and the independent Unitholders.

LETTER FROM THE BOARD

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 Revised Annual Cap and its views on the Property Management Transactions for the year ended 31 December 2006, 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 and the independent Unitholders on the Revised Annual Cap and the Property Management Transactions for the year ended 31 December 2006.

Having regard to the reasons for, terms of, and factors and other information taken into consideration in relation to, the proposed Revised Annual Cap, as described in this Circular, the Directors (including the independent non-executive Directors) consider that the proposed Revised Annual Cap is fair and reasonable and in the interests of 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 Revised Annual Cap.

B. PROPOSED AMENDMENTS TO THE TRUST DEED

1. REASONS FOR THE PROPOSED AMENDMENTS

(i) Issue Price

Currently, Clause 5.2.2 of the Trust Deed provides that the issue of Units (or the grant of any option to subscribe for Units) is to be at an Issue Price that is equal to the Market Price or, in the Manager’s discretion, at a premium to the Market Price or at a discount to the Market Price not exceeding the relevant level of discount set forth in Clause 5.2.3 of the Trust Deed. Clause 5.2.4 of the Trust Deed currently defines “**Market Price**” as the price determined by the Manager as being the volume weighted average price for a Unit for all trades on the SEHK in the ordinary course of trading on the SEHK for the period of 10 Business Days immediately preceding the relevant Business Day.

The current Clause 5.2.4 of the Trust Deed does not cater for the issue or grant of Convertible Instruments whereby the conversion (or similar) price is typically determined at the time of issue or grant of the Convertible Instrument, not at the time of conversion (or similar event). Examples of such Convertible Instruments include convertible bonds and subscription warrants. For clarity, the amendment to the Issue Price links the assessment of the “**Market Price**” to the time when the agreement (whether conditional or not) relating to the proposed issue of new Units or Convertible Instruments is made, rather than the time when the Manager is, pursuant to the terms of the Convertible Instrument, required to issue new Units on behalf of Prosperity REIT.

LETTER FROM THE BOARD

As such, the Manager proposes to amend Clauses 5.2.2 and 5.2.4 of the Trust Deed to provide that:

- (A) the issue of Units on behalf of Prosperity REIT (whether directly, or pursuant to any Convertible Instruments issued by Prosperity REIT) on any Business Day will be at an Issue Price per Unit that is equal to the Market Price or, in the Manager's discretion, at a premium to the Market Price or at a discount to the Market Price not exceeding the relevant level of discount set out in Clause 5.2.3 of the Trust Deed. New Units can only be issued at an Issue Price that is at a discount of more than the relevant level of discount set out in Clause 5.2.3 if specific prior approval of Unitholders by way of an Ordinary Resolution is obtained at a meeting convened by the Manager in accordance with Schedule 1 to the Trust Deed.
- (B) The Market Price shall be determined by the Manager, as being the higher of:
 - (a) the closing price of the Units on the SEHK on the date of the relevant agreement or other instrument for (i) the proposed issue of Units, or (ii) the proposed issue of any Convertible Instruments; and
 - (b) the volume weighted average price for a Unit for all trades in Units on the SEHK for the period of ten Trading Days (as defined in the Trust Deed) immediately preceding the earlier of:
 - (i) the date of announcement of (1) the proposed issue of Units, or (2) the proposed issue of any Convertible Instruments;
 - (ii) the date of the relevant agreement or other instrument for (1) the proposed issue of Units, or (2) the proposed issue of any Convertible Instruments; and
 - (iii) the date on which the Issue Price is fixed.

For the purposes of Clauses 14.1.1 and 14.1.2 of the Trust Deed, "Market Price" shall mean the price as determined by the Manager as being the volume weighted average price for a Unit for all trades in Units on the SEHK for the period of ten Trading Days immediately preceding the date on which the relevant Units are issued to the Manager pursuant to Clauses 14.1.1 and/or 14.1.2.

As a result of the proposed amendments to Clauses 5.2.2 and 5.2.4 of the Trust Deed, the Manager proposes to delete Clause 5.2.5 of the Trust Deed as the amended Clauses 5.2.2 and 5.2.4 already set out a mechanism for determining the price at which Units will be issued upon the exercise of options (being a form of Convertible Instruments).

(See special resolution 1 in the EGM Notice.)

LETTER FROM THE BOARD

(ii) Appointment of Proxies

Currently, Paragraph 3 of Schedule 1 to the Trust Deed provides for, among other things, the appointment of proxies by Unitholders. The purpose of the amendment in relation to appointment of proxies is to incorporate certain provisions governing the procedure for appointment of proxies which are similar to those typically adopted by corporate entities in Hong Kong.

The amendment in relation to appointment of proxies provides, among other things, that deposit of instruments appointing proxies must be made not less than 48 hours before the time appointed for holding the meeting or adjourned meeting of Unitholders, and clarifies, among other things, that delivery of an instrument appointing a proxy does not preclude a Unitholder from attending and voting at the meeting. Such provisions are and will continue to be included in the notes to the form of proxy for meetings of Unitholders.

The Manager believes that the amendment in relation to appointment of proxies will provide greater procedural and administrative clarity for the appointment of proxies.

(See special resolution 2 in the EGM Notice.)

(iii) General Mandate to issue Units otherwise than on a pro rata basis to existing Unitholders

Currently, Clause 5.1.6 of the Trust Deed provides that Units may be offered, otherwise than on a pro rata basis to all existing Unitholders, without the approval of Unitholders, if the issue of new Units pursuant to Clause 5.1.6 of the Trust Deed during any Financial Year (as defined in the Trust Deed) does not increase the total number of Units from the number of Units that were outstanding at the end of the previous Financial Year by more than 20% (or such other percentage of outstanding Units as may, from time to time, be prescribed by the SFC).

The primary purposes of the amendments to the general mandate provision are to:

- (A) clarify the denominator on which the computation of the number of Units within the 20% new issue general mandate is based if new Units are offered or issued in the first Financial Year. In the case of the first Financial Year, there is no previous financial year end date on which any Units were in issue and so the relevant denominator for the first Financial Year will be the number of Units outstanding as at the Listing Date; and
- (B) clarify the manner of application of the general mandate computation in the case of issue of Convertible Instruments. The effect is that the number of Units will be calculated as at the time of the entering into of the agreement or instrument for the issue or grant (whichever is earlier) of such Convertible Instruments; and for future calculations of the general mandate, no account will be taken of any Units which may be issued pursuant to any

LETTER FROM THE BOARD

Convertible Instruments to the extent that such Units have already been taken into account in the initial calculation as mentioned above (to avoid double-counting), or fall within the other exclusions provided in the proposed new Clause 5.1.6(i)(a).

In the event that the Manager is unable to ascertain, as at the time of entering into the agreement or instrument for the issue or grant (as the case may be) of a Convertible Instrument, whether the maximum number of Units issuable pursuant to such Convertible Instrument may exceed the general mandate as set out in the proposed new Clause 5.1.6 of the Trust Deed in any relevant Financial Year, specific Unitholders' approval will be sought for the proposed issue of such Convertible Instrument.

(See special resolution 3 in the EGM Notice.)

Set out in Appendix A are hypothetical examples which demonstrate how the number of Units that may be issued, or agreed to be issued, otherwise than on a pro rata basis to all existing Unitholders without Unitholders' approval is calculated under the proposed new Clause 5.1.6 of the Trust Deed. Please note that such examples are purely for illustrative purposes only and do not represent any plans by Prosperity REIT in relation to its equity or debt capital structure, nor should they be taken to constitute the giving of any legal or investment advice by Prosperity REIT, the Manager, the Trustee or any of their respective professional advisers. Unitholders who are in doubt as to the legal or any other implications of the Amendments are recommended to consult their own professional advisers.

(iv) Appointment of Directors of Special Purpose Vehicles

Currently, Clause 10.5.6(a) of the Trust Deed provides, among other things, that the Trustee shall, directly or indirectly and only upon written instruction by the Manager, exercise any rights as shareholder to control any Special Purpose Vehicle (as defined in the Trust Deed), including the obligation to appoint representatives to fill all the seats on the board of directors of such Special Purpose Vehicle.

The current language in Clause 10.5.6(a) of the Trust Deed does not cater for situations where Prosperity REIT has only majority ownership and control of such Special Purpose Vehicle (for example, where the Special Purpose Vehicle is an equity joint venture with an independent third party) and where Prosperity REIT may not be entitled to appoint representatives to fill all the seats of directors of such Special Purpose Vehicle.

As such, the Manager proposes a clarificatory drafting amendment to Clause 10.5.6(a) of the Trust Deed to provide that the obligation of the Trustee, under Clause 10.5.6(a) of the Trust Deed, to appoint directors of such Special Purpose Vehicle shall only apply to the extent it (i.e. Prosperity REIT) is entitled to appoint such director.

(See special resolution 4 in the EGM Notice.)

LETTER FROM THE BOARD

(v) Payment Dates of the Manager's Base Fee and Variable Fee

In respect of the Manager's Base Fee (as defined in the Trust Deed), Clause 14.1.1 of the Trust Deed currently provides that the Manager shall be entitled to receive for its own account out of the Deposited Property (as defined in the Trust Deed) within 30 days of the last day of every calendar quarter in arrear the amount of the Base Fee accrued to it and remaining unpaid.

In respect of the Manager's Variable Fee (as defined in the Trust Deed), Clause 14.1.2(iv) of the Trust Deed currently provides, among other things, that the Manager shall submit an invoice with the computation of the Variable Fee to the Trustee within 30 days of the end of the relevant quarter and the Variable Fee shall be paid to the Manager on the last Business Day of the month in which the invoice is submitted to the Trustee.

The Manager proposes to amend Clause 14.1.1 of the Trust Deed so that the Manager shall submit an invoice with the computation of the Base Fee to the Trustee within 30 days of the end of the relevant quarter and the Base Fee shall be paid to the Manager on the last Business Day of the month in which the invoice is submitted to the Trustee. The purpose of the amendment is to harmonise the dates of payment of the Base Fee and Variable Fee to the Manager.

(See special resolution 5 in the EGM Notice.)

(vi) Fees, Costs and Expenses to be Payable out of Prosperity REIT's Deposited Property

Clause 4.5 of the Trust Deed currently provides for certain types of charges, fees or expenses to be payable out of the Deposited Property (as defined in the Trust Deed) by way of direct payment or reimbursement of the Manager or the Trustee.

It is not clear if public relations-related expenses are expressly authorised by the Trust Deed to be payable out of the Deposited Property. As these expenses are incurred to promote or enhance Prosperity REIT's interests for the benefit of Prosperity REIT, the Manager believes that it is appropriate to modify Clause 4.5 of the Trust Deed to allow such expenses to be payable out of Prosperity REIT's assets. Accordingly, the proposed amendments will amend Clauses 4.5.6 and 4.5.13 of the Trust Deed to allow all fees, costs and expenses in connection with any offering or issue of Units or Convertible Instruments (including costs and expenses incurred in respect of roadshows, press conferences, luncheons, presentations and other public relations-related costs or expenses and fees for public relations consultants and Unit/Convertible Instrument issuance-related expenses) or incurred in the convening and holding of meetings of Unitholders or meetings for purposes of investor and analyst briefings, as well as all fees, costs and expenses incurred in connection with any public relations-related activities in connection with Prosperity REIT, to be payable out of the Deposited Property. This will apply to public relations-related costs and expenses for

LETTER FROM THE BOARD

all purposes relating to Prosperity REIT or its business, including for example future capital raising exercises or conferences/presentations such as those conducted in connection with publication of results of Prosperity REIT.

The Manager has applied to the SFC for a waiver from strict compliance with Paragraph 9.13 of the REIT Code so as to allow the various categories of fees, costs and expenses as described in Clauses 4.5.6 and 4.5.13 of the Trust Deed (as amended by the proposed amendments) to be paid from the Deposited Property.

(See special resolution 6 in the EGM Notice.)

(vii) Amendments to Definitions

Record Date

Clause 1.1 of the Trust Deed currently defines “**Record Date**” as “the date or dates in each Distribution Period determined by the Manager for the purpose of determining the Distribution Entitlement to the Distribution Amount of the Holders”.

The amendment will amend the definition of “**Record Date**” by inserting the words “respect of” after “the date or dates in”.

The purpose of the amendment is to clarify that a record date for the purposes of determining a Unitholder’s distribution entitlement for any distribution period has to be on a date after the end of the relevant distribution period, which is in line with the practice of listed companies in Hong Kong.

Trading Day

As a result of the proposed new definition of “**Market Price**” under the proposed new Clause 5.2.4 of the Trust Deed, the Manager proposes to include in the Trust Deed a definition of “**Trading Day**”, which is to be defined as “any day on which the SEHK is open for the business of dealing in securities”. This is consistent with the current definition of “business day” under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”), as used in the context of the Listing Rules provisions comparable to the proposed new Clause 5.2.4 of the Trust Deed.

(See special resolution 7 in the EGM Notice.)

(viii) Minor Drafting Amendments

Adjustments

Currently, in connection with the calculation of Interim Distributable Income (as defined in the Trust Deed) and Annual Distributable Income (as defined in the Trust Deed), Clause 11.5.3 of the Trust Deed defines “**Adjustments**” to mean the

LETTER FROM THE BOARD

significant adjustments which are charged or credited to the profit and loss account for the relevant Financial Year or the relevant Distribution Period (as defined in the Trust Deed) (as the case may be), including, among other things, the costs of any public offering of Units that are expensed through the profit and loss statement but are funded by proceeds from the issuance of such Units. To cater for any future possible issue of Convertible Instruments or offerings of Units otherwise than on a public basis (e.g. through placements), amendment will be made to the definition of “**Adjustments**” to include the cost of any public or other offering of Units or Convertible Instruments, that are expensed through the profit and loss account but are funded by proceeds from the issuance of such Units or Convertible Instruments (as the case may be).

Service of Notices to Unitholders

Clause 25.6 of the Trust Deed currently provides, among other things, that any notice required to be served upon Unitholders so served by post shall be deemed to have been served three days after posting.

The amendment will amend Clause 25.6 of the Trust Deed to provide that any notice so served by post shall be deemed to have been served on the day after posting and such notice shall be deemed to be duly served on all Unitholders who were on the Register (as defined in the Trust Deed) on the last Business Day before the notice under Paragraph 2 of Schedule 1 to the Trust Deed was sent. Such amendment will enable Prosperity REIT to adopt a notice mechanism in this regard which is more consistent with the practice adopted by listed companies in Hong Kong.

Notice of Meetings

Currently, the language of Paragraph 2.2 of Schedule 1 to the Trust Deed provides that Unitholders entitled to receive notices of meeting are those who were Unitholders on the date seven days before the notice under Paragraph 3 of Schedule 1 to the Trust Deed was sent, but excluding any persons who are known not to be Unitholders at the time of the meeting or at any other relevant time.

The amendment will amend Paragraph 2.2 of Schedule 1 to the Trust Deed so that the Unitholders entitled to receive such notices will be those who were on the Register on the last Business Day before the notice under Paragraph 2 of Schedule 1 to the Trust Deed was sent. This is merely a clarificatory drafting amendment to remove some uncertainties arising from the present language and to adopt a mechanism consistent with the practice adopted by listed companies in Hong Kong.

(See special resolution 8 in the EGM Notice.)

LETTER FROM THE BOARD

(ix) Publication of Announcements

The Manager notes that the SEHK has announced proposals to amend the publication method of announcements so as to allow listed companies to issue announcements by electronic means instead of paid announcements. Based on announcements by the SEHK, the Manager understands that it is expected that such proposed amendments will take effect as from 25 June 2007. The Manager will monitor if and when the regime for REITs will likewise be amended. The Manager proposes to amend certain provisions of the Trust Deed such that if a similar arrangement is introduced for REITs, Prosperity REIT will be able to take advantage of such changes immediately without the need to take further action to amend the relevant provisions of the Trust Deed.

(See special resolution 9 in the EGM Notice.)

(x) Auditors' Confirmation Letter

Clause 11.6.1 of the Trust Deed currently provides that in respect of each Distribution Period, the Manager shall arrange for the auditors of Prosperity REIT (the "**Auditors**") to review and check its calculation under Clause 11 of the Trust Deed of the Distribution Entitlement (as defined in the Trust Deed) of each Unitholder in respect of each Distribution Period and for the Auditors to issue a confirmation letter to the Trustee.

In practice, the Auditors only agree to issue such confirmation letter to the Manager who is responsible under Paragraph 5.18 of the REIT Code for their appointment and has entered into an engagement arrangement with them. Accordingly, it is proposed that Clause 11.6.1 of the Trust Deed be amended to clarify that the confirmation letter to the Trustee will be issued by the Manager and not the Auditors directly. Such confirmation from the Manager to the Trustee will be based on the Auditors' confirmation to the Manager.

(See special resolution 10 in the EGM Notice.)

2. 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 will each be decided on a poll at the EGM.

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.

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.

3. POSSIBLE FUTURE ACTIONS

Subject to special resolution numbers 1, 3, 7 and 8 set out in the EGM Notice being passed, the Manager may from time to time consider the possibility of Prosperity REIT issuing Convertible Instruments as a means of raising capital for its business activities, including for the funding of acquisitions. However, no firm decision in relation to any such possible action has been made by the Manager. If a decision is made for Prosperity REIT to issue any Convertible Instruments and/or to acquire any real estate, Prosperity REIT will comply with the relevant requirements of the REIT Code and other applicable laws and regulations in connection therewith.

C. EXTRAORDINARY GENERAL MEETING

The EGM will be held at Exhibition Venue A, on Level 7, The Metropolis Mall, 6 Metropolis Drive, Hung Hom, Hong Kong on Wednesday, 9 May 2007 at 3:50 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 Ordinary Resolution and Special Resolutions set out in the EGM Notice, which is set out on pages N-1 to N-13 of this Circular.

The Register of Unitholders will be closed from Friday, 4 May 2007 to Wednesday, 9 May 2007, 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 3 May 2007.

LETTER FROM THE BOARD

You can vote at the EGM if you are a Unitholder as at the close of business on Wednesday, 9 May 2007, 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-13 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 Shops 1712-1716, 17th 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.

D. 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)

Lin Chung Sing, Charlie

Executive Director and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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

13 April 2007

To: The independent Unitholders

Dear Sirs/Madam,

REVISED ANNUAL CAP FOR CERTAIN CONNECTED PARTY TRANSACTIONS

We have been appointed as members of the Independent Board Committee to advise you in connection with the Revised Annual Cap, details of which are set out in the "Letter from the Board" in the circular dated 13 April 2007 (the "**Circular**") from the 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 Manager to advise us and the independent Unitholders as to whether the proposed Revised Annual Cap is fair and reasonable, and to provide its view on the Property Management Transactions for the year ended 31 December 2006. 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:–

1. the Revised Annual Cap is fair and reasonable so far as the independent Unitholders are concerned and in the interests of the independent Unitholders as a whole; and
2. the Property Management Transactions for the year ended 31 December 2006 were entered into in the ordinary and usual course of business of Prosperity REIT, and on normal commercial terms which were fair and reasonable and in the interests of Prosperity REIT and the independent Unitholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend that the independent Unitholders vote in favour of the Ordinary Resolution which will be proposed at the EGM to approve the Revised Annual Cap.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 and independent Unitholders in connection with the Property Management Transactions.



23/F Cosco Tower
183 Queen's Road Central
Hong Kong

13 April 2007

The Independent Board Committee
and independent Unitholders

Dear Sirs,

PROPOSED REVISED ANNUAL CAPS OF CONTINUING CONNECTED PARTY TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and independent Unitholders on the Revised Annual Cap of the Property Management Transactions for the years ending 31 December 2007 and 31 December 2008. Details of the Property Management Transactions are set out in the "Letter from the Board" contained in the circular of Prosperity REIT to Unitholders dated 13 April 2007 (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 of Prosperity REIT, the Manager had obtained a waiver (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 and the other companies or entities held or controlled by Prosperity REIT ("**Prosperity REIT Group**") and (i) Cheung Kong and any person who is a "connected person" of Prosperity REIT as a result of its connection with Cheung Kong (the "**Cheung Kong Connected Persons Group**") and/or (ii) the Manager or any person who is a "connected person" of Prosperity REIT as a result of its connection with the Manager (the "**Manager Group**") (as such terms are defined in the Offering Circular) for a period to expire on 31 December 2008. The proposed Revised Annual Cap is in relation to the Property Management Transactions.

For the year ended 31 December 2006, the actual value of the Property Management Transactions was in excess of the relevant annual cap amount of the Waiver. According to the Board, the total value of Property Management Transactions for the year ended 31 December 2006 was HK\$10,941,000, which exceeded the cap amount of HK\$9,500,000

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

stipulated in the Waiver by approximately HK\$1,441,000. The reason for the cap amount being exceeded was because the Property Management Fee payable to the property manager (“**Property Manager**”) of Prosperity REIT (an indirect wholly-owned subsidiary of Cheung Kong), as contemplated under the property management agreement (“**Property Management Agreement**”) was not fully taken into account in the annual cap calculation at the time of the application of the Waiver as the Manager had considered that such fee was not required to be included in the annual cap calculation. It has come to the Manager’s attention that there is some discrepancy between the methodology it has been using for the relevant annual cap calculation for the Property Management Transactions in relation to Prosperity REIT and that used by other real estate investment trusts authorised by the SFC.

In view of the above circumstances, the Manager considers that it is appropriate to seek approval from the independent Unitholders for a revision to the annual cap amounts in respect of the Property Management Transactions for the two years ending 31 December 2007 and 2008 to take into account the Property Management Fee. Pursuant to the Waiver, however, the Manager is required to issue an announcement in respect of the proposed increase in the annual cap amounts of the Property Management Transactions, and to issue a circular and notice to Unitholders in accordance with Chapter 10 of the REIT Code to seek independent Unitholders’ approval.

Pursuant to relevant paragraphs of the REIT Code and the Trust Deed, by virtue of Cheung Kong’s material interest or deemed material interests in the Property Management Transactions, Cheung Kong, Cheung Kong Entities, HWL and HWL Entities shall abstain from voting on the Ordinary Resolution to approve the Revised Annual Cap.

INDEPENDENT BOARD COMMITTEE

The Board currently consists of an executive Director, namely LIN Chung Sing, Charlie; 3 non-executive Directors, namely CHIU Kwok Hung, Justin, LIM Hwee Chiang and MA Lai Chee, Gerald; and 3 independent non-executive Directors, namely LAN Hong Tsung, David, SNG Sow-Mei (alias POON Sow Mei) and Robert Douglas POPE. The Independent Board Committee comprising all independent non-executive Directors has been formed to advise the independent Unitholders as to the Revised Annual Cap.

BASIS OF OUR OPINION

In forming our opinion as to whether the Revised Annual Cap is 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 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 relating to the Revised Annual Cap, the Offering Circular of Prosperity REIT and the audited financial statements for the period ended 31 December 2005 and the year ended 31 December 2006.

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 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 Revised Annual Cap, we have considered the following principal factors and reasons:

1. Background of 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 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 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- *Deeds of mutual covenant:* Each of the property companies, being the respective direct owners (the “**Property Companies**”) 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 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) 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
- *Back-office support services:* Members of the Cheung Kong Connected Persons Group may provide back-office support services to the 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 and corporate secretarial services with charge-back arrangements on arm’s-length normal commercial terms.

The REIT Code contains rules governing transactions between Prosperity REIT’s 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 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 interest of Unitholders.

The Manager had also obtained a waiver from strict compliance with the disclosure and Unitholders’ approval requirements under Chapter 8 of the REIT Code in respect of the Property Management Transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Annual cap for the financial year ended 31 December 2006

For the year ended 31 December 2006, the actual value of the Property Management Transactions was in excess of the relevant annual cap amount of the Waiver. According to the Board, the total value of Property Management Transactions for the year ended 31 December 2006 was HK\$10,941,000, which exceeded the cap amount of HK\$9,500,000 stipulated in the Waiver by approximately HK\$1,441,000.

We were informed that the Manager had been under the impression that the Property Management Fee payable by Prosperity REIT to the Property Manager, as contemplated under the Property Management Agreement, was not required to be included in the annual cap calculation. The rationale had been that given the language of Note (2) to paragraph 8.10 of the REIT Code (having regard to the definitions of “management company” and “constitutive documents” in the REIT Code), and the fact that the details of the Property Management Agreement and the Property Management Fee had already been fully disclosed in the Offering Circular, it seems appropriate to treat the Property Management Fee in accordance with the terms of Note (2) to paragraph 8.10 of the REIT Code, i.e. similar to the treatment for the Manager’s own fees under Prosperity REIT’s trust deed. It has come to the Manager’s attention that there is some discrepancy between the methodology it has been using for the relevant annual cap calculation on the Property Management Transactions in relation to Prosperity REIT and that used by other real estate investment trusts authorised by the SFC. Due to the different operating structure of the predecessor property management services in respect of the properties of Prosperity REIT, the Property Management Fee was not fully taken into account in the annual cap calculation at the time of the application for the Waiver.

We were confirmed by the Manager that save for the annual cap amount for Property Management Transactions for the year ending 31 December 2006, the Manager has fully complied with the terms and conditions of the Waiver.

Under paragraph 8.9 of the REIT Code, Unitholders’ approval is not required for connected party transactions where the total consideration or value of the transaction is less than 5% of the latest net asset value of Prosperity REIT, as disclosed in its latest published audited accounts of Prosperity REIT. The relevant Property Management Transactions did not require Unitholders’ approval at the relevant time because the total consideration or value of the relevant Property Management Transactions was less than 5% of the net asset value of Prosperity REIT. Accordingly, the Manager does not propose to seek any Unitholder ratification of the Property Management Transactions which took place in the year ended 31 December 2006, but will include appropriate disclosure (including the views of an independent financial adviser and the independent board committee) in respect of the relevant Property Management Transactions in the Circular.

We concur with the Manager’s view that the relevant Property Management Transactions and the Property Management Fee payable by Prosperity REIT to the Property Manager as contemplated under the Property Management Agreement were entered into in the ordinary and usual course of business of Prosperity REIT, on normal commercial terms and in accordance with the relevant agreement, if any, on terms that are fair and reasonable and in the interests of independent Unitholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Terms of the Property Management Agreement

The Property Management Agreement was entered into on 29 November 2005 by the Manager and the Property Manager. The initial term of appointment of the Property Manager is five years from the date of completion of purchase by the Trustee of the Property Companies or the date of completion of acquisition of a property by any one of the Property Companies referred to in the Property Management Agreement.

Two months prior to expiry of the initial five-year term, the Property Manager may request to extend its appointment for a further five years on the same terms and conditions except for revision of all fees payable to the Property Manager to the prevailing market rates.

The Manager will decide the prevailing market rates for the extension term and if the Property Manager disagrees with the Manager's decision on the prevailing market rates for the extension term, this will be referred to an independent expert whose determination of the prevailing market rates shall be final and binding on the parties.

The Manager will agree to extend the appointment of the Property Manager for the extension term on the revised fees based on the prevailing market rates determined as aforesaid provided that such extension shall be subject to the approval of the Unitholders if such approval is required pursuant to any applicable regulatory requirements relating to connected party transactions relating to real estate investment trusts.

The Manager is not obliged to extend the appointment of the Property Manager if the above conditions are not fulfilled.

Property Manager's Services

The services provided by the Property Manager for each property under its management include the following:

- property management services, including co-ordinating tenants' fitting out requirements, recommending third party contracts for provision of property management services (including parking facilities management), maintenance services, supervising the performance of service providers and contractors, arranging for adequate insurances and ensuring compliance with building and safety regulations;
- lease management services, including administration of rental collection, management of rental arrears, initiating lease renewals and negotiation of terms; and
- marketing and co-ordination services.

In addition, the Property Manager will co-ordinate with the relevant service providers under all existing contracts entered into by or on behalf of the Property Companies, in relation to the provision of services for the relevant Property, and use reasonable endeavours

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

to arrange for the (i) termination, (ii) continuation on same terms as those existing or (iii) replacement on such terms as the Manager may agree, to ensure continuity in the provision of such services to the relevant Property Companies.

The Property Manager on behalf of each of the Property Companies has also entered into a car parking operating agreement with E-Park Parking Management Limited for the operation and management of parking facilities at the relevant properties. Under such agreement, E-Park Parking Management Limited is be entitled to receive from each of the Property Companies a fee of 10% of all amounts received each month for letting or licensing of parking spaces.

Property Manager's Fees

Under the Property Management Agreement, the Property Manager is entitled to receive from each of the Property Companies, the following fees in relation to the management of the Property owned by the Property Companies:

Property Management and Lease Management Services

For the property and lease management services, the Property Companies shall pay the Property Manager, a fee of 3.0% per annum of the Gross Property Revenue of the relevant property owned by the Property Companies.

Marketing Services

For the marketing services provided by the Property Manager on a non-exclusive basis, the Property Companies will pay the Property Manager, the following commissions:

- a commission equivalent to one month's base rent, for securing a tenancy of three years or more;
- a commission equivalent to one-half month's base rent, for securing a tenancy of less than three years;
- a commission equivalent to one-half month's base rent, for securing a renewal of tenancy irrespective of duration of the renewal term; and
- a commission equivalent to 10.0% of the total licence fee for securing a licence for a duration of less than 12 months.

If the tenancy, renewal of tenancy or the licence is secured by a third party agent appointed by the relevant Property Companies, the Property Manager will not be entitled to any of the above commissions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Certain Operating Expenses

In addition to its fees, the Property Manager will be fully reimbursed for the employment costs and remuneration relating to the employees of the Property Manager engaged solely and exclusively for management of the properties as approved in each annual budget by the Manager.

The Property Manager, as agent for the relevant Property Companies, will enter into contracts with third party service providers for the provision of cleaning, maintenance, security, car park operation and management and other services for the relevant Property, and the costs and expenses under such contracts will form part of the operating expenses to be paid by the Property Companies provided that these have been approved by the Manager in each annual budget or (if not covered in an approved annual budget) in accordance with pre-approved expenditure limit from time to time approved by the Manager.

Expenses

Each of the Property Companies will open and maintain in its name an operating account for its Property except that one operating account in the name of Wisdom Champion Limited shall be opened in respect of The Metropolis Tower. The Property Manager is authorised to utilise funds deposited in the operating account, to make payment of all costs and expenses incurred in the operation, maintenance, management and marketing of the Property, within each annual budget approved by the Manager and by the board of directors of the relevant Property Companies.

We are of the view that the terms of the Property Management Agreement are on normal commercial terms and are fair and reasonable so far as the independent Unitholders are concerned and the entering into of the Property Management Agreement is in the interests of Prosperity REIT and its independent Unitholders as a whole.

3. Reasons for entering into the Property Management Transactions

Prosperity REIT is a real estate investment trust formed primarily to own and invest in a diverse, income-producing portfolio of commercial properties. The properties comprising the initial portfolio of Prosperity REIT and any subsequent properties located in 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 Property Management Agreement was entered into by the Manager and the Property Manager pursuant to which the Property Manager was appointed to operate, maintain, manage and market all the properties of Prosperity REIT located in Hong Kong, subject to the overall management and supervision of the Manager.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Manager considers that entering into the Property Management Transactions is necessary to facilitate the management of the properties owned by Prosperity REIT. The Manager therefore considers that the Property Management 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 Manager's view.

4. Basis of determination of the annual cap

The Revised Annual Cap proposed by the Manager for the years ending 31 December 2007 and 31 December 2008 respectively are as follows:

Period	For the year ending 31 December 2007	For the year ending 31 December 2008
Cap Amount (HK\$)	16,700,000	19,300,000

The proposed cap for the year ending 31 December 2007 is determined by applying a 15% increment to the actual value of the Property Management Fee for the year ended 31 December 2006, then adding the resultant amount to the cap amount of HK\$11,000,000 for the year ending 31 December 2007 (as stipulated in the Waiver) and with some minor rounding of figures.

Detailed computation of the proposed revised cap amount for the year ending 31 December 2007 is as follow:

Actual value of Property Management Fee for the year ended 31 December 2006 x 15% increment factor + annual limit of Property Management Transactions for the year ending 31 December 2007 as stipulated under the Waiver.

$$= \text{HK\$}4,988,000 \times 1.15 + \text{HK\$}11,000,000$$

$$= \text{Approximately HK\$}16,700,000$$

The proposed cap for the year ending 31 December 2008 is determined by applying a 15% increment to the proposed figure for the year ended 31 December 2007, with some minor rounding of figures.

Detailed computation of the proposed revised cap amount for the year ending 31 December 2008 is as follow:

$$= \text{HK\$}16,700,000 \times 1.15$$

$$= \text{Approximately HK\$}19,300,000$$

According to the Manager, the 15% increment factor has been utilized as this is in line with the increment factor submitted at the time of application for the Waiver.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We are of the view the Revised Annual Cap is fair and reasonable and in the interest of the independent Unitholders as a whole.

5. REIT Code Implications

The Property Management Transactions are subject to the following annual review requirements:

- a. The independent non-executive Directors must review the Property Management 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 Manager will engage and agree with the auditors of Prosperity REIT to perform certain review procedures on the Property Management Transactions and the auditors will then report to the 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 Property Management 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 Property Management Transactions; and
 - (4) have not exceeded the Revised Annual Cap.
- c. The Manager shall allow, and shall procure the counterparty to the Property Management Transactions to allow, the auditors sufficient access to their records for the purpose of reporting on such transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- 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.
- 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 Property Management Transactions shall be permitted, provided that:

- a. The approval of independent Unitholders is obtained by way of an ordinary resolution passes 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 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 cap amount shall apply.

We are of the view that the aforesaid annual review requirements can provide appropriate measures to govern the Manager in carrying out the Property Management Transactions and safeguard the interest of the independent Unitholders thereunder.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the Revised Annual Cap is 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.

For and on behalf of
GF Capital (Hong Kong) Limited
Dino Ng
Director and Co-Head of Corporate Finance

**APPENDIX A EXAMPLES OF THE MANNER OF OPERATION OF
THE PROPOSED NEW CLAUSE 5.1.6 OF THE TRUST DEED**

Scenario (A)
<p><i>For the duration of Financial Year 1</i></p> <ul style="list-style-type: none"> ● No new Units are issued. <p>→ Number of Units outstanding as at the end of Financial Year 1 is 1,000</p>
<p><i>For the duration of Financial Year 2</i></p> <ul style="list-style-type: none"> ● The maximum number of Units that may be issued or offered otherwise than on a pro rata basis to all existing Unitholders without Unitholders' approval is 20% x 1,000 = 200

Scenario (B)
<p><i>For the duration of Financial Year 1</i></p> <ul style="list-style-type: none"> ● No Units are issued pursuant to conversion of the convertible bonds. ● 50 new Units are issued in other circumstances, in reliance on the general mandate. ● 50 new Units are issued in other circumstances, with the specific prior approval of Unitholders pursuant to Clause 5.1.6(ii). <p>→ Number of Units outstanding as at the end of Financial Year 1 is 1,000 + 50 + 50 = 1,100</p>
<p><i>For the duration of Financial Year 2</i></p> <ul style="list-style-type: none"> ● The maximum number of Units that may be issued or offered otherwise than on a pro rata basis to all existing Unitholders without Unitholders' approval is 20% x 1,100 = 220 <p>(The Units issuable under the convertible bonds have already been taken into account for the Financial Year in which the convertible bonds are issued, i.e. Financial Year 1.)</p>

Scenario (C)
<p><i>For the duration of Financial Year 1</i></p> <ul style="list-style-type: none"> ● 10 Units are issued pursuant to conversion of the convertible bonds. ● No other new Units are issued. <p>→ Number of Units outstanding as at the end of Financial Year 1 is 1,010</p>

**APPENDIX A EXAMPLES OF THE MANNER OF OPERATION OF
THE PROPOSED NEW CLAUSE 5.1.6 OF THE TRUST DEED**

<p><i>For the duration of Financial Year 2</i></p> <ul style="list-style-type: none"> ● The maximum number of Units that may be issued or offered otherwise than on a pro rata basis to all existing Unitholders without Unitholders' approval is $20\% \times 1,010 = 202$
<p><i>In Financial Year 2</i></p> <ul style="list-style-type: none"> ● Month 1: 10 Units are issued pursuant to conversion of the convertible bonds. → After 10 Units are issued pursuant to conversion of the convertible bonds, the maximum number of Units that may be issued or offered otherwise than on a pro rata basis to all existing Unitholders without Unitholders' approval is $202 - 0 = 202$ <p>(As the 10 Units issued have already been taken into account in Financial Year 1, they will not be taken into account again in Financial Year 2.)</p> <ul style="list-style-type: none"> ● Month 2: 50 Units are placed in other circumstances, in reliance on the general mandate. → After the 50 Units are issued to the placees, the maximum number of Units for the remainder of Financial Year 2 that may be issued or offered otherwise than on a pro rata basis to all existing Unitholders without Unitholders' approval is $202 - 50 = 152$ → Number of Units outstanding as at the end of Financial Year 2 is $1,010 + 10 + 50 = 1,070$
<p><i>For the duration of Financial Year 3</i></p> <ul style="list-style-type: none"> ● The maximum number of Units that may be issued or offered otherwise than on a pro rata basis to all existing Unitholders without Unitholders' approval is $20\% \times 1,070 = 214$

Note⁽¹⁾: If the number of additional new Units issuable as a result of the adjustment event had exceeded 94, then specific approval of Unitholders at the relevant time in Financial Year 3 would have been required. As the 70 additional new issuable Units will be taken into account at the time of the adjustment event in Financial Year 3 and announced by the Manager, they will not be taken into account again if and when such Units are actually issued, whether in that or any subsequent Financial Year.

→ Number of Units outstanding as at the end of
Financial Year 3 is 1,070 + 10 + 120 = 1,200

For the duration of Financial Year 4

- The maximum number of Units that may be issued or offered otherwise than on a pro rata basis to all existing Unitholders without Unitholders' approval is 20% x 1,200 = 240

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, Hong Kong on Wednesday, 9 May 2007 at 3:50 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:

ORDINARY RESOLUTION

1. “**That:**
 - (a) the proposed revised annual monetary limits for the years ending 31 December 2007 and 31 December 2008 respectively in relation to the Property Management Transactions, as more particularly described in the section headed “Proposed Revised Annual Monetary Limits for Property Management Transactions” in the circular to Unitholders of Prosperity REIT dated 13 April 2007, be and is hereby approved; and
 - (b) the Manager and any director of the Manager each be and is hereby severally authorised to complete and do or cause to be done all such acts and things as the Manager or any director of the Manager, as the case may be, may consider expedient or necessary or in the interest of Prosperity REIT to give effect to the above approval.”

SPECIAL RESOLUTIONS

1. “**That:**
 - (a) subject to the passing of special resolution 7, pursuant to Clause 26 of the trust deed constituting Prosperity REIT dated 29 November 2005 (as amended and supplemented by a first supplemental deed dated 12 December 2005) (the “**Trust Deed**”) entered into between ARA Asset Management (Prosperity) Limited, as the

NOTICE OF EXTRAORDINARY GENERAL MEETING

manager of Prosperity REIT (the “**Manager**”), and HSBC Institutional Trust Services (Asia) Limited, as trustee of Prosperity REIT (the “**Trustee**”), approval be and is hereby given for Clauses 5.2.2 and 5.2.4 of the Trust Deed to be deleted in their 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, the Manager may, subject to Clauses 5.1.5 and 5.2.1, effect or agree to effect the issue of Units on behalf of the Trust (whether directly, or pursuant to any Convertible Instruments (as defined in Clause 5.1.6) issued by the Trust) on any Business Day at an Issue Price per Unit that is equal to the Market Price or, in its discretion, at a premium to the Market Price or at a discount to the Market Price not exceeding the relevant level of discount set out in Clause 5.2.3 of the Trust Deed. 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**”). An issue of new Units at an Issue Price that is at a discount of more than the relevant level of discount set out in Clause 5.2.3 of the Trust Deed to the Market Price 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

“5.2.4 (i) For the purposes of this Deed and subject to Clause 5.2.4(ii), “**Market Price**” shall mean the price as determined by the Manager, being the higher of:

(a) the closing price of the Units on the SEHK on the date of the relevant agreement or other instrument for (i) the proposed issue of Units, or (ii) the proposed issue of any Convertible Instruments; and

(b) the volume weighted average price for a Unit for all trades in Units on the SEHK (“**Unit VWAP**”) for the period of ten Trading Days immediately preceding the earlier of:

(i) the date of announcement of (1) the proposed issue of Units, or (2) the proposed issue of any Convertible Instruments;

(ii) the date of the relevant agreement or other instrument for (1) the proposed issue of Units, or (2) the proposed issue of any Convertible Instruments; and

(iii) the date on which the Issue Price is fixed.”;

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- (ii) For the purposes of Clauses 14.1.1 and 14.1.2, “Market Price” shall mean the price as determined by the Manager as being the Unit VWAP for the period of ten Trading Days immediately preceding the date on which the relevant Units are issued to the Manager pursuant to Clauses 14.1.1 and/or 14.1.2;
 - (b) pursuant to Clause 26 of the Trust Deed, approval be and is hereby given for Clause 5.2.5 of the Trust Deed to be deleted in its entirety; and
 - (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 above amendments in relation to Clauses 5.2.2, 5.2.4 and 5.2.5 of the Trust Deed.”
2. **“That:**
- (a) pursuant to Clause 26 of the Trust Deed, approval be and is hereby given for Schedule 1 to the Trust Deed to be amended by inserting the new paragraph below immediately after Paragraph 3.7 of Schedule 1 to the Trust Deed:

“3.7A The instrument appointing a proxy and 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 shall be deposited at such place as the Manager or the Trustee may in the notice convening the meeting direct, or if no such place is appointed then at the registered office of the Registrar, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote; and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date stated in it as the date of its execution. Delivery of an instrument appointing a proxy shall not preclude a Holder from attending and voting at the meeting and, in such event, the instrument appointing the proxy shall be deemed to be revoked. A person appointed to act as a proxy need not be a Holder.”; 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 above amendment in relation to paragraph 3.7 of Schedule 1 to the Trust Deed.”

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3. “That:

- (a) subject to the passing of special resolution 1, pursuant to Clause 26 of the Trust Deed, approval be and is hereby given for Clause 5.1.6 of the Trust Deed to be deleted in its entirety and replaced with the text below:

“5.1.6 (i) Subject to Clause 5.1.7, Units may be issued, or agreed (conditionally or unconditionally) to be issued, in any Financial Year (whether directly or pursuant to any Convertible Instruments), otherwise than on a pro rata basis to all existing Holders, without the approval of Holders, if:–

- (a) the total number of new Units issued, or agreed (conditionally or unconditionally) to be issued, in that Financial Year pursuant to this Clause 5.1.6, without taking into account:
- (1) any new Units issued or issuable in that Financial Year pursuant to any Convertible Instruments issued (whether in that or any prior Financial Year) pursuant to and in compliance with this Clause 5.1.6, to the extent that such new Units are covered by the aggregate number of new Units contemplated under Clause 5.1.6(i)(b) at the Relevant Date applicable to the relevant Convertible Instruments;
 - (2) such number of new Units issued or issuable pursuant to any such Convertible Instruments as a result of adjustments arising from the consolidation or sub-division or re-designation of Units;
 - (3) any new Units issued in that Financial Year pursuant to any agreement for the issuance of Units, to the extent that such new Units were previously taken into account in the calculation made under this Clause 5.1.6(i)(a) (whether in that or any prior Financial Year) at the Relevant Date applicable to that agreement; and/or
 - (4) any new Units issued, or agreed (conditionally or unconditionally) to be issued, otherwise than on a pro rata basis to all existing Holders and in respect of which the specific prior approval of Holders in accordance with the relevant requirements hereunder and under applicable laws and regulations (including the Code) has been obtained;

PLUS

- (b) (1) the maximum number of new Units issuable at the Initial Issue Price (as defined in Clause 5.2.2) pursuant to any Convertible Instruments issued, or agreed (conditionally or

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unconditionally) to be issued, otherwise than on a pro rata basis to all existing Holders and whose Relevant Date falls within that Financial Year; and

- (2) the maximum number of any other new Units which may be issuable pursuant to any such Convertible Instruments as at the Relevant Date thereof as estimated or determinable by the Manager in good faith and using its best endeavours and confirmed in writing to the Trustee and the SFC, having regard to the relevant terms and conditions of such Convertible Instruments (including any additional new Units issuable under any adjustment mechanism thereunder other than adjustments arising from the consolidation or sub-division or re-designation of Units),

does not increase the number of Units that were outstanding at the end of the previous Financial Year (or, in the case of an issue of, or an agreement (whether conditional or unconditional) to issue, Units or Convertible Instruments during the first Financial Year, the number of Units that were outstanding as at the Listing Date) by more than 20% (or such other percentage of outstanding Units as may, from time to time, be prescribed by the SFC).

- (ii) Any issue of, or any agreement (whether conditional or unconditional) to issue, new Units exceeding the threshold in this Clause 5.1.6 will require specific prior approval of Holders by Ordinary Resolution at a meeting to be convened by the Manager in accordance with Schedule 1.
- (iii) For the purposes of this Clause 5.1.6, and Clauses 5.2.2 and 5.2.4:
 - (a) “**Convertible Instruments**” means any securities convertible or exchangeable into Units, or any options or warrants or similar rights for the subscription or issue of Units (or securities convertible or exchangeable into Units), issued by the Trust or any Special Purpose Vehicle; and references to an issue of Units “**pursuant to any Convertible Instruments**” means an issue of Units pursuant to exercise of any conversion, exchange and/or subscription or similar rights (as the case may be) under the terms and conditions of such Convertible Instruments; and
 - (b) “**Relevant Date**” means, as the case may be, the date of the relevant agreement or other instrument for the issue or proposed issue of any Units or Convertible Instruments, or the date of the grant of any Convertible Instruments, whichever is the earlier.”; 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 above amendment in relation to Clause 5.1.6 of the Trust Deed.”

4. **“That:**

- (a) pursuant to Clause 26 of the Trust Deed, approval be and is hereby given for Clause 10.5.6(a) of the Trust Deed to be deleted in its entirety and replaced with the text below:

“10.5.6

- (a) Notwithstanding any other provisions in this Deed, the Trustee shall, directly or indirectly, only upon written instruction by the Manager but subject in all cases to Clause 17.17.2 exercise any rights as shareholder to control such Special Purpose Vehicle (including, without limitation, the obligation to provide powers of attorneys or proxies as provided in Clause 13.1, the obligation to appoint directors of such Special Purpose Vehicle to the extent it is entitled to appoint such directors and to ensure that the auditor and accounting principles and policies of any Special Purpose Vehicle are identical to those of the Trust).”; 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 above amendment in relation to Clause 10.5.6(a) of the Trust Deed.”

5. **“That:**

- (a) pursuant to Clause 26 of the Trust Deed, approval be and is hereby given for Clause 14.1.1 of the Trust Deed to be deleted in its entirety and replaced with the text below:

“14.1.1 Base Fee

The Manager shall be entitled to receive for its own account out of the Deposited Property in arrear the amount of the Base Fee accrued to it and remaining unpaid. The Manager shall at the end of each quarter of each Financial Year compute the Base Fee for the quarter, based on management accounts of the Trust (if that Real Estate is directly owned by the Trustee) or the relevant Special Purpose Vehicle (if the Real Estate is owned by a Special Purpose Vehicle), and submit an invoice with such computation of the Base Fee to the Trustee within 30 days of the end of

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that quarter. Any invoice submitted under this Clause shall be subject to the review and clearance by the Trustee within 14 days of its receipt of the Manager's invoice, and the Base Fee shall be paid to the Manager (in the form of cash and/or Units, as the case may be) on the last Business Day of the month in which the invoice is submitted to the Trustee. The Manager shall be entitled to alter the rate of the Base Fee to some smaller percentage than that hereinafter provided by notice to the Trustee in writing PROVIDED THAT the Manager shall give written notice of any alteration of such rate to a higher percentage within the permitted limit to all Holders and the Trustee, not less than three months prior to the date of effect thereof. The Base Fee shall not exceed the rate of 0.4% per annum of the Property Values (for the purposes of this Clause, the "permitted limit"). Any increase in the rate of the Base Fee above the permitted limit or any change in the structure of the Base Fee shall be approved by a Special Resolution of a meeting of Holders, duly convened and held in accordance with the provisions of Schedule 1. The Base Fee shall accrue on each day of each calendar quarter in respect of the period up to and including the last day of that calendar quarter. The amount accruing on each day of each calendar quarter shall be a sum equal to the appropriate percentage of the Property Values on the last day of the calendar quarter multiplied by the number of days in the relevant period and divided by 365. The "appropriate percentage" shall be the rate of Base Fee applicable on the relevant day. For an initial period of five years after the Listing Date, the Base Fee referable only to the relevant Real Estate acquired by the Trust in respect of the Initial Public Offering shall be paid to the Manager in the form of Units. After the fifth anniversary of the Listing Date, the Base Fee referable to such Real Estate shall be paid to the Manager in the form of cash and/or Units (as the Manager may elect). The Base Fee in respect of any Real Estate (other than those referable to the relevant Real Estate acquired in respect of the Initial Public Offering) shall be paid in the form of cash and/or Units (as the Manager may elect). The Manager shall make the aforesaid elections for the payment of the Base Fee in cash and/or Units, and (if applicable) the respective percentages of the Base Fee to be paid in cash and/or in Units, annually on or before 15 January of each Year by way of notice in writing to the Trustee and an announcement to the Holders, such election to be irrevocable during the Year in which it was made. In the event that the Manager fails to make such an election in any Year, the most recent valid election made by the Manager in a prior Year (if any) shall apply and, if there is no such prior Year election by the Manager, the Base Fee shall be paid in cash. When paid in the form of Units, the Manager shall be entitled to receive such number of Units as may be purchased for the relevant amount of the Base Fee at the prevailing Market Price at the time of the issue of such Units as determined under Clause 5.2.4. In the event payment is to be made in the form of Units and the relevant thresholds for the issuance of Units without Holders' approval (including the threshold of 20% (or such other percentage as permitted by the Code) of outstanding Units that the Manager may issue in each Financial Year

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without Holders' approval pursuant to the Code, and any other limit or threshold specified in any waiver from strict compliance with the Code granted by the SFC) are exceeded and Holders' approval is not obtained, then payment of that excess part of the Base Fee will be paid in the form of cash. The amount of the Base Fee payable to the Manager shall be net of all applicable GST and all other applicable sales tax, governmental impositions, duties and levies whatsoever imposed thereon by the relevant authorities in Hong Kong or elsewhere.”; 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 above amendment in relation to Clause 14.1.1 of the Trust Deed.”

6. **“That:**

- (a) pursuant to Clause 26 of the Trust Deed, approval be and is hereby given for the amendment of Clause 4.5.6 by adding the words “and all other fees, costs and expenses (including costs and expenses incurred in respect of roadshows, press conferences, luncheons, presentations, and other public relations-related fees, costs or expenses and fees for public relations consultants and Unit/Convertible Instrument issuance-related expenses) in connection with any offering or issue of Units or Convertible Instruments” after the words “under Clause 5”;

- (b) pursuant to Clause 26 of the Trust Deed, approval be and is hereby given for Clause 4.5.13 of the Trust Deed to be deleted in its entirety and replaced with the text below:

“4.5.13 “all fees, costs and expenses (including costs and expenses incurred in respect of roadshows, press conferences, luncheons, presentations and other public relations-related costs or expenses and fees for public relations consultants and Unit/Convertible Instrument issuance-related expenses) incurred in connection with convening and holding of meetings of Holders or meetings for purposes of investor or analyst briefings, and all fees, costs and expenses incurred in connection with any public relations-related activities in connection with the Trust other than the fees, costs and expenses already referred to above or in Clause 4.5.6” and

- (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 above amendments in relation to Clauses 4.5.6 and 4.5.13 of the Trust Deed.”

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7. **“That:**

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

“**Record Date**” means the date or dates in respect of each Distribution Period determined by the Manager for the purpose of determining the Distribution Entitlement to the Distribution Amount of the Holders;”;

- (b) pursuant to Clause 26 of the Trust Deed, approval be and is hereby given for Clause 1.1 of the Trust Deed to be amended by inserting the following definition of “Trading Day” immediately after the definition of “Tax”:

“**Trading Day**” means any day on which the SEHK is open for the business of dealing in securities;” and

- (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 above amendments in relation to Clause 1.1 of the Trust Deed.”

8. **“That:**

- (a) subject to the passing of special resolution 1, pursuant to Clause 26 of the Trust Deed, approval be and is hereby given for the definition of “Adjustments” in Clause 11.5.3 of the Trust Deed to be deleted in its entirety and replaced with the text below:

“11.5.3 For the purposes of this Clause 11, “**Adjustments**” means significant adjustments which are charged or credited to the profit and loss account for the relevant Financial Year or the relevant Distribution Period (as the case may be), including: (i) unrealized property revaluation gains/losses, including impairment provisions and reversals of impairment provisions; (ii) impairment loss of goodwill/recognition of negative goodwill; (iii) differences between cash and accounting finance costs; (iv) realized gains on the disposal of properties; (v) deferred tax charges/credits in respect of property valuation movements, fair value changes on financial instruments and commercial building allowances/capital allowances claimed; (vi) the portion of the Management Fee that is paid in the form of Units; (vii) costs of any public or other offering of Units or Convertible Instruments that are expensed through the profit and loss statement but are funded by proceeds from the issuance of such Units or Convertible Instruments; and (viii) other material non-cash gains/losses.”;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) pursuant to Clause 26 of the Trust Deed, approval be and is hereby given for Clause 25.6 of the Trust Deed to be deleted in its entirety and replaced with the text below:

“25.6 Any notice required to be served upon a Holder shall be deemed to have been duly given if sent by post to or left at his address as appearing in the Register or in the case of Joint Holders, to the Joint Holder whose name stands first in the Register. Any notice so served by post shall be deemed to have been served the day after posting and, for the purposes of paragraph 2 of Schedule 1, such notice shall be deemed to have been duly served on all Holders who were on the Register on the last Business Day before the notice under paragraph 2 of Schedule 1 was sent. In proving such service it shall be sufficient to prove that the letter or other document containing the notice was properly addressed, stamped and posted.”;

- (c) pursuant to Clause 26 of the Trust Deed, approval be and is hereby given for Paragraph 2.2 of Schedule 1 to the Trust Deed to be deleted in its entirety and replaced with the text below:

“2.2 14 days’ notice at the least (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of every meeting shall be given to the Holders in the manner provided in this Deed, except that 21 days’ notice at the least (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of the meeting shall be given to the Holders where a Special Resolution is proposed for consideration at such meeting. The notice shall specify the place, day and hour of meeting and the terms of any resolution to be proposed thereat. A copy of the notice shall be sent by post to the Trustee, unless the meeting is convened by the Trustee in which case a copy of the notice shall be sent by post to the Manager. The accidental omission to give notice to or the non-receipt of notice by any of the Holders shall not invalidate the proceedings at any meeting. In this paragraph 2.2, “Holders” means the persons who were shown as Holders on the Register as at the close of business on the last Business Day before the notice under this paragraph 2 was sent. Where a meeting is adjourned, this paragraph applies as if the reference to the notice given under this paragraph 2.2 was a reference to the notice of the adjourned meeting given under paragraph 4.1 below.”; and

- (d) 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 above amendments in relation to Clauses 11.5.3 and 25.6 of the Trust Deed and Paragraph 2.2 of Schedule 1 to the Trust Deed.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

9. “That:

- (a) pursuant to Clause 26 of the Trust Deed, approval be and is hereby given for the amendment of Clause 3.5 of the Trust Deed by adding “or by such other publication method as may be required or permitted by the Code or the SFC from time to time” after “Such notice may be given by way of public advertisement in at least one English language newspaper in Hong Kong and one Chinese language newspaper in Hong Kong”;
- (b) pursuant to Clause 26 of the Trust Deed, approval be and is hereby given for Clause 25.3 of the Trust Deed to be deleted in its entirety and replaced with the text below:

“25.3 **Announcements**

The Manager shall inform Holders by way of announcement as soon as reasonably practicable of any information concerning the Trust which:

25.3.1 is necessary to enable Holders to appraise the position of the Trust;

25.3.2 is necessary to avoid a false market in the Units;

25.3.3 might be reasonably expected to materially affect market activity in, and the price of, the Units; or

25.3.4 requires Holders’ approval.

For the purposes of this Deed, in the case of any references to an announcement in relation to matters concerning the Trust, the method of publication of such announcement shall be such method as may be required or permitted by the Code or the SFC from time to time.”; and

- (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 above amendments in relation to Clauses 3.5 and 25.3 of the Trust Deed.”

NOTICE OF EXTRAORDINARY GENERAL MEETING

10. “That:

- (a) pursuant to Clause 26 of the Trust Deed, approval be and is hereby given for Clause 11.6.1 of the Trust Deed to be amended by deleting the sentence “The Manager shall also arrange for the Auditors to review and check its calculation under this Clause 11 of the Distribution Entitlement of each Holder in respect of each Distribution Period and to issue a confirmation letter to the Trustee” and replacing such sentence with “The Manager shall also arrange for the Auditors to review and check its calculation under this Clause 11 of the Distribution Entitlement of each Holder in respect of each Distribution Period and shall issue a confirmation letter to the Trustee”; 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 and the Trustee, as the case may be, may consider expedient or necessary or in the interests of Prosperity REIT to give effect to the above amendment in relation to Clause 11.6.1 of the Trust Deed.”

By Order of the Board
ARA ASSET MANAGEMENT (PROSPERITY) LIMITED
(as manager of Prosperity Real Estate Investment Trust)
Lin Chung Sing, Charlie
Executive Director and Chief Executive Officer

Hong Kong, 13 April 2007

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 by the above notice 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 registered office of the Unit Registrar of Prosperity REIT, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th 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.

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (d) The Register of Unitholders will be closed from Friday, 4 May 2007 to Wednesday, 9 May 2007, 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 convened by the above notice, all Unit certificates with duly completed transfer forms must be lodged with the Prosperity REIT's Unit Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 3 May 2007.

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. Lin Chung Sing, Charlie as Executive Director; Mr. Lan Hong Tsung, David, Mrs Sng Sow-Mei @ Poon Sow Mei and Mr. Robert Douglas Pope as Independent Non-executive Directors.