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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

ACQUISITION OF PROPERTY

On 16 October 2006, the Purchaser entered into the Sale and Purchase Agreement for the acquisition of the Property at a consideration of HK\$27,899,200, representing 0.54% of the consolidated total assets of Prosperity REIT as at 30 June 2006. Pursuant to the terms of the Sale and Purchase Agreement, the acquisition of the Property is scheduled to be completed on 10 January 2007.

This announcement is made pursuant to paragraphs 10.3 and 10.4 of the REIT Code.

THE SALE AND PURCHASE AGREEMENT

On 16 October 2006, the Purchaser entered into the Sale and Purchase Agreement for the acquisition of the Property at a consideration of HK\$27,899,200, representing 0.54% of the consolidated total assets of Prosperity REIT as at 30 June 2006.

An initial deposit of HK\$2,789,920 was paid by the Purchaser upon signing of the Sale and Purchase Agreement. The balance of the purchase price, HK\$25,109,280, will be paid upon completion of the Acquisition. Pursuant to the terms of the Sale and Purchase Agreement, the Acquisition is scheduled to be completed on 10 January 2007. Prior to completion of the Acquisition, the Vendor is required to show and give good title to the Property.

The Manager will only complete the Acquisition after it is satisfied with the results of its due diligence carried out in accordance with the relevant provisions of the REIT Code and the Manager's compliance manual, including but not limited to, being satisfied that Prosperity REIT (through the Purchaser) will hold good marketable legal and beneficial title to the Property upon completion of the Acquisition.

The Property is currently unoccupied and pursuant to the terms of the Sale and Purchase Agreement, the Vendor is required to deliver vacant possession of the Property to the Purchaser.

The purchase price was arrived at after commercial negotiations between the parties on an arm's length basis and will be funded through internal resources. Upon completion of the Acquisition, the Purchaser will be the legal and beneficial owner of the Property free from encumbrances.

THE PROPERTY

The Property consists of the entire 10th floor of Prosperity Center, a 26-storey industrial/office building in Kwun Tong, Kowloon, which was completed in 1999. The Property has a Gross Rentable Area of approximately 10,528 square feet. Portions of Prosperity Center, in the value of HK\$372,000,000 as at 30 June 2006 and with the Gross Rentable Area of approximately 134,307 square feet (excluding car park spaces), are one of the properties within Prosperity REIT's current property portfolio and are owned by the Purchaser. As a result of the Acquisition, Prosperity REIT's undivided ownership interest in Prosperity Center will increase from approximately 49% to approximately 52%, and Prosperity REIT's percentage ownership of Prosperity Center, in terms of Gross Floor Area, will increase from approximately 57% to approximately 61%. Further information in relation to the Prosperity Center is set out in the Offering Circular.

Upon completion of the Acquisition, the Property will be managed by Goodwell-Prosperity Property Services Limited, Prosperity REIT's current property manager.

The Manager has plans for making normal recurring maintenance and basic building provision capital expenditures, in line with general leasing market standard and practice.

As at 27 September 2006, the Property was valued at HK\$29,200,000 by Knight Frank Petty Limited, the Principal Valuer (as such term is defined in the REIT Code) of Prosperity REIT.

GENERAL

The Acquisition is consistent with the Manager's acquisition growth strategy and the Property is expected to strengthen Prosperity REIT's ownership share in, and management control over, Prosperity Center. The directors of the Manager believe that the terms of the Acquisition are fair and reasonable and in the interest of the unitholders of Prosperity REIT as a whole. Furthermore, the Manager confirms that the Acquisition is consistent with the investment objectives and strategy of Prosperity REIT.

The Manager believes that the Acquisition will contribute higher efficiency in operation management and will achieve better cost effectiveness. The financial position of Prosperity REIT will not be influenced due to the use of internal resources. In addition, the Acquisition will have no impact on the DPU guarantees given by Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited. Further information in relation to the DPU guarantees is set out in the Offering Circular.

To the best of the knowledge, information and belief of the directors of the Manager having made all reasonable enquiries, the Vendor and its ultimate beneficial owner do not constitute connected persons (as such term is defined in the REIT Code) of Prosperity REIT and are third parties independent of Prosperity REIT and its connected persons (as such term is defined under the REIT Code).

This announcement is made pursuant to paragraphs 10.3 and 10.4 of the REIT Code.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Acquisition”	the acquisition of the Property by the Purchaser;
“Gross Floor Area”	in respect of a property, the area contained within the external walls of the building measured at each floor level (including any floor below the level of the ground), together with the area of each balcony in the building, which shall be calculated from the overall dimensions of the balcony (including the thickness of the sides thereof), and the thickness of external walls of the building excluding any floor space that is constructed or intended to be used solely for parking motor vehicles, loading or unloading of motor vehicles, or for refuse storage chambers, material recovery chambers, refuse chutes, refuse hopper rooms and other types of facilities provided to facilitate the separation of refuse, or for access facilities for telecommunications and broadcasting services, or occupied solely by machinery or equipment for any lift, air-conditioning or heating system or any similar service;
“Gross Rentable Area”	in respect of a property, that portion of the Gross Floor Area of the property determined by the Purchaser at any given time to be rentable;
“Manager”	ARA Asset Management (Prosperity) Limited, the manager of Prosperity REIT;
“Offering Circular”	the offering circular dated 5 December 2005 issued by the Manager in connection with the initial public offering of the units in Prosperity REIT;
“Property”	Offices/Workshops 1, 2, 3, 5, 6, 7, 8, 9 & 10, 10th Floor, Prosperity Center, No. 25 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong;
“Prosperity REIT”	Prosperity Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) subject to applicable conditions from time to time;
“Purchaser”	Winrise Champion Limited, an indirect wholly-owned subsidiary of Prosperity REIT, incorporated in the British Virgin Islands;
“REIT Code”	The Code on Real Estate Investment Trusts published by the Securities and Futures Commission as amended, supplemented or otherwise modified for the time being;
“Sale and Purchase Agreement”	the sale and purchase agreement dated 16 October 2006 entered into between the Purchaser and the Vendor in relation to the Acquisition; and
“Vendor”	Union Cash Register Company Limited, a company incorporated in Hong Kong.

By order of the board of directors of
ARA Asset Management (Prosperity) Limited
(as manager of Prosperity Real Estate Investment Trust)
Lin Chung Sing, Charlie
Chief Executive Officer

Hong Kong, 16 October 2006

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

Please also refer to the published version of this announcement in The Standard.