



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

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

Performance Highlights

	<u>Year ended 31 Dec 2006</u>	<u>Forecast*</u>	<u>Percentage change Increase/(Decrease)</u>
Distribution per unit	HK\$0.1201	HK\$0.1146	4.8%

<u>Operation data</u>	<u>Year ended 31 Dec 2006</u>	<u>Forecast*</u>	<u>Percentage change Increase/(Decrease)</u>
Revenue	HK\$217.1 million	HK\$211.5 million	2.6%
Net property income	HK\$167.5 million	HK\$158.7 million	5.5%
Cost-to-revenue ratio	22.8%	25.0%	(8.8%)
Occupancy rate (as at 31/12/2006)	97.4%	93.8%	3.8%
Tenant retention rate	74.9%	70.0%	7.0%
Average effective unit rent	HK\$11.98 per sq. ft.	HK\$10.08 per sq. ft.#	18.8%

* As disclosed in the initial public offering circular of Prosperity REIT dated 5 December 2005 (the "**Offering Circular**")

Based on the average effective unit rent for the period from 16 December 2005 (the "**Listing Date**") to 31 December 2005

<u>Key financial figures</u>	<u>As at 31/12/2006</u>	<u>As at 31/12/2005</u>	<u>Percentage change Increase/(Decrease)</u>
Net asset value per unit	HK\$2.38	HK\$2.26	5.3%
Property valuation	HK\$4.864 billion	HK\$4.548 billion	6.9%
Gearing ratio **	35.04%	38.30%	(8.5%)

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

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

DISTRIBUTABLE INCOME FOR THE YEAR

The annual distributable income of Prosperity REIT to unitholders of Prosperity REIT (the "**Unitholders**") for the year from 1 January 2006 to 31 December 2006 (the "**Reporting Year**"), amounted to HK\$151,549,000, which exceeded Forecast by 5.0%. The annual distributable income for the Reporting Year is calculated by the Manager as representing the consolidated net profit of Prosperity REIT and the subsidiaries of Prosperity REIT for that distribution period, after provision for tax, as adjusted to eliminate the effects of adjustments (as defined in the Trust Deed) including finance cost of HK\$74,998,000 (equivalent to HK\$0.0595 per unit) due to the interest rate swap, which have been recorded in the consolidated income statement.

DISTRIBUTION

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

The distributable income of the half year from 1 July 2006 to 31 December 2006 is HK\$78,913,000, equivalent to distribution of HK\$0.0624 per unit. The interim distribution for the six months from 1 January 2006 to 30 June 2006 was HK\$0.0577 per unit, and the total distributable income per unit for the year is HK\$0.1201, outperforming the forecast in the Offering Circular ("**Forecast**") of HK\$0.1146 by 4.8%. The distribution will be paid on Friday, 27 April 2007.

PROSPECTS

2006 was a fruitful and challenging year for Prosperity REIT. Solid growth was achieved during the course of the year, reflected by our strong financial results.

By implementing proactive and well-planned business strategies, we continued to outperform the forecast in Prosperity REIT's offering circular ("**Forecast**") dated 5 December 2005 ("**Offering Circular**"). For the year ended 31 December 2006, a total distribution per unit of HK\$0.1201 was delivered, 4.8% more than the Forecast. Net asset value per unit rose by 5.3% to HK\$2.38 as at year end.

Market Review

Hong Kong's economy continued to prosper in 2006, boosted by thriving global markets and the territory's ongoing economic ties with the Mainland. Last year, Hong Kong's Gross Domestic Product ("**GDP**") leapt by 6.8% over 2005. Hong Kong's solid economic growth is expected to continue in 2007, driven by the rapid expansion of the Mainland economy, a weak US dollar, as well as an improving employment situation.

Against this positive economic backdrop, together with the U.S. Federal Reserve's policy of stabilizing U.S. interest rates at 5.25% since June 2006, the Real Estate Investment Trust ("**REIT**") market in Hong Kong has stabilized. As at year end, four out of the five REITs listed in Hong Kong offered an annualized dividend yield of over 6.8%, with a spread of over 300 basis points above the 10-year Exchange Fund Note yield.

REITs are relatively low-risk investment products, characterized by a stable rental income stream and a high distribution payout ratio. We are confident that the high dividend yield offered by Prosperity REIT, with a wide spread above the risk-free rate, will continue to attract investors.

In the office property market in Hong Kong, the buoyant finance, insurance, real estate and business services sectors have boosted demand for office space in the central business district, resulting in soaring rents in Central. As a consequence of escalating rents, there has been a growing trend of relocation to decentralized business districts, such as those areas where Prosperity REIT's portfolio of quality office and industrial/office properties are strategically located. It is expected that Prosperity REIT will continue to capitalize on this upward trend of decentralization.

The industrial and manufacturing sectors have benefited from robust trading activity in the year under review. Cross-border economic activities increased and were further strengthened through the implementation of Phase III of the Closer Economic Partnership Arrangement (“CEPA”) launched in July 2006. Under these favourable conditions, 2006 was another active year for both en bloc sales transactions and leasing activities in industrial/office and warehouse markets.

Operation Review

Leveraging on the Manager’s professional experience and management expertise, Prosperity REIT continued to outperform the Forecast and deliver higher returns to our unitholders. For the year under review, Prosperity REIT reported a net property income of HK\$167.5 million, exceeding the Forecast by 5.5%. A strong rental reversion rate of 56.7% was attained, complemented by a high tenant retention rate of 74.9%. The average effective unit rent of the portfolio rose by 18.8% to HK\$11.98 per sq. ft. The occupancy rate also improved to 97.4% as at 31 December 2006.

Through the Manager’s efficient streamlining of operations, the cost-to-revenue ratio was improved to 22.8% from the 25.0% as stated in the Forecast. The gearing ratio was lowered to 35.0% from 38.3% as at the end of the year, resulting in savings in our finance costs.

In tandem with strong organic growth, we have successfully secured two yield- accretive acquisitions in 2006, thereby increasing the Manager’s ownership shares in Prosperity Center and strengthening our management control in the building. The acquisitions are expected to bring in additional distributable income in 2007. Our investment team will continue to actively look for acquisition opportunities, with a view to generating more incremental returns to unitholders.

Going Forward

Looking ahead, as both the local and Mainland economies flourish, the office and industrial/office markets are expected to record continued growth on the back of keen demand from companies seeking expansion opportunities. With the overriding objective of maximizing returns for unitholders, the Manager will undertake well-planned asset enhancement initiatives to further strengthen our tenant base, as well as pursue yield-accretive acquisitions. We are confident that through the successful execution of our business plans, Prosperity REIT will continue to perform well and bring attractive distribution to our unitholders in 2007.

Acknowledgement

I would like to express my thanks to the outstanding efforts and commitment of the management teams of both the Manager and Goodwell-Prosperity Property Services Limited, the property manager of Prosperity REIT, as well as

the wisdom and guidance from my fellow Board members. They have all contributed greatly in our successful delivery of higher returns to our unitholders. Finally, on behalf of the Board, I thank you, our unitholders, for your continued support and confidence in Prosperity REIT.

Chiu Kwok Hung, Justin

Chairman

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

Hong Kong, 14 March 2007

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review

Prosperity REIT owns a diverse portfolio of seven high-quality commercial properties in Hong Kong, comprising all or a portion of three Grade A office buildings, three industrial/office buildings and one industrial building, totaling a gross rentable area of approximately 1.2 million sq. ft.

Information on the properties in the portfolio as at 31 December 2006 is summarized as follows:

	Location	Gross rentable area <i>Sq. ft.</i>	No. of car park spaces	Valuation <i>HK\$ Million</i>	Occupancy rate
Grade A Office					
The Metropolis Tower	Hunghom	271,418	98	1,910	96.5%
MLC Millennia Plaza	North Point	217,955	43	990	100.0%
Harbourfront Landmark (portion)	Hunghom	77,021	–	350	100.0%
Industrial/Office					
Modern Warehouse	Kwun Tong	240,000	60	577	96.5%
Trendy Centre	Cheung Sha Wan	173,764	79	518	94.1%
Prosperity Center (portion)	Kwun Tong	134,307	105	389	97.4%
Industrial					
New Treasure Centre (portion)	San Po Kong	86,168	22	130	100.0%
Total		1,200,633	407	4,864	97.4%

In 2006, the office and industrial/office markets in Hong Kong expanded further, fueled by the continuous growth in economy. Coupled with the Manager's professional expertise, Prosperity REIT was able to deliver impressive performance during the Reporting Year.

Under the Manager's effective leasing strategies, a high tenant retention rate of 74.9% was attained, outperforming Forecast by 7.0%. Occupancy rate also stood at a high 97.4% as at 31 December 2006, up by 5.6% year-on-year or 3.8% above Forecast.

	Occupancy rate (%)	Occupancy rate (%)	Percentage change Increase/(Decrease)
Grade A Office	<i>As at 31 Dec 06</i>	<i>As at 31 Dec 05</i>	
The Metropolis Tower	96.5	98.2	(1.7%)
MLC Millennia Plaza	100.0	94.4	5.9%
Harbourfront Landmark (portion)	100.0	100.0	-
Industrial/Office			
Modern Warehouse	96.5	88.2	9.4%
Trendy Centre	94.1	88.8	6.0%
Prosperity Center (portion)	97.4	79.6	22.4%
Industrial			
New Treasure Centre (portion)	100.0	98.5	1.5%
Portfolio	97.4	92.2	5.6%

As a result of proactive marketing strategies, a high rental reversion rate of 56.7% was achieved for leases successfully renewed in 2006. New letting area of 252,561 sq. ft. plus lease renewed area of 463,380 sq. ft. have surpassed the total lease expired area by 15.7% during 2006. The average effective unit rent of the portfolio also grew to HK\$11.98 per sq. ft., which was 18.8% higher than that of the period from the Listing Date to 31 December 2005.

Due to the Manager's efficient streamlining of operations, cost-to-revenue ratio improved to 22.8% from Forecast's 25.0%. Gearing ratio was also able to come down to 35.0% as at the year end date from 38.3% of 2005.

Investment Review

With a view to deliver improved returns for unitholders, the Manager has been actively looking for yield accretive acquisition opportunities. In the fourth quarter of 2006, we purchased the entire 10th floor and additional units on the 26th floor in Prosperity Center. The transactions were successfully completed in January 2007, thereby enabling

the Manager to increase ownership shares in Prosperity Center to 53.4% from 49.0%, strengthening our management control in the building.

The acquisitions were consistent with the Manager's investment strategy. We believe that the purchase will contribute higher efficiency in operation management and will achieve better cost effectiveness.

The Manager has been operating Prosperity REIT in accordance with its asset management, financing and acquisition strategies set forth in the Trust Deed and the Offering Circular. The Manager will continue to diligently lead Goodwell-Prosperity Property Services Limited and manage the assets of Prosperity REIT for the benefit of Unitholders. Given the strong momentum of Hong Kong's leasing market as underpinned by the buoyant finance, insurance, real estate and business services sectors, we are confident that Prosperity REIT will continue to perform well in 2007.

Financial Review

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

	Turnover <i>HK\$'000</i>	Rental related income <i>HK\$'000</i>	Revenue <i>HK\$'000</i>	Net property income <i>HK\$'000</i>
Grade A Office				
The Metropolis Tower	56,783	14,353	71,136	55,565
MLC Millennia Plaza	32,430	10,262	42,692	32,032
Harbourfront Landmark (portion)	13,864	2,161	16,025	14,486
Industrial/Office				
Modern Warehouse	29,588	347	29,935	22,575
Trendy Centre	21,497	5,455	26,952	20,154
Prosperity Center (portion)	18,301	2,510	20,811	15,820
Industrial				
New Treasure Centre (portion)	7,886	1,690	9,576	6,903
Total	<u>180,349</u>	<u>36,778</u>	<u>217,127</u>	<u>167,535</u>

Revenue

During the year, revenue stood at HK\$217.1 million, which was HK\$5.6 million or 2.6% higher than Forecast.

The revenue was made up of HK\$180.3 million of rental and car park income, plus HK\$36.8 million of rental

related income. Rental and car park income was HK\$6.7 million or 3.9% above Forecast. The increase was mainly due to an increase in average occupancy rate.

Net Property Income

Net property income was HK\$167.5 million, exceeding Forecast by HK\$8.8 million or 5.5%. The growth was attributed to higher revenue and lower total property operating expenses.

The total property operating expenses was HK\$49.6 million, which was HK\$3.2 million lower than Forecast. The improvement was a result of the Manager's cost control measures.

Net property income represented approximately 77.2% of the revenue, after the deduction of property management costs and property operating expenses. The cost-to-revenue ratio has improved to 22.8% from Forecast's 25.0%.

Liquidity and Financing

As at the year end, Prosperity REIT had a facility of HK\$1,900 million, comprising a HK\$1,770 million term loan facility and a HK\$130 million revolving credit facility, each for a term of five years. The whole term loan facility was fully drawn on the Listing Date and revolving credit facility amounted to HK\$20 million was drawn down. The term loan is repayable five years from the date of the drawdown. The revolving facility will be repaid on each maturity date and can be redrawn upon maturity.

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

The total borrowings of Prosperity REIT, excluding the origination fees, as a percentage of Prosperity REIT's gross assets was 35.0% as at the year end date, whereas the gross liability of Prosperity REIT as a percentage of Prosperity REIT's gross assets was 41.9%.

Prosperity REIT with a cash balance of HK\$41.7 million and available revolving credit facility of approximate HK\$110 million as at 31 December 2006, has sufficient financial resources to satisfy its commitments and working capital requirements.

Balance Sheet Highlights

Investment properties and property valuation

For the year ended 31 December 2006, Prosperity REIT's portfolio recorded an investment property revaluation surplus of HK\$316 million, based on a professional valuation performed by an independent valuer, Knight Frank Petty Limited. The movements of fair values are tabulated below:

	31 Dec 2006	31 Dec 2005
	HK\$' million	HK\$' million
Fair value at beginning of the financial year/period	4,548	-
Acquired upon listing	-	4,538
Increase in fair value during the year/period	316	10
	<hr/>	<hr/>
Fair value at the end of year/period	4,864	4,548
	<hr/> <hr/>	<hr/> <hr/>

Charges on Assets

As at 31 December 2006, the seven properties of Prosperity REIT, with aggregate carrying value of HK\$4,864 million, were pledged to secure bank loan facilities of Prosperity REIT's finance company.

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

EMPLOYEES

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

REPURCHASE, SALE OR REDEMPTION OF UNITS

Under the Trust Deed, the Manager is not permitted to repurchase or redeem any of the units in Prosperity REIT until permitted to do so by the relevant codes and guidelines issued by the Securities and Futures Commission from time to time. During the Reporting Year, other than the disposal of 9,964,000 units by the Manager which the Manager received as payment of its management fee, there was no purchase, sale or redemption of the units of Prosperity REIT by Prosperity REIT or subsidiaries of Prosperity REIT.

CORPORATE GOVERNANCE

The Manager was established for the purpose of managing Prosperity REIT. The Manager is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Manager emphasize a quality board, sound internal control, and transparency and accountability to all unitholders.

The Manager has adopted its compliance manual (the "**Compliance Manual**") for use in relation to the management and operation of Prosperity REIT which sets out the key processes, systems and measures, and certain corporate governance policies and procedures to be applied for compliance with all applicable regulations and legislation. A summary of the key components of the corporate governance policies that have been adopted and complied with by the Manager and Prosperity REIT will be set out in the annual report of Prosperity REIT for the Reporting Year. During the Reporting Year, both the Manager and Prosperity REIT have complied with the provisions of the Compliance Manual.

CLOSURE OF REGISTER OF UNITHOLDERS

The register of Unitholders will be closed from Thursday, 19 April 2007 to Thursday, 26 April 2007, both days inclusive, during which period no transfer of units will be effected. In order to qualify for the distribution, all unit certificates with completed transfer forms must be lodged with Prosperity REIT's unit registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 18 April 2007. The payment of final dividend date will be on Friday, 27 April 2007.

REVIEW OF FINAL RESULTS

The final results of Prosperity REIT for the Reporting Year have been reviewed by the Disclosures Committee and the Audit Committee of the Manager.

ISSUANCE OF ANNUAL REPORT

The Annual Report 2006 of Prosperity REIT for the Reporting Year will be dispatched or sent to Unitholders on or before Monday, 30 April 2007.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of Prosperity REIT will be held on Wednesday, 9 May 2007.

Notice of the annual general meeting will be published and issued to Unitholders in the manner as required by the Trust Deed in due course.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

		Year ended 31 Dec 2006	Period from 16 Dec 2005 to 31 Dec 2005
	<i>Notes</i>	HK\$'000	HK\$'000
Turnover	1	180,349	6,483
Rental related income		36,778	1,719
Revenue		217,127	8,202
Property management fees		(4,988)	(177)
Property operating expenses		(44,604)	(7,211)
Total property operating expenses		(49,592)	(7,388)
Net property income		167,535	814
Interest income		2,265	29,920
Manager's fee		(24,104)	(871)
Listing expenses		-	(19,862)
Trust and other expenses		(11,297)	(1,819)
Excess of fair value of identifiable assets and liabilities acquired over the cost of acquisition of subsidiaries		-	171,308
Increase in fair value of two investment properties acquired upon listing		-	53,810
Increase in fair value of investment properties at year/period end		316,000	10,000
Finance costs	2	(82,244)	(4,114)
Profit before taxation and transactions with unitholders		368,155	239,186
Taxation	3	(57,411)	504
Profit for the year/period, before transactions with unitholders		310,744	239,690
Earnings per unit and diluted earnings per unit (HK\$)	4	0.25	0.19

DISTRIBUTION STATEMENT

For the year ended 31 December 2006

	Year ended 31 Dec 2006 HK\$'000	Period from 16 Dec 2005 to 31 Dec 2005 HK\$'000
Profit for the year/period, before transactions with unitholders	310,744	239,690
Adjustments:		
Manager's fee	24,104	871
Listing expenses	-	19,862
Excess of fair value of identifiable assets and liabilities acquired over the cost of acquisition of subsidiaries	-	(171,308)
Increase in fair value of two investment properties acquired upon listing	-	(53,810)
Increase in fair value of investment properties at year/period end	(316,000)	(10,000)
Finance costs	74,998	3,623
Deferred tax	57,703	111
Income available for distribution	151,549	29,039
Distributions to unitholders:		
HK\$0.0231 per unit for the period from 16/12/2005 to 31/12/2005 (note (i))	-	29,039
HK\$0.0577 per unit for the period from 1/1/2006 to 30/6/2006 (note (ii))	72,636	-
HK\$0.0624 per unit for the period from 1/7/2006 to 31/12/2006 (note (iii))	78,913	-
TOTAL	151,549	29,039
Distribution per Unit (HK\$)	0.1201	0.0231

Notes

- (i) As disclosed in Prosperity REIT's Offering Circular dated 5 December 2005, Prosperity REIT's first distribution after the date of listing was for the period from listing date to 30 June 2006. The dividend was paid to unitholders on 20 October 2006 together with the half year distribution ended 30 June 2006.
- (ii) The distribution per unit of HK\$0.0577 for the half year ended 30 June 2006 was calculated based on the half year income available for distribution of HK\$72,636,000 and 1,257,494,730 units. The dividend was paid to unitholders on 20 October 2006.

- (iii) The distribution per unit of HK\$0.0624 for the second half year ended 31 December 2006 is calculated based on the half year income available for distribution of HK\$78,913,000 and 1,264,613,795 units, as at 31 December 2006 plus the number of units issued after the distribution period to the Manager as manager's fee for the last quarter of the relevant distribution period.

CONSOLIDATED BALANCE SHEET

As at 31 December 2006

		2006	2005
	<i>Notes</i>	HK\$'000	HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties		4,864,000	4,548,000
Derivative financial instruments		190,375	283,799
Total non-current assets		<u>5,054,375</u>	<u>4,831,799</u>
Current assets			
Trade and other receivables	5	7,855	32,822
Purchase deposit for investment properties		4,115	-
Amount due from related companies		-	11,458
Tax recoverable		609	-
Bank balances and cash		41,737	88,889
Total current assets		<u>54,316</u>	<u>133,169</u>
Total assets		<u>5,108,691</u>	<u>4,964,968</u>
Non-current liabilities, excluding net assets attributable to unitholders			
Secured term loan		1,754,996	1,751,950
Deferred tax liabilities		196,546	138,843
Total non-current liabilities, excluding net assets attributable to unitholders		<u>1,951,542</u>	<u>1,890,793</u>
Current liabilities			
Trade and other payables	6	74,790	104,200
Amount due to related companies		9,434	-
Secured revolving loan		20,000	130,000
Tax liabilities		-	681
Manager's fee payable		6,264	-
Distribution payable		78,913	29,039
Total current liabilities		<u>189,401</u>	<u>263,920</u>
Total liabilities, excluding net assets attributable to unitholders		<u>2,140,943</u>	<u>2,154,713</u>
Net assets attributable to unitholders		2,967,748	2,810,255

Units in issue ('000)	7	1,260,927	1,250,962
Net asset value per unit (HK\$)	8	2.38	2.26

Notes

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

	Year ended 31 Dec 2006	Period from 16 Dec 2005 to 31 Dec 2005
	HK\$'000	HK\$'000
Rental income	166,148	5,900
Car park income	14,201	583
	<u>180,349</u>	<u>6,483</u>

- (2) Finance costs:

	Year ended 31 Dec 2006	Period from 16 Dec 2005 to 31 Dec 2005
	HK\$'000	HK\$'000
Interest expense on		
– Secured term loan	87,861	3,855
Equalisation of interest expense through cashflow hedge	(7,554)	-
	<u>80,307</u>	<u>3,855</u>
– Secured revolving loan	1,937	259
	<u>82,244</u>	<u>4,114</u>

- (3) Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year. Deferred tax is provided on temporary differences using the current applicable rates.

	Year ended 31 Dec 2006	Period from 16 Dec 2005 to 31 Dec 2005
	HK\$'000	HK\$'000
Current tax credit	(292)	(615)
Deferred tax	57,703	111
	<u>57,411</u>	<u>(504)</u>

- (4) The calculation of earnings per unit is based on the profit for the year/period, before transactions with unitholders of HK\$310,744,000 and on the weighted average of 1,255,196,023 units in issue during the year.

The diluted earnings per unit is based on the profit for the year/period, before transactions with unitholders of HK\$310,744,000 and on the weighted average of potential units (units issued for manager's fee) 1,257,622,735 units in issue during the year.

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

	2006	2005
	HK\$'000	HK\$'000
Current – 1 month	162	431
2 – 3 months	-	176
	<u>162</u>	<u>607</u>

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

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

	2006	2005
	HK\$'000	HK\$'000
Current – 1 month	96	1,833
2 – 3 months	275	663
Over 3 months	196	-
	<u>567</u>	<u>2,496</u>

- (7) Issued Units

	Number of units	HK\$'000
Creation and issuance of new unit on 16 December 2005 and balance at 31 December 2005	1,250,962,222	2,702,078
Payment of Manager's base fee and variable fee	<u>9,964,974</u>	<u>18,711</u>
Balance at 31 December 2006	<u>1,260,927,196</u>	<u>2,720,789</u>

- (8) The net asset value per unit is calculated based on the net assets of the Group excluding hedging reserve and the total number of units used for computing the net asset value per unit is 1,260,927,196.

- (9) At the balance sheet date, Prosperity REIT's net current liabilities, defined as current assets less current liabilities, amounted to HK\$135,085,000 (31 December 2005: HK\$130,751,000) and Prosperity REIT's total assets less current liabilities amounted to HK\$4,919,290,000 (31 December 2005: HK\$4,701,048,000).

- (10) The consolidated financial statements have been prepared in accordance with Hong Kong Financial

Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

(11) The results have been reviewed by the Disclosures Committee and Audit Committee.

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.