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SOLID FOUNDATIONS 穩固根基

INTERIM REPORT 2017 中期報告

ABOUT PROSPERITY REIT

Prosperity Real Estate Investment Trust ("Prosperity REIT") is the first private sector real estate investment trust ("REIT") listed on The Stock Exchange of Hong Kong Limited on 16 December 2005. Prosperity REIT owns a diverse portfolio of seven high-quality office, commercial, industrial/office and industrial properties in the decentralized business districts of Hong Kong, with a total gross rentable area of about 1.28 million sq. ft..

Prosperity REIT is managed by ARA Asset Management (Prosperity) Limited (the "REIT Manager").

ABOUT THE REIT MANAGER

ARA Asset Management (Prosperity) Limited is a wholly-owned subsidiary of ARA Asset Management Limited ("ARA"), Asia's premier integrated real estate fund manager driven by a vision to be the best-in-class Asian real estate fund management company focused on the management of REITs and private real estate funds.

The REIT Manager is responsible for the management and administration of Prosperity REIT, as well as the implementation of Prosperity REIT's business strategies.

OUR MISSION

The REIT Manager is staffed with experienced professionals who are dedicated to managing the assets of Prosperity REIT for the benefit of the unitholders through proactive asset management and multi-dimensional growth strategies.



Like bamboo, rising straight and firm, the manager of Prosperity REIT is steadily and confidently providing satisfactory returns for its unitholders. The upward motion and robustness of the bamboo evokes the feeling of "Solid Foundations".

The green and natural aspect of the cover also represents the sustainability and respect the asset manager has to the community.

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PERFORMANCE HIGHLIGHTS

DISTRIBUTION PER UNIT ¹

1.0%
1H2017 HK\$0.0915
1H2016 HK\$0.0906

NET ASSET VALUE PER UNIT


4.8%
As at 30 Jun 2017 HK\$5.42
As at 31 Dec 2016 HK\$5.17

GEARING RATIO


1.0% ²
As at 30 Jun 2017 25.4%
As at 31 Dec 2016 26.4%
NET PROPERTY INCOME ¹

0.6%
1H2017 HK\$177.0 million
1H2016 HK\$176.0 million
AVERAGE EFFECTIVE UNIT RENT ¹

2.7%
1H2017 HK\$24.11 per sq. ft.
1H2016 HK\$23.47 per sq. ft.
COST-TO-REVENUE RATIO ¹

0.7% ²
1H2017 20.4%
1H2016 21.1%

Notes:

¹ For the six months ended 30 June.² Absolute change.

Performance Highlights **03**

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)	Percentage change Increase/ (Decrease)
Distribution per unit ("DPU")	HK\$0.0915	HK\$0.0906	1.0%

KEY FINANCIAL FIGURES

	As at 30 June 2017 (unaudited)	As at 31 December 2016 (audited)	Percentage change Increase/ (Decrease)
Net asset value per unit	HK\$5.42	HK\$5.17	4.8%
Property valuation	HK\$10,335 million	HK\$10,777 million ¹	(4.1%)
Gearing ratio ²	25.4%	26.4%	(1.0%) ³

OPERATION DATA

	Six months ended 30 June 2017 (unaudited)	Six months ended 30 June 2016 (unaudited)	Percentage change Increase/ (Decrease)
Revenue	HK\$222.5 million	HK\$222.9 million	(0.2%)
Net property income	HK\$177.0 million	HK\$176.0 million	0.6%
Average effective unit rent	HK\$24.11 per sq. ft.	HK\$23.47 per sq. ft.	2.7%
Occupancy rate (as at 30 June)	96.7%	96.7%	–
Cost-to-revenue ratio	20.4%	21.1%	(0.7%) ³

Notes:

¹ This valuation as at 31 December 2016 includes Harbourfront Landmark Property of HK\$594,000,000 transferred to assets of a disposal group classified as held for sale.

² This excludes the bank facility origination fees already paid in cash, and is calculated by dividing total borrowings over total assets.

³ Absolute change.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

As at 30 June 2017, Prosperity REIT owned a diverse portfolio of seven properties in the decentralized business districts of Hong Kong, comprising all, or a portion of, three Grade A office buildings, one commercial building, two industrial/office buildings and one industrial building. As at 30 June 2017, the total gross rentable area was 1,275,153 sq. ft., with a total of 498 car park spaces.

Information about the properties in the portfolio, as at 30 June 2017, was as follows:

	Location	Gross rentable area sq. ft.	No. of car park spaces	Valuation HK\$ million	Occupancy rate	
Grade A Office						
	The Metropolis Tower	Hung Hom	271,418	98	3,213	98.5%
	Prosperity Millennia Plaza	North Point	217,955	43	2,082	97.5%
	9 Chong Yip Street	Kwun Tong	136,595	68	1,092	93.8%
Commercial						
	Prosperity Place	Kwun Tong	240,000	83	1,707	94.1%
Industrial/Office						
	Trendy Centre	Lai Chi Kok	173,764	79	1,041	97.8%
	Prosperity Center (portion)	Kwun Tong	149,253	105	876	100.0%
Industrial						
	New Treasure Centre (portion)	San Po Kong	86,168	22	324	92.4%
Total			1,275,153	498	10,335	96.7%

During the six months ended 30 June 2017 (the "Reporting Period"), U.S. Federal Reserve raised interest rate twice while UK and France conducted national elections of their government and president respectively. The market sentiment was cautious at the beginning of 2017, yet it was gradually relieved due to a robust economy in the U.S. and a waning political risk in Europe. China witnessed satisfactory GDP growth of 6.9% with moderate inflation rate.

Under the backdrop of a stabilizing global economy, Hong Kong retail market regained momentum in terms of total spending. At the same time, residential market measured by various property price indexes reached a record high. Two major commercial office land sites, namely the Murray Road site in Central and the Kai Tak site in Kowloon East, were sold with a record breaking price in Hong Kong, indicating an optimistic forecast at the office sector in both traditional CBD and CBD2 areas.

Office rental level in core districts such as Central, Wan Chai and Causeway Bay maintained steady growth by the strong demand of mainland Chinese firms. The new Grade A office buildings attracted high quality tenants to move into decentralized districts such as Kowloon East, Wong Chuk Hang and Island East. Kowloon East is progressively transforming into a business district leveraging on the government policy. During the Reporting Period, Prosperity REIT achieved a rental reversion rate of 8.1%, complemented with a stable occupancy rate of 96.7%. The average effective unit rent of Prosperity REIT's portfolio recorded a growth of 2.7% to HK\$24.11 per sq. ft.. This solid performance was attributable to our proactive leasing strategies, the premium quality of our properties, as well as our attentive property management services.

Meanwhile, the REIT Manager has implemented effective measures to increase its operational efficiency, enabling Prosperity REIT to keep the cost-to-revenue ratio at a relatively low level of 20.4% for the Reporting Period.

As at 30 June 2017, Prosperity REIT's gearing ratio remained at a healthy level of 25.4% (31 December 2016: 26.4%), providing us with a strong balance sheet to take advantage of future growth opportunities.

INVESTMENT REVIEW

The REIT Manager will continue to implement its investment strategy prudently. We shall assess every acquisition target in accordance with our established investment criteria, including the enhancement potential of asset value, organic growth prospects and synergies with existing properties in the portfolio. However, the REIT Manager also reviews its portfolio from time to time and may consider different opportunities including asset disposal. The disposal of the Harbourfront Landmark Property was completed on 3 March 2017 and the disposal gain is about HK\$299.7 million. The disposal gain will be used to enhance value for the unitholders.

ASSET ENHANCEMENT

Asset enhancement has been a key growth driver for Prosperity REIT. Apart from keeping up with keen competition, upgrading our properties will also be a way to ensure sustainable growth in rental level and capital appreciation. During the Reporting Period, an asset enhancement work was carried out at The Metropolis Tower.

The Metropolis Tower is located in commercial hub of Hung Hom, features a spectacular sea view of the Victoria Harbour. In order to align with the newly completed Grade A office building specification and to increase the competitiveness of our property, renovation of executive and common washrooms on selective floors have been carried out.

OUTLOOK

For the remainder of 2017, the global economy is expected to perform well on the back of the stable performance in the first half year. In U.S., supported by the strong sign in employment and declining inflation pressure, the Federal Reserve is anticipated to reduce its balance sheet scale gradually.

In China, the People's Bank of China continues its moderate stance of tight liquidity condition. However, 2017 GDP growth is expected to meet the government's target.

In Hong Kong, Chinese enterprises continue to boost up the office leasing market with strong demand for office space. Moreover, the commencement of the bond connect scheme and the one belt one road initiative will be supportive to Hong Kong economic growth in the medium term.

Prosperity REIT has demonstrated the ability to capture market opportunities and to effectively manage the operation throughout different economic cycles. With a strong presence in the Kowloon East district, Prosperity REIT is well-positioned to gain further benefits from Kowloon East transformation. With the diligent and professional support of Goodwell-Prosperity Property Services Limited, the property manager of Prosperity REIT, we will continue to implement effective asset management strategies. Barring unforeseen circumstances, we are cautiously optimistic about our prospects in the future.

FINANCIAL REVIEW

The revenue and net property income of each property in Prosperity REIT's portfolio for the Reporting Period are summarized as follows:

	Turnover HK\$'000	Rental related income HK\$'000	Revenue HK\$'000	Net property income HK\$'000
Grade A Office				
The Metropolis Tower	56,731	10,038	66,769	55,339
Prosperity Millennia Plaza	37,869	6,818	44,687	37,002
9 Chong Yip Street	17,437	2,132	19,569	15,560
Commercial				
Harbourfront Landmark (portion)*	4,277	1,479	5,756	4,880
Prosperity Place	33,830	256	34,086	25,513
Industrial/Office				
Trendy Centre	21,207	3,093	24,300	17,837
Prosperity Center (portion)	18,051	1,618	19,669	15,176
Industrial				
New Treasure Centre (portion)	6,704	969	7,673	5,734
Total	196,106	26,403	222,509	177,041

* Up to the completion date of the disposal of Harbourfront Landmark Property on 3 March 2017.

Revenue

During the Reporting Period, revenue, comprised HK\$196.1 million of rental and car park income plus HK\$26.4 million of rental related income, slightly decreased to HK\$222.5 million, being HK\$0.4 million or 0.2% lower than the last corresponding half year. The drop was mainly due to the revenue loss in Harbourfront Landmark Property of HK\$9.1 million as a result of its disposal on 3 March 2017.

Net Property Income

For the Reporting Period, the net property income was HK\$177.0 million, exceeding that of the last corresponding half year by HK\$1.0 million or 0.6%. The growth was mainly attributable to the rental reversion rate of 8.1% for the entire portfolio. The cost-to-revenue ratio was 20.4%.

Distributable Income

For the Reporting Period, the unaudited distributable income of Prosperity REIT to unitholders of Prosperity REIT was HK\$134.1 million, representing a DPU of HK\$0.0915. This represents an annualized distribution yield of 5.5%⁴. The distributable income for the Reporting Period is calculated by the REIT Manager as representing the consolidated profit after tax of Prosperity REIT and its subsidiaries for the relevant financial period, as adjusted to eliminate the effects of certain Adjustments (as defined in the trust deed constituting Prosperity REIT (the "Trust Deed")) including a finance cost of HK\$5.5 million (equivalent to HK\$0.0038 per unit), which have been recorded in the condensed consolidated statement of profit or loss and other comprehensive income for the Reporting Period.

Distribution

It is the policy of the REIT Manager to distribute to unitholders of Prosperity REIT an amount equal to 100% of Prosperity REIT's annual distributable income. 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.

Liquidity and Financing

As at 30 June 2017, Prosperity REIT had facilities in aggregate of HK\$3,300 million, comprising:

- (i) A term loan and revolving credit facility of up to an aggregate principal amount of HK\$2,500 million (the "HK\$2,500 Million Facilities") comprising a HK\$2,070 million secured term loan facility and a HK\$430 million secured revolving credit facility, which bear interest at a margin of 1.35% per annum over HIBOR. The term loan facility will mature and become repayable 5 years from 14 November 2014, and the revolving credit facility will be repaid on each maturity date and can be redrawn upon maturity; and
- (ii) A HK\$800 million unsecured term loan bears interest at a margin of 1.05% per annum over HIBOR, and will mature and become repayable 5 years from 31 August 2016 (the "HK\$800 Million Facility").

Note:

⁴ Based on Prosperity REIT's closing unit price of HK\$3.32 as at 30 June 2017.

In relation to the HK\$2,500 Million Facilities, the term loan facility of HK\$2,070 million was fully drawn on 28 November 2014. None of the revolving credit facility was drawn as at 30 June 2017.

The HK\$800 Million Facility was fully drawn on 31 August 2016.

As all facilities bear interests at a variable rate, Prosperity REIT has entered into interest rate swap and cap agreements to mitigate the impact of interest rate fluctuations. As at 30 June 2017, the interest costs for approximately 74% (31 December 2016: 74%) of Prosperity REIT's outstanding term loans have been hedged through interest rate swaps and cap.

The total borrowings of Prosperity REIT, excluding the bank facility origination fees, as a percentage of Prosperity REIT's gross assets was 25.4% as at 30 June 2017 (31 December 2016: 26.4%), whereas the gross liability of Prosperity REIT as a percentage of Prosperity REIT's gross assets was 29.9% as at 30 June 2017 (31 December 2016: 31.2%).

Taking into account the fair value of investment properties, currently available banking facilities and internal financial resources of Prosperity REIT, Prosperity REIT has sufficient financial resources to satisfy its commitments and working capital requirements.

Investment Properties and Property Valuation

For the Reporting Period, Prosperity REIT's portfolio recorded an investment property revaluation gain of HK\$146.3 million, based on a professional valuation performed by an independent valuer, Jones Lang LaSalle Limited. The movements of fair values are tabulated below:

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Fair value at beginning of the period/year	10,183,000	10,419,000
Additional expenditure	5,664	12,666
Change in fair value of investment properties	146,336	345,334
Transfer to assets of a disposal group classified as held for sale	-	(594,000)*
Fair value at the end of the period/year	10,335,000	10,183,000

* The amount represents Harbourfront Landmark Property which was transferred to assets of a disposal group classified as held for sale.

Charges on Assets

As at 30 June 2017, certain investment properties of Prosperity REIT, with an aggregate carrying value of HK\$5,712.7 million, were pledged to secure bank loan facilities of Prosperity REIT's finance companies.

Prosperity REIT and certain of its subsidiaries have provided guarantees for the HK\$2,500 Million Facilities and HK\$800 Million Facility.

EMPLOYEES

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

CORPORATE GOVERNANCE

The REIT Manager was established for the purpose of managing Prosperity REIT. The REIT Manager is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the REIT Manager emphasize a quality board of directors, sound internal control, transparency and accountability to all unitholders. The REIT 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 the applicable regulations and legislation. During the Reporting Period, both the REIT Manager and Prosperity REIT have in material terms complied with the provisions of the Compliance Manual.

During the Reporting Period, the Compliance Manual was amended to, among others, introduce manager-in-charge of core functions ("MIC") and update the roles and responsibilities of the executive officers, in order to comply with the new MIC regime imposed by the Securities and Futures Commission.

BOARD OF DIRECTORS OF THE REIT MANAGER

The Board of Directors of the REIT Manager (the "Board") is responsible for the overall governance of the REIT Manager including establishing goals for the management and monitoring the achievement of these goals. The Board has established a framework for the management of Prosperity REIT, including a system of internal control and risk management processes.

The Board is collectively responsible for the management of the business and affairs of the REIT Manager. The Board exercises its general powers within the limits defined by the articles of association of the REIT Manager, with a view to ensuring that the management discharges its duties and is compensated appropriately, and that sound internal control policies and risk management systems are maintained. The Board also reviews major financial decisions and the performance of the REIT Manager. Subject to the matters specifically reserved to the Board as set out in the Compliance Manual, the Board delegates certain management and supervisory functions to relevant management teams and committees of the Board.

The Board presently comprises seven members, three of whom are Independent Non-executive Directors ("INEDs"). According to the articles of association of the REIT Manager, all Directors (including INEDs) shall retire from office at every annual general meeting of the REIT Manager but shall be eligible for re-election. Further, if an INED has held office for more than nine years, his/her continuation of office shall be subject to the approval of unitholders at the next annual general meeting of the unitholders and at every third annual general meeting of the unitholders thereafter.

12 Corporate Governance

The positions of Chairman of the Board and Chief Executive Officer (“CEO”) are held by two different persons in order to maintain an effective segregation of duties. The Chairman of the Board is Dr. Chiu Kwok Hung, Justin who is a Non-executive Director. He is responsible for the overall leadership of the Board and the REIT Manager. The CEO is Ms. Wong Lai Hung, Mavis who is an Executive Director and a Responsible Officer of the REIT Manager. She has overall responsibility for the day-to-day operations of the REIT Manager and supervises the REIT Manager’s management team to ensure that Prosperity REIT is operated in accordance with the stated strategy, policies and regulations.

RISK MANAGEMENT AND INTERNAL CONTROLS

The REIT Manager has an internal audit function in place to provide an independent assessment of the REIT Manager’s risk management and internal control systems and operational functions, and review of their effectiveness. The Internal Auditor prepares an audit plan using a risk based methodology in consultation with, but independent of, the management for review by the Audit Committee. The audit review focuses on operational and compliance controls of Prosperity REIT and effective implementation of the risk management and internal control systems, and also compliance procedures. Besides, the REIT Manager had adopted the Information Disclosure Controls and Policy in the Compliance Manual which set out the controls and policies in handling and dissemination of inside information (as defined in the Securities and Futures Ordinance (the “SFO”).

The Board, through the Audit Committee, conducts reviews on half-yearly basis on the effectiveness of risk management and internal control systems of Prosperity REIT, which cover all material controls including financial, operational and compliance controls, risk management functions, the adequacy of resources, qualifications and experience, and training programmes of the REIT Manager’s staff who carry out Prosperity REIT’s accounting, internal audit and financial reporting functions.

The Board is of the view that effective risk management and internal control systems are in place.

AUDIT COMMITTEE

The REIT Manager has established an Audit Committee to assist the Board in reviewing the completeness, accuracy, clarity and fairness of Prosperity REIT’s financial statements, recommending for the appointment and reviewing the relationship with the external auditor of Prosperity REIT periodically, as well as reviewing the effectiveness of financial reporting system, risk management and internal control systems and the internal audit function.

The Audit Committee members are appointed by the Board from among the Directors. The Audit Committee presently comprises three INEDs, namely, Dr. Lan Hong Tsung, David, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Mr. Wong Kwai Lam. Dr. Lan Hong Tsung, David is the chairman of the Audit Committee.

DISCLOSURES COMMITTEE

The REIT Manager has also established a Disclosures Committee to assist the Board in reviewing matters relating to the disclosure of information to unitholders and public announcements. The Disclosures Committee also works with the management team of the REIT Manager to ensure the disclosure of information is accurate and complete.

The Disclosures Committee members are appointed by the Board from among the Directors. The Disclosures Committee presently consists of three members, namely, Dr. Chiu Kwok Hung, Justin, Chairman and a Non-executive Director, Ms. Wong Lai Hung, Mavis, CEO and an Executive Director, and Dr. Lan Hong Tsung, David, an INED. Ms. Wong Lai Hung, Mavis is the chairman of the Disclosures Committee.

DESIGNATED (FINANCE) COMMITTEE

The REIT Manager has also established a Designated (Finance) Committee to assist the Board in reviewing matters relating to hedging strategies, financing and re-financing arrangements and transactions involving derivative instruments for hedging purposes.

The Designated (Finance) Committee presently comprises, among others, four Directors, namely, Ms. Wong Lai Hung, Mavis, CEO and an Executive Director, Mr. Ma Lai Chee, Gerald, a Non-executive Director, Dr. Lan Hong Tsung, David and Mr. Wong Kwai Lam, INEDs. Ms. Wong Lai Hung, Mavis is the convener of the Designated (Finance) Committee.

CODE GOVERNING DEALINGS IN UNITS BY DIRECTORS OR THE REIT MANAGER AND INTERESTS OF THE SIGNIFICANT UNITHOLDERS

The REIT Manager has adopted a code governing dealings in the securities of Prosperity REIT by the Directors or the REIT Manager (collectively, the "Management Persons") (the "Units Dealing Code"), on terms no less exacting than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "SEHK"). The Units Dealing Code has been extended to apply to executive officers and other employees of the REIT Manager.

14 Corporate Governance

Specific enquiry has been made with the Management Persons, executive officers and other employees of the REIT Manager, who confirmed that they have complied with the required standard set out in the Units Dealing Code during the Reporting Period.

The REIT Manager has also adopted procedures for monitoring disclosure of interests by the REIT Manager, the Directors and the chief executive of the REIT Manager. The provisions of Part XV of the SFO shall be deemed to apply to the REIT Manager, the Directors, the chief executive of the REIT Manager and each unitholder and all persons claiming through or under him/her.

The Trust Deed contains provisions to deem the application of Part XV of the SFO. Accordingly, unitholders with a holding of 5% or more of the units in issue have a notifiable interest and will be required to notify the SEHK and the REIT Manager of their holdings in Prosperity REIT. The REIT Manager shall then send copies of such notifications received by it to HSBC Institutional Trust Services (Asia) Limited as the trustee of Prosperity REIT (the "Trustee"). The REIT Manager keeps a register for the purposes of maintaining disclosure of interests in units of Prosperity REIT, which is available for inspection by the Trustee and any unitholder at any time during business hours upon reasonable notice to the REIT Manager.

CHANGE OF DIRECTORS' INFORMATION

Subsequent to publication of the Annual Report 2016 of Prosperity REIT, the REIT Manager received notifications regarding the following changes of Directors' information:

1. ARA Asset Management Limited, of which Dr. Chiu Kwok Hung, Justin is the Chairman and a Director, and Mr. Lim Hwee Chiang was the Group Chief Executive Officer and Director, was delisted from Singapore Exchange on 19 April 2017.
2. Mr. Lim Hwee Chiang was appointed as the Chairman of the Consultative Committee to the Department of Real Estate, National University of Singapore with effect from 1 May 2017.
3. Mr. Wong Kwai Lam was appointed as a member of the Advisory Board of Continuing and Professional Studies of The Chinese University of Hong Kong with effect from 1 July 2017.
4. Ms. Wong Lai Hung, Mavis ceased to be a director of Harbour Champ Limited, a special purpose vehicle of Prosperity REIT holding Harbourfront Landmark (portion) before its disposal, with effect from 3 March 2017.

REVIEW OF INTERIM REPORT

The interim report of Prosperity REIT for the Reporting Period has been reviewed by the Audit Committee and the Disclosures Committee. The interim financial statements have also been reviewed by Prosperity REIT's external auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

CLOSURE OF REGISTER OF UNITHOLDERS

The register of unitholders will be closed from Monday, 4 September 2017 to Thursday, 7 September 2017, both days inclusive, during which period no transfer of units will be effected. In order to qualify for the interim 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 1712-16, 17/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Friday, 1 September 2017. The payment date of interim distribution will be on Tuesday, 12 September 2017.

CONNECTED PARTY TRANSACTIONS

Set out below is the information in respect of the connected party transactions involving Prosperity REIT and its connected persons as defined in paragraph 8.1 of the REIT Code during the Reporting Period:

CONNECTED PARTY TRANSACTIONS — INCOME

The following table sets forth information on all the connected party transactions from which Prosperity REIT derived its income during the Reporting Period:

Name of Connected Person	Relationship with Prosperity REIT	Nature of the Connected Party Transaction	Rental and charge out collection (excluding rental deposit, if applicable) for the six months ended 30 June 2017 HK\$	Rental deposit received as at 30 June 2017 HK\$
Goodwell Property Management Limited	Subsidiary of a significant holder ¹	Tenancy of property of Prosperity REIT ²	892,332	496,614
Hutchison Telephone Company Limited	Associated company of a significant holder ¹	Licence of property of Prosperity REIT ³	41,965	18,960
Hutchison Hain Organic (Hong Kong) Limited	Associated company of a significant holder ¹	Tenancy of property of Prosperity REIT ⁴	484,928	258,424
Total			1,419,225	773,998

Notes:

1. Significant holder being Cheung Kong Property Holdings Limited ("CKPH").
2. For 2/F, Units 302–3 and 306–7, New Treasure Centre.
3. For installation of micro-transmission station equipment at Prosperity Place and indoor antennae at Harbourfront Landmark (The Harbourfront Landmark Property was disposed on 3 March 2017).
4. For Units 1703A, 1703B and 1704, 9 Chong Yip Street.

CONNECTED PARTY TRANSACTIONS — BUILDING MANAGEMENT SERVICES

The following table sets forth information in relation to building management services provided by the connected persons for the properties of Prosperity REIT during the Reporting Period:

Name of Connected Person	Relationship with Prosperity REIT	Nature of the Connected Party Transaction	Payment received/ receivable for the six months ended 30 June 2017 HK\$
Goodwell Property Management Limited ¹	Subsidiary of a significant holder ³	Remuneration of DMC Manager	106,468
Goodwell Property Management Limited ²	Subsidiary of a significant holder ³	Remuneration of Carpark Manager	4,076
Citybase Property Management Limited ¹	Subsidiary of a significant holder ³	Remuneration of DMC Manager	149,877
Citybase Property Management Limited ²	Subsidiary of a significant holder ³	Remuneration of Carpark Manager	36,725
Harbourfront Landmark Premium Services Limited ¹	Subsidiary of a significant holder ³	Remuneration of DMC Manager	47,190
Total			344,336

Notes:

1. They are the managers appointed under the respective deeds of mutual covenant of the properties of Prosperity REIT (the "DMC Manager").
2. They are the carpark managers of certain properties of Prosperity REIT (the "Carpark Manager") as delegated by Goodwell-Prosperity Property Services Limited, the property manager of Prosperity REIT pursuant to a property management agreement dated 29 November 2005, as modified, amended and/or extended from time to time.
3. Significant holder being CKPH.

CONNECTED PARTY TRANSACTIONS — EXPENSES

The following table sets forth information on all the connected party transactions in which Prosperity REIT incurred its expenses (other than the building management fees and other charges of the building accounts mentioned above) during the Reporting Period:

Name of Connected Person	Relationship with Prosperity REIT	Nature of the Connected Party Transaction	Expenses for the Period ended 30 June 2017 HK\$
Goodwell-Prosperity Property Services Limited	Subsidiary of a significant holder ²	Property management and lease management fee	5,452,414
Goodwell-Prosperity Property Services Limited	Subsidiary of a significant holder ²	Marketing service fee	5,523,186
E-Park Parking Management Limited	Subsidiary of a significant holder ²	Carpark lease agency fee	1,510,697
Cheung Kong Companies ¹	Subsidiaries of a significant holder ²	Back-office support service fee	26,880
Jones Lang LaSalle Limited	Principal Valuer	Lease Commission	144,255
Total			12,657,432

Notes:

1. Cheung Kong Companies include Harbour Plaza North Point Catering Limited and Harbour Plaza Metropolis Limited.
2. Significant holder being CKPH.

CONNECTED PARTY TRANSACTIONS — OTHERS

The following table sets forth information in relation to services provided by the REIT Manager, the Trustee and the Principal Valuer to Prosperity REIT during the Reporting Period:

Name of Connected Person	Relationship with Prosperity REIT	Nature of the Connected Party Transaction	Expenses for the Period ended 30 June 2017 HK\$
HSBC Institutional Trust Services (Asia) Limited	Trustee	Trustee fee	1,548,400
ARA Asset Management (Prosperity) Limited	REIT Manager	Base fee and variable fees	25,661,438
ARA Asset Management (Prosperity) Limited	REIT Manager	Divestment fee	4,428,708
Jones Lang LaSalle Limited	Principal Valuer	Valuation fees	106,637
Total			31,745,183

CONNECTED PARTY TRANSACTION WITH HSBC GROUP* FOR BANK DEPOSITS

Prosperity REIT has engaged The Hongkong and Shanghai Banking Corporation Limited, the holding company of the Trustee, to provide ordinary banking and financial services (namely, bank deposits and interest earned therefrom) during the Reporting Period.

* HSBC Group means The Hongkong and Shanghai Banking Corporation Limited and its subsidiaries and, unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries (being the subsidiaries of the Trustee but excluding those subsidiaries formed in its capacity as the trustee of Prosperity REIT).

OTHER CONNECTED PARTY TRANSACTIONS

The following companies had provided carpark management services and property management services to Prosperity REIT during the Reporting Period and hence amounts due from Prosperity REIT as at 30 June 2017 were as follows:

Name of Connected Person	Amount payable HK\$
Goodwell-Prosperity Property Services Limited	3,677,820
Goodwell Property Management Limited	3,744,648
E-Park Parking Management Limited	515,656
Citybase Property Management Limited	1,211,851
Total	9,149,975

REPURCHASE, SALE OR REDEMPTION OF UNITS

During the Reporting Period, other than the disposal of 12,107,000 units of Prosperity REIT by the REIT Manager which the REIT Manager had received as payment of its management fee, there was no repurchase, sale or redemption of the units of Prosperity REIT by Prosperity REIT or its subsidiaries.

HOLDING OF CONNECTED PERSONS IN THE UNITS OF PROSPERITY REIT

The following persons, being connected persons (as defined under the REIT Code) of Prosperity REIT, held units of Prosperity REIT:

Name	As at 30 June 2017		As at 31 December 2016
	Number of Units	Percentage of Unitholdings ⁶	Number of Units
Total Win Group Limited ¹	176,328,129	12.06%	176,328,129
Wide Option Investments Limited ¹	98,883,559	6.76%	98,883,559
HKSCC Nominees Limited ²	1,064,283,755	72.80%	1,056,106,066
HSBC ³	22,606,250	1.55%	27,757,250
ARA Asset Management (Prosperity) Limited ⁴	231	0.00002%	3,936,008
Lan Hong Tsung, David ⁵	350,000	0.02%	350,000

Notes:

- Total Win Group Limited ("Total Win") was a connected person of Prosperity REIT as it was a significant holder (as defined under the REIT Code) of Prosperity REIT as at 30 June 2017. Total Win was an indirect wholly-owned subsidiary of CKPH, which was therefore deemed to hold 176,328,129 units held by Total Win as at 30 June 2017.

Wide Option Investments Limited ("Wide Option") was a connected person of Prosperity REIT as it was an indirect wholly-owned subsidiary of CKPH, which was therefore deemed to hold 98,883,559 units held by Wide Option as at 30 June 2017.

Therefore, CKPH was deemed to hold 275,211,688 units as at 30 June 2017, of which 176,328,129 units were held by Total Win and 98,883,559 units were held by Wide Option.

- HKSCC Nominees Limited was a connected person of Prosperity REIT as it was a significant holder (as defined under the REIT Code) of Prosperity REIT as at 30 June 2017. So far as the REIT Manager is aware of, HKSCC Nominees Limited held such units as a nominee.

3. HSBC Holdings plc. and other members of its group ("HSBC") were connected persons of Prosperity REIT as HSBC Institutional Trust Services (Asia) Limited, the Trustee, was an indirect subsidiary of HSBC Holdings plc. So far as the REIT Manager is aware of, the Trustee had no beneficial interest in any units as at 30 June 2017 and 31 December 2016. The Trustee's directors, senior executives, officers and their associates had no beneficial interest in any units as at 30 June 2017 and were beneficially interested in 100,000 units as at 31 December 2016. The controlling entity, holding company, subsidiary or associated company of the Trustee were beneficially interested in 22,606,250 units and 27,657,250 units as at 30 June 2017 and 31 December 2016 respectively.
4. ARA Asset Management (Prosperity) Limited was a connected person of Prosperity REIT as it was the management company (as defined under the REIT Code) of Prosperity REIT as at 30 June 2017.
5. Dr. Lan Hong Tsung, David was a connected person of Prosperity REIT as he was a director of the management company (as defined under the REIT Code) of Prosperity REIT as at 30 June 2017.
6. The total number of issued units as at 30 June 2017 was 1,461,840,453.

Save as disclosed above, the REIT Manager is not aware of any connected persons (as defined under the REIT Code) of Prosperity REIT holding any units of Prosperity REIT as at 30 June 2017.

HOLDINGS OF THE REIT MANAGER, DIRECTORS AND CHIEF EXECUTIVE OF THE REIT MANAGER IN THE UNITS OF PROSPERITY REIT

As at 30 June 2017, the interests of the REIT Manager, Directors and chief executive of the REIT Manager in the units of Prosperity REIT as recorded in the Register of Interests maintained by the REIT Manager under clause 30.3 of the Trust Deed were as follows:

Name	Number of Units		Percentage of Unitholdings ¹
	Direct Interest	Indirect Interest	
ARA Asset Management (Prosperity) Limited	231	–	0.00002%
Lan Hong Tsung, David	350,000	–	0.02%

Note:

1. The total number of issued units as at 30 June 2017 was 1,461,840,453.

Save as disclosed above, none of the Directors and chief executive of the REIT Manager had any interest in the units of Prosperity REIT as at 30 June 2017.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Deloitte.

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**TO THE BOARD OF DIRECTORS OF
ARA ASSET MANAGEMENT (PROSPERITY) LIMITED**

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Prosperity Real Estate Investment Trust and its subsidiaries set out on pages 25 to 50, which comprises the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to unitholders, statement of cash flows and the distribution statement for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. ARA Asset Management (Prosperity) Limited, as manager of Prosperity Real Estate Investment Trust, is responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

11 August 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	4	222,509	222,925
Property management fees		(5,452)	(5,345)
Property operating expenses	6	(40,016)	(41,627)
Total property operating expenses		(45,468)	(46,972)
Net property income		177,041	175,953
Interest income		2,654	23
Manager's fee		(25,661)	(26,328)
Trust and other expenses	7	(4,520)	(4,906)
Gain on disposed property company	11(ii)	299,695	–
Change in fair value of investment properties	11	146,336	264,089
Change in fair value of derivative financial instruments		(31,487)	(9,535)
Finance costs	8	(35,089)	(35,341)
Profit before taxation and transactions with unitholders		528,969	363,955
Taxation	9	(18,969)	(16,965)
Profit for the period, before transactions with unitholders		510,000	346,990
Distribution to unitholders		(134,096)	(131,372)
Profit for the period, after transactions with unitholders		375,904	215,618
Other comprehensive income — item that may be subsequently classified to profit or loss:			
Reclassification of hedging reserve to profit or loss		–	1,261
Other comprehensive income for the period		–	1,261
Total comprehensive income for the period, after transactions with unitholders		375,904	216,879
Income available for distribution to unitholders		134,096	131,372
Basic earnings per unit (HK\$)	10	0.35	0.24

DISTRIBUTION STATEMENT

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Profit for the period, before transactions with unitholders	510,000	346,990
Adjustments:		
Manager's fee	25,093	25,758
Gain on disposed property company	(299,695)	–
Change in fair value of investment properties	(146,336)	(264,089)
Change in fair value of derivative financial instruments	31,487	9,535
Finance costs	5,531	6,333
Deferred tax	8,016	6,845
Income available for distribution (note (i))	134,096	131,372
Distributions to unitholders:		
For the six months ended 30 June	134,096	131,372
Distribution per unit (HK\$) (note (ii))	0.0915	0.0906

Notes:

- (i) In accordance with the trust deed, constituting Prosperity Real Estate Investment Trust ("Prosperity REIT") (the "Trust Deed"), Prosperity REIT is required to distribute to unitholders not less than 90% of its distributable income for each financial period and it is the stated policy of ARA Asset Management (Prosperity) Limited (the "REIT Manager") to distribute 100% of the distributable income. Pursuant to the Trust Deed, distributable income is defined as the amount calculated by the REIT Manager as representing the consolidated profit after tax of Prosperity REIT and its subsidiaries (the "Group") for the relevant financial period, as adjusted to eliminate the effects of certain Adjustments (as defined in the Trust Deed) which have been recorded in the condensed consolidated statement of profit or loss and other comprehensive income for the relevant financial period.

These Adjustments for the half year comprise:

- (a) manager's fee paid and payable in units of HK\$25,093,000 (2016: HK\$25,758,000) out of the total manager's fee of HK\$25,661,000 (2016: HK\$26,328,000) (the difference of HK\$568,000 (2016: HK\$570,000) is paid in cash);
- (b) change in fair value of investment properties of HK\$146,336,000 (2016: HK\$264,089,000), change in fair value of derivative financial instruments of HK\$31,487,000 (2016: HK\$9,535,000), and a gain on disposed property company of HK\$299,695,000 (2016: Nil);
- (c) adjustment in respect of the difference between the accounting finance cost of HK\$35,089,000 (2016: HK\$35,341,000) and the cash finance cost of HK\$29,558,000 (2016: HK\$29,008,000); and
- (d) deferred tax provision of HK\$8,016,000 (2016: HK\$6,845,000).
- (ii) The distribution per unit of HK\$0.0915 (2016: HK\$0.0906) is calculated based on Prosperity REIT's income available for distribution of HK\$134,096,000 (2016: HK\$131,372,000) over 1,465,548,870 units (2016: 1,449,733,936 units), representing units in issue as at 30 June 2017 plus the number of units to be issued after the distribution period to the REIT Manager as payment of base fee and variable fee in the second quarter of the relevant distribution period.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 HK\$000 (unaudited)	31 December 2016 HK\$000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	11	10,335,000	10,183,000
Derivative financial instruments	13	12,866	38,436
		10,347,866	10,221,436
Current assets			
Trade and other receivables	12	9,794	39,332
Bank deposit with maturity over three months		50,000	–
Bank balances and cash		891,233	72,444
		951,027	111,776
Assets of a disposal group classified as held for sale	11(ii)	–	595,560
Total current assets		951,027	707,336
Total assets		11,298,893	10,928,772
Non-current liabilities, excluding net assets attributable to unitholders			
Derivative financial instruments	13	5,973	56
Term loans	14	2,838,839	2,833,308
Deferred tax liabilities		181,461	175,489
Total non-current liabilities, excluding net assets attributable to unitholders		3,026,273	3,008,853
Current liabilities			
Trade and other payables	15	186,282	212,564
Amount due to related companies	16	9,150	7,252
Secured revolving loan	14	–	20,000
Provision for taxation		12,814	1,861
Manager's fee payable		12,838	13,562
Distribution payable		134,096	126,990
		355,180	382,229
Liabilities directly associated with assets of a disposal group classified as held for sale	11(ii)	–	21,969
Total current liabilities		355,180	404,198
Total liabilities, excluding net assets attributable to unitholders		3,381,453	3,413,051
Net assets attributable to unitholders		7,917,440	7,515,721
Units in issue ('000)	17	1,461,840	1,453,669
Net asset value per unit (HK\$) attributable to unitholders	18	5.42	5.17

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the six months ended 30 June 2017

	Issued units HK\$'000 (unaudited)	Unit issue costs HK\$'000 (unaudited)	Retained profits HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Net assets attributable to unitholders as at 1 January 2017 (audited)	3,091,413	(91,278)	4,515,586	7,515,721
OPERATIONS				
Profit for the period, before transactions with unitholders	–	–	510,000	510,000
Distribution paid and payable	–	–	(134,096)	(134,096)
	–	–	375,904	375,904
Total comprehensive income for the period	–	–	375,904	375,904
UNITHOLDERS' TRANSACTIONS OTHER THAN DISTRIBUTIONS				
Units issued to REIT Manager	25,815	–	–	25,815
Net assets attributable to unitholders as at 30 June 2017	3,117,228	(91,278)	4,891,490	7,917,440

Condensed Consolidated Statement of Changes in Net Assets Attributable to Unitholders

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For the six months ended 30 June 2016

	Issued units HK\$'000 (unaudited)	Unit issue costs HK\$'000 (unaudited)	Hedging reserve HK\$'000 (unaudited)	Retained profits HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Net assets attributable to unitholders as at 1 January 2016 (audited)	3,039,570	(91,278)	(1,261)	4,208,704	7,155,735
OPERATIONS					
Profit for the period, before transactions with unitholders	-	-	-	346,990	346,990
Distribution paid and payable	-	-	-	(131,372)	(131,372)
	-	-	-	215,618	215,618
Other comprehensive income for the period	-	-	1,261	-	1,261
Total comprehensive income for the period	-	-	1,261	215,618	216,879
UNITHOLDERS' TRANSACTIONS OTHER THAN DISTRIBUTIONS					
Units issued to REIT Manager	25,671	-	-	-	25,671
Net assets attributable to unitholders as at 30 June 2016	3,065,241	(91,278)	-	4,424,322	7,398,285

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Net cash from operating activities	175,550	177,476
Investing activities:		
New bank deposit with maturity over three months	(50,000)	–
Interest received	2,654	23
Additional expenditure to investment properties	(5,664)	(4,911)
Net proceeds from disposal of a property company	871,351	–
Net cash from/(used in) investing activities	818,341	(4,888)
Financing activities:		
Drawdown of secured revolving loan	–	30,000
Repayment of secured revolving loan	(20,000)	(30,000)
Interest payment of term loans and revolving loan	(29,558)	(29,008)
Distribution to unitholders	(126,990)	(129,312)
Net cash used in financing activities	(176,548)	(158,320)
Net increase in cash and cash equivalents	817,343	14,268
Cash and cash equivalents at beginning of the period	73,890	64,911
Cash and cash equivalents at end of period, represented by bank balances and cash	891,233	79,179

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1 GENERAL

Prosperity REIT is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and its units have been listed on The Stock Exchange of Hong Kong Limited since 16 December 2005. Prosperity REIT is governed by the Trust Deed made between the REIT Manager and HSBC Institutional Trust Services (Asia) Limited (the "Trustee") and the Code on Real Estate Investment Trusts (the "REIT Code") issued by the Securities and Futures Commission of Hong Kong.

The principal activity of the Group is to own and invest in a portfolio of commercial properties, comprising office, commercial, industrial/office and industrial buildings located in Hong Kong with the objective of producing stable and sustainable distributions to unitholders and to achieve long term growth in the net asset value per unit.

2 BASIS OF PREPARATION

The condensed consolidated financial statements are presented in Hong Kong dollars, which is the functional currency of Prosperity REIT.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standard 34 "Interim Financial Reporting" and the relevant disclosure requirements set out in Appendix C of the REIT Code.

The REIT Manager is of the opinion that, taking into account the fair value of investment properties, presently available banking facilities and internal financial resources, Prosperity REIT has sufficient working capital for its present requirements within one year from the end of reporting period. Hence, the condensed consolidated financial statements have been prepared on a going concern basis.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

3 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in these condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016 except as described below.

In the current period, the Group has applied the following amendments to the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for an accounting period that begins on or after 1 January 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

The application of the amendments to the HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current period and prior years and/or on the disclosures set out in these financial statements.

The Group has not early adopted the following new and amendments to HKFRSs and interpretation that have been issued but are not yet effective.

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle except for amendments to HKFRS 12 ¹

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after a date to be determined

Notes to the Condensed Consolidated Financial Statements

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For the six months ended 30 June 2017

3 PRINCIPAL ACCOUNTING POLICIES (continued)

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The REIT Manager anticipates that the application of these new and amendments to HKFRSs, including HKFRS 9, and interpretation in the future will not have a material effect on the Group's condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

4 REVENUE

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Gross rental from investment properties		
Rental income	182,389	182,353
Car park income	13,717	12,904
	196,106	195,257
Rental related income	26,403	27,668
	222,509	222,925

5 SEGMENT INFORMATION

During the reporting period, Prosperity REIT invested in eight office, commercial, industrial/office and industrial buildings located in Hong Kong, namely The Metropolis Tower, Prosperity Millennia Plaza, 9 Chong Yip Street, portion of Harbourfront Landmark (until the completion date of its disposal on 3 March 2017), Prosperity Place, Trendy Centre, portion of Prosperity Center and portion of New Treasure Centre. These properties are the basis on which the REIT Manager, being the chief operating decision maker, reports Prosperity REIT's segment information for the purpose of resource allocation and performance assessment.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

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5 SEGMENT INFORMATION (continued)

Six months ended 30 June 2017 (unaudited)

	The Metropolis Tower HK\$'000	Prosperity Millennia Plaza HK\$'000	9 Chong Yip Street HK\$'000	Harbourfront Landmark (portion)* HK\$'000	Prosperity Place HK\$'000	Trendy Centre HK\$'000	Prosperity Center (portion) HK\$'000	New Treasure Centre (portion) HK\$'000	Consolidated HK\$'000
Segment revenue in Hong Kong	66,769	44,687	19,569	5,756	34,086	24,300	19,669	7,673	222,509
Segment profit	55,339	37,002	15,560	4,880	25,513	17,837	15,176	5,734	177,041
Interest income									2,654
Manager's fee									(25,661)
Trust and other expenses									(4,520)
Gain on disposed property company									299,695
Change in fair value of investment properties									146,336
Change in fair value of derivative financial instruments									(31,487)
Finance costs									(35,089)
Profit before taxation and transactions with unitholders									528,969

* The Harbourfront Landmark Property was disposed on 3 March 2017 as set out in note 11(ii).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

5 SEGMENT INFORMATION (continued)

Six months ended 30 June 2016 (unaudited)

	The Metropolis Tower HK\$'000	Prosperity Millennia Plaza HK\$'000	9 Chong Yip Street HK\$'000	Harbourfront Landmark (portion) HK\$'000	Prosperity Place HK\$'000	Trendy Centre HK\$'000	Prosperity Center (portion) HK\$'000	New Treasure Centre (portion) HK\$'000	Consolidated HK\$'000
Segment revenue in Hong Kong	61,641	44,434	19,218	14,892	33,095	23,150	18,925	7,570	222,925
Segment profit	47,686	36,724	15,440	12,323	26,704	16,918	14,430	5,728	175,953
Interest income									23
Manager's fee									(26,328)
Trust and other expenses									(4,906)
Change in fair value of investment properties									264,089
Change in fair value of derivative financial instruments									(9,535)
Finance costs									(35,341)
Profit before taxation and transactions with unitholders									363,955

Notes to the Condensed Consolidated Financial Statements

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For the six months ended 30 June 2017

6 PROPERTY OPERATING EXPENSES

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Building management expenses	19,348	19,119
Utilities	2,535	3,228
Car park operating expenses	3,692	3,589
Marketing service fee	5,523	5,472
Lease commission	2,931	4,172
Repairs and maintenance	2,798	3,029
Valuation fees (paid to principal valuer)	107	98
Audit fee	624	662
Other charges	2,458	2,258
	40,016	41,627

7 TRUST AND OTHER EXPENSES

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Audit fee	130	118
Back-office support service fee	27	36
Bank charges	852	991
Legal and professional fees	435	631
Public relations and related expenses	162	174
Registrar fee	300	300
Trust administrative expenses	1,066	1,097
Trustee's fee	1,548	1,559
	4,520	4,906

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

8 FINANCE COSTS

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Interest expense on:		
Secured term loans	23,150	25,150
Unsecured term loan	7,405	4,599
Equalisation of interest expense through interest rate swaps	4,522	5,539
	35,077	35,288
Secured revolving loan	12	53
	35,089	35,341

9 TAXATION

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Current tax	10,953	10,120
Deferred tax	8,016	6,845
	18,969	16,965

The estimated tax rate used is 16.5% for the periods under review. No provision for Hong Kong Profits Tax is required for certain subsidiaries as these subsidiaries did not have any assessable profits for the period or the assessable profit is wholly absorbed by tax losses brought forward.

Deferred tax is provided on temporary differences relating to accelerated tax depreciation and tax losses using the estimated tax rate. The investment property is not held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time and hence the presumption that the carrying amounts are recovered entirely through sale is not rebutted.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

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10 BASIC EARNINGS PER UNIT

The basic earnings per unit is calculated by dividing the profit for the period, before transactions with unitholders of HK\$510,000,000 (2016: HK\$346,990,000) by the weighted average of 1,461,739,065 (2016: 1,445,799,439) units in issue during the period, taking into account the units issuable as manager's fee for its service in the last quarter of the relevant distribution period.

11 INVESTMENT PROPERTIES

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Fair value at beginning of the period/year	10,183,000	10,419,000
Additional expenditure	5,664	12,666
Change in fair value of investment properties	146,336	345,334
Transfer to assets of a disposal group classified as held for sale	-	(594,000)
Fair value at end of the period/year	10,335,000	10,183,000

- (i) All of the Group's property interests in properties are located in Hong Kong to earn rentals or for capital appreciation purposes. They are measured using the fair value model and are classified and accounted for as investment properties.

In estimating the fair value of investment properties, it is the Group's policy to engage independent qualified external valuer to perform the valuation. The REIT Manager works closely with the independent qualified external valuer to establish the appropriate valuation technique and inputs to the model.

For the six months ended 30 June 2017

11 INVESTMENT PROPERTIES (continued)

(i) (continued)

On 30 June 2017 and 31 December 2016, an independent valuation on the investment properties was undertaken by Jones Lang LaSalle Limited. The firm is an independent qualified external valuer not connected to the Group and has appropriate professional qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation of the properties, falls under level 3 of the fair value hierarchy, was arrived at using the income capitalisation method cross-referenced with the direct comparison method. Income capitalisation method is based on the capitalisation of the current passing rental income and potential reversionary income over the remaining tenure of the investment properties from the date of valuation at appropriate investment yields to arrive at the capital value and with appropriate adjustments. The estimated net property yield is based on the monthly net rental income for June 2017 and average net monthly car parking income for the period of January 2017 to June 2017. The direct comparison method is based on comparing the properties to be valued directly with other comparable properties which recently changed hands or leased and generally located in the surrounding areas or in another market which is comparable to the properties and with appropriate adjustments.

The adopted capitalisation rates in the valuation range from 3.7% to 4.2% (2016: 3.7% to 4.2%) for capitalization of the current passing rental income over the existing lease term and 3.7% to 4.2% (2016: 3.7% to 4.2%) for potential future reversionary rental income. The capitalisation rates is one of the key parameters in the valuation method of income capitalisation and they involve professional judgment in relation to the adjustments made by the independent qualified external valuer.

Certain of the Group's investment properties as at 30 June 2017, with aggregate carrying value of HK\$5,712,700,000 (31 December 2016: HK\$5,639,900,000), have been pledged to secure banking facilities granted to the Group.

Notes to the Condensed Consolidated Financial Statements

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For the six months ended 30 June 2017

11 INVESTMENT PROPERTIES (continued)

- (ii) On 8 December 2016, a letter of intent was signed by the REIT Manager (in its capacity as manager of Prosperity REIT) and an independent third party ("the Purchaser") in respect of the sale of the Harbourfront Landmark Property through disposal of its holding company, Harbour Champ Limited. An amount of HK\$30,000,000 was received and held by the Trustee's Solicitors as earnest money which was included as deposit receivable for assets classified as held for sale with the corresponding amount included in deposit received as set out in notes 12 and 15 respectively. The REIT Manager considered that the assets and liabilities of Harbour Champ Limited should be classified as held-for-sale as at 31 December 2016 in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

On 20 January 2017, the Trustee (in its capacity as trustee of Prosperity REIT) as vendor and the REIT Manager entered into the relevant share purchase agreement with the Purchaser and the disposal was completed on 3 March 2017 for a cash consideration of HK\$877,378,000 (representing to the gross consideration of HK\$885,741,000 minus the adjusted net asset value of Harbour Champ Limited of HK\$8,363,000) as at completion date of the disposal. The disposal resulted in a gain of approximately HK\$299,695,000, mainly representing fair value change of investment property as a result of such transaction.

Analysis of assets and liabilities over which control was lost:

	HK\$000
Investment properties	594,000
Trade and other receivables	240
Trade and other payables	(10,141)
Deferred tax liabilities	(12,443)
Net assets disposed of	571,656

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

11 INVESTMENT PROPERTIES (continued)

(ii) (continued)

Gain on fair value change of investment property through the disposal of a property company is determined as follows:

	HK\$000
Consideration received	877,378
Less: Transaction cost incurred	(1,598)
Less: Divestment fee	(4,429)
Less: Net assets disposed of	(571,656)
	299,695

Net cash inflow arising on disposal is as follows:

	HK\$000
Net proceeds from disposal	871,351

During the six months period ended 30 June 2017, HK\$5,756,000 out of the Group's revenue and HK\$2,690,000 out of the Group's profit were attributable to the subsidiary disposed.

12 TRADE AND OTHER RECEIVABLES

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Trade receivables	940	1,061
Less: allowance for doubtful debts	(123)	(3)
	817	1,058
Deposit receivable for assets classified as held for sale	–	30,000
Deposits, prepayments and other receivables	8,977	8,274
	9,794	39,332

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

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12 TRADE AND OTHER RECEIVABLES (continued)

Ageing analysis of the Group's trade receivables presented based on the invoice date at the end of the reporting period is as follows:

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Current – 1 month	90	129
2 – 3 months	727	929
	817	1,058

13 DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Derivative financial instruments are analysed as:		
Derivatives not under hedge accounting:		
Interest rate swaps	6,893	38,380
Reflected on condensed consolidated statement of financial position based on remaining contractual maturity as:		
Non-current assets	12,866	38,436
Non-current liabilities	(5,973)	(56)
	6,893	38,380

The Group uses interest rate swaps as hedging instrument in order to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of these borrowing from floating rates to fixed rates.

For the six months ended 30 June 2017

13 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Derivatives:

Contracts with total notional amount of HK\$2,116,000,000 as at 30 June 2017 (31 December 2016: HK\$2,116,000,000) will mature from December 2018 to September 2022 (31 December 2016: December 2018 to September 2022). These contracts have fixed interest payments at rates ranging from 0.455% to 1.483% (31 December 2016: 0.455% to 1.483%) per annum and have floating interest receipts at three months HIBOR or at three months HIBOR minus 1.5% if HIBOR is within a pre-determined range (if applicable) with HIBOR being repriced every three months.

The total change in fair value of the derivative financial instruments amounting to a loss of HK\$31,487,000 is recognised in the profit or loss for the six months ended 30 June 2017 (six months ended 30 June 2016: HK\$9,535,000).

All derivatives are measured at fair value at the end of each reporting period. Their fair values are determined based on the discounted future cash flows using the applicable yield curve for the remaining duration of the swaps.

The fair value of the derivative financial instruments falls under level 2 of the fair value hierarchy and is based on valuation of the instruments provided by the counterparty banks, which are determined using interest rates implied from observable market inputs such as market interest rates yield curves and contracted interest rates discounted at a rate that reflects the credit risk of various counterparties.

Notes to the Condensed Consolidated Financial Statements

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For the six months ended 30 June 2017

14 BORROWINGS

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Secured term loans	2,070,000	2,070,000
Unsecured term loan	800,000	800,000
Bank facility origination fees	(31,161)	(36,692)
	2,838,839	2,833,308
Secured revolving loan	–	20,000
	2,838,839	2,853,308
Carrying amount repayable:		
Within one year	–	20,000
Within a period of more than one year but not exceeding five years	2,838,839	2,833,308
	2,838,839	2,853,308

Details of the terms and conditions of the facilities as at 30 June 2017 and 31 December 2016 are as follows:

- (i) HK\$2,070,000,000 secured term loan bears interest at floating interest rate of HIBOR + 1.35% per annum and is repayable in full on 14 November 2019;
- (ii) HK\$430,000,000 revolving loan bears interest at floating interest rate of HIBOR + 1.35% per annum and is repayable on demand; and
- (iii) HK\$800,000,000 unsecured term loan bears interest at floating interest rate of HIBOR + 1.05% per annum, which was granted on 11 August 2016, and is repayable in full on 31 August 2021.

The above secured term loans and revolving credit facility are secured by certain investment properties of the Group as disclosed in note 11. In addition, Prosperity REIT and certain of its subsidiaries provide a guarantee for all the facilities.

The bank facility origination fees consist of advisory fee and front-end fee with respect to the banking facilities and are included in measuring the borrowings at amortised cost.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

15 TRADE AND OTHER PAYABLES

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Trade payables	2,697	2,082
Deposits received as earnest money	–	30,000
Tenants' deposits		
Outside parties	134,646	131,395
Related parties	774	774
Rental received in advance		
Outside parties	5,009	4,195
Other payables	43,156	44,118
	186,282	212,564

Ageing analysis of the Group's trade payables presented based on invoice date at the end of the reporting period is as follows:

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Current – 1 month	1,169	421
2 – 3 months	1,027	1,055
Over 3 months	501	606
	2,697	2,082

Tenants' deposits represent the deposits refundable to tenants upon termination or cancellation of operating lease arrangements and amounts outstanding for ongoing costs. The tenants' deposits are refundable to tenants within 45 days upon the termination of the tenancy agreement. The tenants' deposits to be settled after twelve months from the end of the reporting period based on the lease terms amounted to HK\$81,929,000 as at 30 June 2017 (31 December 2016: HK\$84,789,000).

Notes to the Condensed Consolidated Financial Statements

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For the six months ended 30 June 2017

16 AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies arose from expenses of back-office support services, property management services and car park management services provided by related companies. The amounts are unsecured, interest-free and repayable on demand.

17 UNITS IN ISSUE

	Number of units	HK\$'000
Balance as at 1 January 2016	1,436,853,915	3,039,570
Payment of Manager's base fee and variable fee through issuance of new units during the year	16,815,315	51,843
Balance as at 31 December 2016	1,453,669,230	3,091,413
Payment of Manager's base fee and variable fee through issuance of new units during the period	8,171,223	25,815
Balance as at 30 June 2017	1,461,840,453	3,117,228

Subsequent to the end of the reporting period, 3,708,417 units (31 December 2016: 4,225,100 units) at HK\$3.3856 (31 December 2016: HK\$3.1424) per unit were issued to the REIT Manager as settlement of base fee and variable fee for the period from 1 April 2017 to 30 June 2017. The unitholders' fund per unit, based on the closing market price of Prosperity REIT as at 30 June 2017 was HK\$3.32 (31 December 2016: HK\$3.06).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

18 NET ASSET VALUE PER UNIT ATTRIBUTABLE TO UNITHOLDERS

The net asset value per unit is calculated based on the net assets attributable to unitholders and the total number of 1,461,840,453 units in issue as at 30 June 2017 (31 December 2016: 1,453,669,230 units).

19 MAJOR NON-CASH TRANSACTION

During the period, the REIT Manager earned manager's fee of HK\$25,661,000 (2016: manager's fee of HK\$26,328,000) of which HK\$25,093,000 (2016: HK\$25,758,000) was paid or payable through the issuance of units to the REIT Manager. An amount of HK\$12,538,000 (2016: HK\$12,832,000) had been settled through the issuance of units to the REIT Manager while the balance of HK\$12,555,000 (31 December 2016: HK\$13,276,000) included in other payables would be paid in units subsequent to the period end.

20 NET CURRENT ASSETS

At the end of the reporting period, the Group's net current assets, defined as current assets less current liabilities, amounted to HK\$595,847,000 (31 December 2016: HK\$303,138,000).

21 TOTAL ASSETS LESS CURRENT LIABILITIES

At the end of the reporting period, the Group's total assets less current liabilities amounted to HK\$10,943,713,000 (31 December 2016: HK\$10,524,574,000).

Notes to the Condensed Consolidated Financial Statements

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For the six months ended 30 June 2017

22 CONNECTED AND RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following transactions with connected and related parties:

	Notes	Six months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Rent and rental related income from			
Goodwell Property Management Limited	(a)	892	844
Hutchison Telephone Company Limited	(b)	42	48
Hutchison Hain Organic (Hong Kong) Limited	(b)	485	473
Carpark lease agency fee for the operations of the Group's carpark			
E-Park Parking Management Limited	(a)	1,511	1,438
Property management fee			
Goodwell-Prosperity Property Services Limited	(a)	5,452	5,345
Marketing service fee			
Goodwell-Prosperity Property Services Limited	(a)	5,523	5,472
Lease commission			
Jones Lang LaSalle Limited	(c)	144	–
Trustee's fee			
HSBC Institutional Trust Services (Asia) Limited		1,548	1,559
Manager's fee			
ARA Asset Management (Prosperity) Limited		25,661	26,328
Divestment fee			
ARA Asset Management (Prosperity) Limited		4,429	–
Back-office support service fee			
Cheung Kong Companies	(a)	27	36

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

22 CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

Balances with connected and related parties are as follows:

	Notes	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Amount due to			
Citybase Property Management Limited	(a)	1,212	553
Goodwell-Prosperity Property Services Limited	(a)	3,678	3,772
Goodwell Property Management Limited	(a)	3,744	2,851
Harbourfront Landmark Premium Services Limited	(a)	–	647
E-Park Parking Management Limited	(a)	516	254
Deposits placed with the Group for the lease of the Group's properties			
Goodwell Property Management Limited	(a)	497	497
Hutchison Telephone Company Limited	(b)	19	24
Hutchison Hain Organic (Hong Kong) Limited	(b)	258	259

Notes:

- (a) These companies were subsidiaries of Cheung Kong Property Holdings Limited ("CKPH"), a significant unitholder (defined in the REIT Code as a holder of 10% or more of the outstanding units) of Prosperity REIT.
- (b) These companies were associated companies (as defined in the REIT Code) of CKPH.
- (c) Jones Lang LaSalle Limited is the principal valuer of investment properties for the period ended 30 June 2017.

Under the REIT Code, the deed of mutual covenant which binds the REIT Manager and all the owners of a development and their successors-in-title which include members of CKPH group technically constitutes a contract between the Group and CKPH group. Remuneration to the building managers, which are the wholly-owned subsidiaries of CKPH, for the building management services provided constitutes a connected party transaction. During the reporting period, remuneration paid from the funds of the buildings, attributable to the properties owned by the Group, to the building managers amounted to HK\$344,000 (2016: HK\$429,000).

PERFORMANCE TABLE

RESULTS ANALYSIS

	Six months ended 30 June	
	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	222,509	222,925
Net property income	177,041	175,953
Profit for the period, before transactions with unitholders	510,000	346,990
Income available for distribution	134,096	131,372
Basic earnings per unit (HK\$)	0.35	0.24
Distribution per unit (HK\$)	0.0915	0.0906

MAJOR ASSETS AND LIABILITIES

	30 June 2017 HK\$'000 (unaudited)	31 December 2016 HK\$'000 (audited)
Investment properties	10,335,000	10,777,000 ¹
Borrowings, excluding bank facility origination fees	(2,870,000)	(2,890,000)
Net assets attributable to unitholders	7,917,440	7,515,721
Net asset value per unit (HK\$)	5.42	5.17

¹ This amount as at 31 December 2016 includes Harbourfront Landmark Property of HK\$594,000,000 transferred to assets of a disposal group classified as held for sale.

52 Performance Table

OTHER INFORMATION

	30 June 2017	31 December 2016
The highest traded price during the period/year (HK\$)	3.38	3.61
The highest discount of the traded price to net asset value	(37.6%)	(30.2%)
The lowest traded price during the period/year (HK\$)	3.06	2.61
The lowest discount of the traded price to net asset value	(43.5%)	(49.5%)
The net yield per unit based on market price at the end of period/year ²	5.5%	5.8%

² Annualised yield for the six months ended 30 June 2017 is based on the distribution per unit of HK\$0.0915 and the closing unit price of HK\$3.32 as at 30 June 2017. For the year ended 31 December 2016, the yield is based on the distribution per unit of HK\$0.1777 and the closing unit price of HK\$3.06 as at 30 December 2016.

INVESTMENT PROPERTIES PORTFOLIO

As at 30 June 2017

Property	Type	Lease term	Lease expiry date	Location	Valuation as at 30 June 2017 HK\$ Million
The Metropolis Tower	O	Medium-term lease	30 June 2047	10 Metropolis Drive Hung Hom Kowloon Hong Kong	3,213
Prosperity Millennia Plaza	O	Medium-term lease	30 June 2047	663 King's Road North Point Hong Kong	2,082
9 Chong Yip Street	O	Medium-term lease	30 June 2047	9 Chong Yip Street Kwun Tong Kowloon Hong Kong	1,092
Prosperity Place	C	Medium-term lease	30 June 2047	6 Shing Yip Street Kwun Tong Kowloon Hong Kong	1,707
Trendy Centre	I/O	Medium-term lease	30 June 2047	682 Castle Peak Road Lai Chi Kok Kowloon Hong Kong	1,041
Prosperity Center (portion)	I/O	Medium-term lease	30 June 2047	25 Chong Yip Street Kwun Tong Kowloon Hong Kong	876
New Treasure Centre (portion)	I	Medium-term lease	30 June 2047	10 Ng Fong Street San Po Kong Kowloon Hong Kong	324
Total					10,335

Note: Type of properties: O-Office, C-Commercial, I/O-Industrial/Office, I-Industrial

**BOARD OF DIRECTORS OF
THE REIT MANAGER**

CHIU Kwok Hung, Justin
Chairman and Non-executive Director

LIM Hwee Chiang
Non-executive Director

WONG Lai Hung, Mavis
Executive Director and Chief Executive Officer

MA Lai Chee, Gerald
Non-executive Director

LAN Hong Tsung, David
Independent Non-executive Director

SNG Sow-Mei (alias POON Sow Mei)
Independent Non-executive Director

WONG Kwai Lam
Independent Non-executive Director

**COMPANY SECRETARY OF
THE REIT MANAGER**

SENG Sze Ka Mee, Natalia

TRUSTEE

HSBC Institutional Trust Services (Asia) Limited

**AUDITOR OF PROSPERITY
REIT**

Deloitte Touche Tohmatsu

PRINCIPAL VALUER

Jones Lang LaSalle Limited

PRINCIPAL BANKERS

DBS Bank Limited
Sumitomo Mitsui Banking Corporation
The Hongkong and Shanghai Banking
Corporation Limited

LEGAL ADVISER

Baker & McKenzie

REGISTERED OFFICE

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Hong Kong

UNIT REGISTRAR AND TRANSFER OFFICE

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Services Limited
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Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 808

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www.prosperityreit.com

KEY DATES

Interim Results Announcement
11 August 2017

Closure of Register of Unitholders
for interim distribution
4 September 2017 to
7 September 2017 (both days inclusive)

Payment of interim distribution
12 September 2017

The interim report 2017 (in both English and Chinese versions) ("Interim Report") has been posted on Prosperity REIT's website at www.prosperityreit.com and the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk. Unitholders who have chosen (or are deemed to have consented) to receive Prosperity REIT's Corporate Communication (including but not limited to annual report, interim report, notice of meeting, listing documents, circular and proxy form) by electronic means through Prosperity REIT's website and who for any reason have difficulty in receiving or gaining access to the Interim Report posted on Prosperity REIT's website may request a printed copy of the Interim Report free of charge.

Unitholders may at any time change the choice of means of receipt (i.e. in printed form or by electronic means through Prosperity REIT's website) and/or language of Prosperity REIT's Corporate Communication by reasonable prior notice in writing to Prosperity REIT's unit registrar, Computershare Hong Kong Investor Services Limited, either by post or by email to prosperityreit.com@computershare.com.hk.

本二零一七年年中期報告(「中期報告」)中英文版本均已於泓富產業信託網站www.prosperityreit.com及香港聯合交易所有限公司網站www.hkexnews.hk登載。選擇(或被視為同意)透過泓富產業信託網站收取電子版本之企業通訊(包括但不限於年報、中期報告、會議通告、上市文件、通函及代表委任表格)之基金單位持有人，及因任何理由於收取或接收登載於泓富產業信託網站之中期報告時遇有困難之基金單位持有人，可要求免費索取中期報告之印刷本。

基金單位持有人可以郵寄方式向泓富產業信託之基金單位過戶登記處香港中央證券登記有限公司發出合理的事先書面通知或電郵至prosperityreit.com@computershare.com.hk，隨時更改其對有關泓富產業信託企業通訊的收取方式(即印刷本或透過泓富產業信託網站收取電子版本)及／或語文版本之選擇。

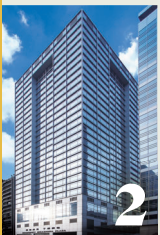
PORTFOLIO 物業分佈圖 MAP



GRADE A OFFICE 甲級寫字樓



1
The Metropolis Tower
都會大廈



2
Prosperity Millennia Plaza
弘富產業千禧廣場



3
9 Chong Yip Street
創業街9號

COMMERCIAL 商用物業



4
Prosperity Place
弘富廣場

INDUSTRIAL / OFFICE 工商綜合物業



5
Trendy Centre
潮流工貿中心



6
Prosperity Center Property (portion)
創富中心(部分)

INDUSTRIAL 工業物業



7
New Treasure Centre Property (portion)
新寶中心(部分)



PROSPERITY
REIT 泓富產業信託

Stock Code 股份代號 : 808



www.prosperityreit.com

Manager 管理人



ARA Asset Management (Prosperity) Limited
泓富資產管理有限公司

Prosperity REIT is managed by
ARA Asset Management (Prosperity) Limited
泓富產業信託
由泓富資產管理有限公司管理

