



PROSPERITY
REIT 泓富產業信託

Stock Code 股份代號 : 808

Interim Report 2014 中期報告



豐盛成果
HARVESTING
THE SUCCESS

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 eight 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 1.35 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 Singapore-listed ARA Asset Management Limited (“ARA”). ARA is an 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.



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Investment Properties Portfolio

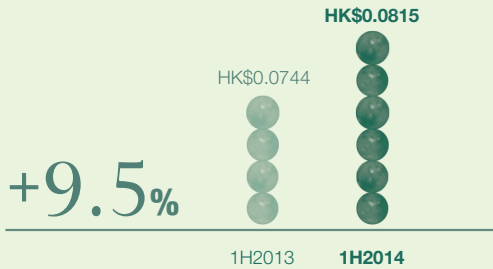
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Corporate Information

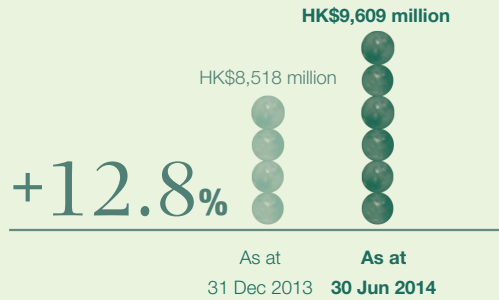
The cover depicts jade grapes, which symbolize wealth, abundance and success in Chinese culture. The process of growing grapes from seeds all the way to harvest requires tremendous care and nurture, analogous to Prosperity REIT yielding fruitful results from strategic and meticulous investment plans. With the successful acquisition of 9 Chong Yip Street in January 2014, Prosperity REIT is set to harvest additional distribution for its unitholders.

PERFORMANCE HIGHLIGHTS

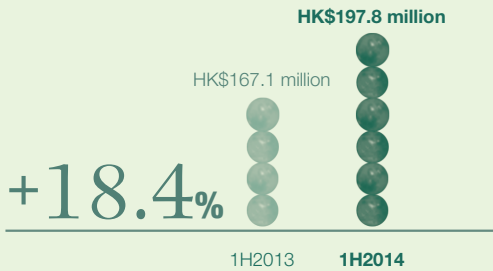
Distribution Per Unit¹



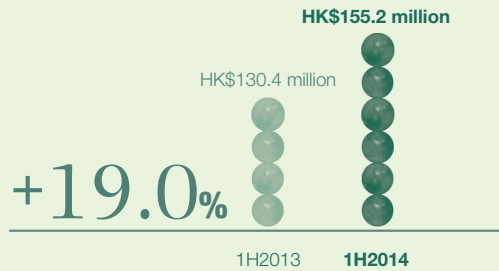
Property Valuation



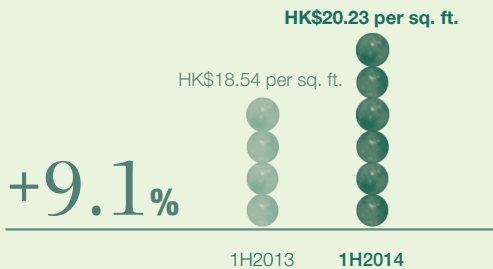
Revenue¹



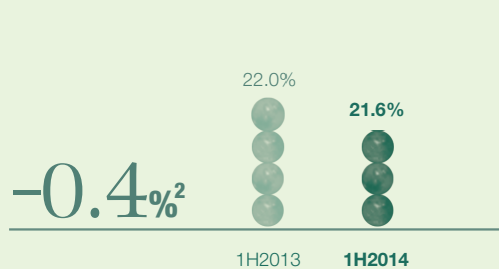
Net Property Income¹



Average Effective Unit Rent¹



Cost-to-revenue Ratio¹



Notes:

¹ For the six months ended 30 June

² Absolute change

PERFORMANCE HIGHLIGHTS

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)	Percentage change Increase/ (Decrease)
Distribution per unit ("DPU")	HK\$0.0815	HK\$0.0744	9.5%

Key Financial Figures

	As at 30 June 2014 (unaudited)	As at 31 December 2013 (audited)	Percentage change Increase/ (Decrease)
Net asset value per unit	HK\$4.56	HK\$4.57	(0.2%)
Property valuation	HK\$9,609 million	HK\$8,518 million	12.8%
Gearing ratio*	28.9%	20.9%	8.0% ¹

Operation Data

	Six months ended 30 June 2014 (unaudited)	Six months ended 30 June 2013 (unaudited)	Percentage change Increase/ (Decrease)
Revenue	HK\$197.8 million	HK\$167.1 million	18.4%
Net property income	HK\$155.2 million	HK\$130.4 million	19.0%
Average effective unit rent	HK\$20.23 per sq. ft.	HK\$18.54 per sq. ft.	9.1%
Occupancy rate (as at 30 June)	97.8%	98.1%	(0.3%) ¹
Rental reversion rate	28.6%	37.8%	(9.2%) ¹
Cost-to-revenue ratio	21.6%	22.0%	(0.4%) ¹

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

¹ Absolute change

MANAGEMENT DISCUSSION AND ANALYSIS

Investment Review

Prosperity REIT successfully completed its first major acquisition in January 2014. The acquisition of 9 Chong Yip Street expanded Prosperity REIT's portfolio gross rentable area by 11.2% to 1,352,174 sq. ft., and was the major contributing factor to the 12.8% increase in the portfolio valuation of HK\$9,609 million. As the acquisition was completed on 22 January 2014, 9 Chong Yip Street provided a partial contribution during the six months ended 30 June 2014 (the "Reporting Period") and accounted for 7.9% of the portfolio revenue during the Reporting Period. Funded entirely by debt and achieving economies of scale in operation, this acquisition has generated additional distribution for Prosperity REIT's unitholders.

Furthermore, the strategic location of 9 Chong Yip Street strengthened Prosperity REIT's foothold in Kowloon East, a maturing decentralized business district with bright growth prospects. With the acquisition, 32.8% of Prosperity REIT's net property income came from this burgeoning district during the Reporting Period.

The REIT Manager will continue to seek out potential acquisition opportunities. We will assess every acquisition target prudently 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.

Operations Review

As at 30 June 2014, Prosperity REIT owned a diverse portfolio of eight properties (including the newly acquired 9 Chong Yip Street) in the decentralized business districts of Hong Kong, comprising all, or a portion of, three Grade A office buildings, two commercial buildings, two industrial/office buildings and one industrial building. As at 30 June 2014, the total gross rentable area was 1,352,174 sq. ft., with a total of 498 car park spaces.

MANAGEMENT DISCUSSION AND ANALYSIS

Information about our properties, as at 30 June 2014, 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	2,955	99.5%
Prosperity Millennia Plaza	North Point	217,955	43	1,732	95.3%
9 Chong Yip Street	Kwun Tong	136,595	68	1,064	95.8%
Commercial					
Harbourfront Landmark (portion)	Hung Hom	77,021	–	461	100.0%
Prosperity Place	Kwun Tong	240,000	83	1,404	96.0%
Industrial/Office					
Trendy Centre	Lai Chi Kok	173,764	79	913	98.5%
Prosperity Center (portion)	Kwun Tong	149,253	105	789	99.3%
Industrial					
New Treasure Centre (portion)	San Po Kong	86,168	22	291	100.0%
Total		1,352,174	498	9,609	97.8%

While slowdown in the U.S. and China's economic growth in the early part of the year had weighed on the global economy, a degree of optimism emerged towards the end of the Reporting Period, with indications for an improving U.S. job market as well as accelerating China manufacturing activities.

MANAGEMENT DISCUSSION AND ANALYSIS

In Hong Kong, PRC companies, especially hedge funds and private equity firms, were notably active in the leasing market in pursuit of expanding international presence through Hong Kong, resulting in steady rents in the central business district (“CBD”).

As for Kowloon East, increasing units from strata-title landlords were released to the market at more competitive rents, offering more alternatives to tenants. Notwithstanding an increasingly competitive market condition, Prosperity REIT achieved a strong rental reversion rate of 28.6%, complemented with a stable occupancy rate of 97.8% during the Reporting Period. The average effective unit rent of Prosperity REIT’s portfolio also recorded a solid growth of 9.1% to HK\$20.23 per sq. ft. during the Reporting Period. This resilient performance was attributable to our proactive leasing strategies, premium quality of our properties, as well as our attentive property management services, which enabled us to stand out from keen competitions and attract quality tenants.

After the integration of 9 Chong Yip Street into Prosperity REIT’s portfolio early this year, large-scale asset enhancement works had commenced in March. Coupled with the asset enhancement works, the REIT Manager continued to recruit new tenants proactively. As a result, the occupancy rate stood stably at 95.8% as at 30 June 2014.

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 21.6% for the Reporting Period.

As at 30 June 2014, Prosperity REIT’s gearing ratio remained at a healthy level of 28.9%, providing us with a strong balance sheet to take advantage of future growth opportunities. The increase of the gearing ratio from 20.9% as at 31 December 2013 was due to the drawdown of existing revolving credit facility and new loan facilities to finance the acquisition of 9 Chong Yip Street.

Asset Enhancement

Asset enhancement has been a key growth driver for Prosperity REIT. Apart from keeping up with keen competitions, upgrading our properties is a way to ensure sustainable growth in rental level and capital appreciation. During the Reporting Period, a number of asset enhancement works were carried out at 9 Chong Yip Street and Prosperity Place.

9 Chong Yip Street

9 Chong Yip Street is located in the Kwun Tong district of Kowloon East, which is a maturing decentralized business district with many new high-specifications office developments.

In order to fully unlock its potential and reflect its strategic location in Kowloon East, a series of asset enhancement works are ongoing, including the renovation of the lower portion of the external façade, ground floor lobby, passenger lift lobbies, common corridors and common washrooms on typical floors. A roof garden is now under planning. All of these asset enhancement works are expected to be completed by the first quarter of 2015.

Prosperity Place

Prosperity Place is located in Kwun Tong, and was converted from industrial/office use to commercial use in the fourth quarter of 2012.

The previous asset enhancement works at the passenger lift lobbies and common corridors on selected floors have attracted commercial tenants to move into Prosperity Place. Following this success, we are now renovating an additional number of lower floors to create a commercial outlook and widen our tenant base.

In view of the higher electricity tariffs and longer operating hours of the commercial tenants, we have replaced an existing chiller plant with a more energy-efficient model in the first quarter of 2014, enabling up to about 15% in energy cost savings for air conditioning provision.

Outlook

The continued recovery of the U.S. economy and the roll-out of supportive policies from the Chinese government offer positive signs for the global economy for the remainder of 2014. The long-term prospects of the decentralized commercial property market in Hong Kong remain intact. In particular, Kowloon East's rising profile as an upcoming second central business district of Hong Kong ("CBD2") is reinforced by the heavy capital investments committed by multinational companies and investment funds.

Prosperity REIT, being a long-term player in Kowloon East, has expanded its presence in the district through the acquisition of 9 Chong Yip Street on a timely basis, and is well-positioned to gain further benefits from the district's transformation. With the professional support of Goodwell-Prosperity Property Services Limited, the property manager of Prosperity REIT, we will continue to implement effective asset management strategies that successfully drive rental income. Meanwhile, a high level of financial flexibility will be maintained so as to ensure stable and sustainable returns to Prosperity REIT's unitholders.

MANAGEMENT DISCUSSION AND ANALYSIS

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	Rental related income	Revenue	Net property income
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Grade A Office				
The Metropolis Tower	50,121	10,150	60,271	49,466
Prosperity Millennia Plaza	32,718	5,975	38,693	31,116
9 Chong Yip Street	14,145	1,478	15,623*	12,151
Commercial				
Harbourfront Landmark (portion)	8,757	2,942	11,699	9,345
Prosperity Place	26,905	358	27,263	20,865
Industrial/Office				
Trendy Centre	17,681	3,273	20,954	14,382
Prosperity Center (portion)	15,013	1,585	16,598	12,812
Industrial				
New Treasure Centre (portion)	5,817	875	6,692	5,019
Total	171,157	26,636	197,793	155,156

* Pursuant to the deed of rental support dated 22 January 2014 entered into between Cactus Holdings Limited (a subsidiary of Hutchison Whampoa Limited), Hutchison Whampoa Properties Limited, the REIT Manager, HSBC Institutional Trust Services (Asia) Limited as the trustee of Prosperity REIT (the "Trustee") and Unique Champ Investments Limited, Prosperity REIT (via its subsidiary Clifton Properties Limited) received a payment of HK\$1,645,076.26 as rental support payment for the six months ended 30 June 2014 in respect of 9 Chong Yip Street, which has been accounted for in the revenue for the Reporting Period. For further details of such rental support payment, please refer to the announcement of Prosperity REIT dated 22 August 2014.

Revenue

During the Reporting Period, revenue improved to HK\$197.8 million, being HK\$30.7 million or 18.4% higher than the last corresponding half year.

The revenue comprised HK\$171.2 million of rental and car park income, plus HK\$26.6 million of rental related income. Rental and car park income was HK\$29.2 million or 20.6% higher than the last corresponding half year.

Net Property Income

For the Reporting Period, the net property income was HK\$155.2 million, exceeding that of the last corresponding half year by HK\$24.8 million or 19.0%. The growth was mainly attributable to the additional net property income of HK\$12.2 million from 9 Chong Yip Street acquired in January 2014, as well as the strong rental reversion rate of 28.6% for the entire portfolio. The cost-to-revenue ratio was 21.6%.

Distributable Income

For the Reporting Period, the unaudited distributable income of Prosperity REIT to unitholders of Prosperity REIT was HK\$115.3 million, representing a DPU of HK\$0.0815. This represents an annualized distribution yield of 6.7%². 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\$6.9 million (equivalent to HK\$0.0049 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.

² Based on Prosperity REIT's closing unit price of HK\$2.42 as at 30 June 2014

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and Financing

As at 30 June 2014, Prosperity REIT had facilities in aggregate of HK\$2,984 million, comprising:

- (i) A HK\$1,770 million term loan facility and a HK\$430 million revolving credit facility, each for a term of five years expiring on 16 August 2015 (the “2010 Facilities”); and
- (ii) A HK\$404 million secured term loan for a term of five years expiring on 16 January 2019 and a HK\$380 million unsecured term loan for a term of three years expiring on 16 January 2017 (the “2014 Facilities”).

In relation to the 2010 Facilities, the term loan facility was fully drawn on 16 December 2010 and a revolving credit facility of HK\$245 million was drawn as at 30 June 2014. The term loan is repayable in five years from 16 August 2010 and will mature and become payable on 16 August 2015. The revolving credit facility will be repaid on each maturity date and can be redrawn upon maturity.

The 2014 Facilities were fully drawn on 22 January 2014 to partly finance the acquisition of 9 Chong Yip Street.

The 2010 Facilities and 2014 Facilities bear interest at a variable rate. In order to hedge against interest rate fluctuations, Prosperity REIT through its wholly-owned finance company entered into a plain vanilla interest rate swap agreement to fix the interest rate of 80% of the term loan under the 2010 Facilities, being HK\$1,416 million, for a period from 16 December 2010 to 16 June 2015 at the swap rate of 1.335%, excluding the spread of 0.81%.

The total borrowings of Prosperity REIT, excluding the bank facility origination fees, as a percentage of Prosperity REIT’s gross assets was 28.9% as at 30 June 2014, whereas the gross liability of Prosperity REIT as a percentage of Prosperity REIT’s gross assets was 33.7% as at 30 June 2014.

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\$62.2 million, based on a professional valuation performed by an independent valuer, Colliers International (Hong Kong) Limited. The movements of fair values are tabulated below:

	30 June 2014	31 December 2013
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Fair value at beginning of the period/year	8,518,000	7,952,000
Additional expenditure	14,718	15,409
Acquisition	1,014,054	—
Change in fair value of investment properties	62,228	550,591
Fair value at the end of the period/year	9,609,000	8,518,000

Charges on Assets

As at 30 June 2014, certain investment properties of Prosperity REIT, with an aggregate carrying value of HK\$9,535 million, were pledged to secure bank loan facilities of Prosperity REIT's finance companies.

Prosperity REIT and its subsidiaries have provided guarantees for the 2010 Facilities and 2014 Facilities.

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 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 all 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.

The REIT Manager is committed to the establishment of good corporate governance practices and procedures. During the Reporting Period, the Compliance Manual was amended to align with the new Companies Ordinance (Chapter 622) which took effect on 3 March 2014 and the updated ownership structure of Prosperity REIT subsequent to the acquisition of 9 Chong Yip Street. The policy on board diversity was also revised by reference to the amendments on the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “SEHK”) (the “Listing Rules”).

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 which covers business 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”). All Directors (including INEDs) shall retire from office at every annual general meeting of the REIT Manager but shall be eligible for re-election in accordance with the articles of association of the REIT Manager.

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.

Internal Controls

The REIT Manager has an internal audit function in place to provide an independent assessment of the REIT Manager’s 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 internal control systems and compliance procedures.

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

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 auditors of Prosperity REIT periodically, as well as reviewing and supervising the internal control procedures and risk management systems.

CORPORATE GOVERNANCE

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 set up 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 set up 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 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 Listing Rules. The Units Dealing Code has been extended to apply to the executive officers and other employees of the REIT Manager.

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 Securities and Futures Ordinance (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 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 2013 of Prosperity REIT, the REIT Manager received notifications regarding the following changes of Directors’ information:

1. Dr. Chiu Kwok Hung, Justin resigned as Chairman and Non-executive Director of ARA Trust Management (Suntec) Limited (the manager of Suntec REIT which is listed in Singapore) on 17 April 2014.
2. Mr. Lim Hwee Chiang was appointed as a member of the Consultative Committee to the Department of Real Estate, National University of Singapore with effect from 1 January 2014.

CORPORATE GOVERNANCE

3. Mr. Ma Lai Chee, Gerald ceased to be an Alternate Director to Mr Ip Tak Chuen, Edmond, a Director of ARA Trust Management (Suntec) Limited (the manager of Suntec REIT which is listed in Singapore) who resigned on 17 April 2014.
4. Mr. Wong Kwai Lam was conferred with honorary fellowship by the Chinese University of Hong Kong on 12 May 2014, and was appointed as a member of the Governing Board of CUHK Medical Centre (The Chinese University of Hong Kong) with effect from 18 June 2014.
5. Ms. Wong Lai Hung, Mavis has been acting as a director of Unique Champ Investments Limited and Vital Vision Enterprises Limited since 8 January 2014, and has been acting as a director of Clifton Properties Limited since 22 January 2014. All the aforesaid companies are special purpose vehicles of Prosperity REIT.

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 auditors 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 Thursday, 28 August 2014 to Tuesday, 2 September 2014, 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 Wednesday, 27 August 2014. The payment date of interim distribution will be on Monday, 8 September 2014.

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 Party	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 2014	Rental deposit received as at 30 June 2014
			HK\$	HK\$
Goodwell Property Management Limited	Subsidiary of a significant holder ¹	Tenancy of property of Prosperity REIT ⁴	754,590	400,863
Hutchison Telephone Company Limited	Associate of a significant holder ²	Licence of property of Prosperity REIT ⁵	45,600	24,144
Hutchison China Meditech (HK) Limited	Associate of a significant holder ³	Tenancy of property of Prosperity REIT ⁶	281,511	104,468
Total			1,081,701	529,475

Notes:

1. Significant holder being Cheung Kong (Holdings) Limited ("Cheung Kong").
2. The connected party is 49% owned by Hutchison Whampoa Limited ("HWL"), which in turn is 49.9% owned by a significant holder of Prosperity REIT, namely Cheung Kong.
3. HWL's ownership in the connected party is about 70%. HWL is 49.9% owned by a significant holder of Prosperity REIT, namely Cheung Kong.
4. For 2/F, Units 302-3 and 306-7, New Treasure Centre.
5. For installation of micro-transmission station equipment at Prosperity Place and indoor antennae at Harbourfront Landmark.
6. For 1703B and 1704, 9 Chong Yip Street.

CONNECTED PARTY TRANSACTIONS

Connected Party Transactions — Building Management Services

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

Name of Connected Party	Relationship with Prosperity REIT	Nature of the Connected Party Transaction	Payment received/ receivable for the six months ended 30 June 2014 HK\$
Goodwell Property Management Limited ¹	Subsidiary of a significant holder ³	Remuneration of DMC Manager	94,038
Goodwell Property Management Limited ²	Subsidiary of a significant holder ³	Remuneration of Carpark Manager	3,763
Citybase Property Management Limited ¹	Subsidiary of a significant holder ³	Remuneration of DMC Manager	142,731
Citybase Property Management Limited ²	Subsidiary of a significant holder ³	Remuneration of Carpark Manager	33,855
Harbourfront Landmark Premium Services Limited ¹	Associate of a significant holder ³	Remuneration of DMC Manager	143,644
Total			418,031

Notes:

1. These managers appointed under the respective deeds of mutual covenant of the properties of Prosperity REIT (the “DMC Manager”) are connected parties by virtue of their relationship with Cheung Kong.
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 Cheung Kong.

CONNECTED PARTY TRANSACTIONS

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 Party	Relationship with Prosperity REIT	Nature of the Connected Party Transaction	Expenses for the six months ended 30 June 2014 HK\$
Goodwell-Prosperity Property Services Ltd	Subsidiary of a significant holder ¹	Property management and lease management fee	4,648,512
Goodwell-Prosperity Property Services Ltd	Subsidiary of a significant holder ¹	Marketing service fee	5,181,397
E-Park Parking Management Limited	Subsidiary of a significant holder ¹	Carpark lease agency fee	1,095,962
HSBC Institutional Trust Services (Asia) Limited	Trustee	Trustee fee	1,407,122
ARA Asset Management (Prosperity) Limited	REIT Manager	Base fee and variable fees	23,688,079
ARA Asset Management (Prosperity) Limited	REIT Manager	Acquisition fee	10,100,000
Cheung Kong Companies ²	Associates or subsidiaries of a significant holder ¹	Back-office support service fee	36,514
Total			46,157,586

Notes:

1. Significant holder being Cheung Kong.
2. Cheung Kong Companies include Randash Investment Limited, Hutchison Hotel Hong Kong Limited and Harbour Plaza Metropolis Limited.

CONNECTED PARTY TRANSACTIONS

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 back-office services, 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 2014 were as follows:

Name of Connected Party	Amount payable HK\$
Goodwell-Prosperity Property Services Limited	2,204,942
Goodwell Property Management Limited	5,860,601
E-Park Parking Management Limited	154,077
Citybase Property Management Limited	210,851
Harbourfront Landmark Premium Services Limited	485,236
Total	8,915,707

CONNECTED PARTY TRANSACTIONS

Repurchase, Sale or Redemption of Units

During the Reporting Period, other than the disposal of 15,574,000 units by the REIT Manager which the REIT Manager had received as payment of its management fee and acquisition fee, there was no repurchase, sale or redemption of the units of Prosperity REIT by Prosperity REIT or its subsidiaries.

Holdings 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 2014		As at 31 December 2013
	Number of Units	Percentage of Unitholdings ⁵	Number of Units
Total Win Group Limited ¹	176,328,129	12.50%	176,328,129
Wide Option Investments Limited ¹	98,883,559	7.01%	98,883,559
HKSCC Nominees Limited ²	1,045,877,410	74.15%	1,034,899,908
HSBC ³	33,941,250	2.41%	250
ARA Asset Management (Prosperity) Limited ⁴	4,017,413	0.28%	5,360,975

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 2014. Total Win was a direct wholly-owned subsidiary of Cheung Kong Investment Company Limited, which was therefore deemed to hold 176,328,129 units held by Total Win as at 30 June 2014. Total Win was an indirect wholly-owned subsidiary of Cheung Kong as at 30 June 2014.

CONNECTED PARTY TRANSACTIONS

Wide Option Investments Limited ("Wide Option") was a connected person of Prosperity REIT as it was an associate (as defined under the REIT Code) of Total Win as at 30 June 2014. Wide Option was a wholly-owned subsidiary of HWL as at 30 June 2014, which in turn was 49.9% owned by Cheung Kong as at that day.

Cheung Kong was therefore deemed to hold 275,211,688 units as at 30 June 2014, of which 176,328,129 units were held by Total Win and 98,883,559 units were held by Wide Option.

2. 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 2014. 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 of Prosperity REIT, 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 2014 and 31 December 2013. The directors, senior executives, officers and their associates of the Trustee were not beneficially interested in any units as at 30 June 2014 and 31 December 2013. The controlling entity, holding company, subsidiary or associated company of the Trustee were beneficially interested in 33,941,250 units as at 30 June 2014 and 250 units as at 31 December 2013.
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 2014.
5. The total number of issued units as at 30 June 2014 was 1,410,408,635.

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 2014.

CONNECTED PARTY TRANSACTIONS

Holdings of the REIT Manager, Directors and Chief Executive of the REIT Manager in the Units of Prosperity REIT

As at 30 June 2014, 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 ^{Note}
	Direct Interest	Indirect Interest	
ARA Asset Management (Prosperity) Limited	4,017,413	—	0.28%

Note:

The total number of issued units as at 30 June 2014 was 1,410,408,635.

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 2014.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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

Introduction

We have reviewed the condensed consolidated financial statements set out on pages 26 to 51, which comprise the condensed consolidated statement of financial position of Prosperity Real Estate Investment Trust as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in net assets attributable to unitholders, condensed consolidated statement of cash flows and the distribution statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on condensed consolidated financial statements 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 this condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on the 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.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 condensed consolidated financial statements consists of making enquiries, 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

14 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Revenue	4	197,793	167,098
Property management fees		(4,649)	(3,851)
Property operating expenses	6	(37,988)	(32,829)
Total property operating expenses		(42,637)	(36,680)
Net property income		155,156	130,418
Manager's fee		(23,688)	(20,167)
Trust and other expenses	7	(17,830)	(3,693)
Change in fair value of investment properties		62,228	476,123
Finance costs	8	(29,637)	(20,840)
Profit before taxation and transactions with unitholders		146,229	561,841
Taxation	9	(16,183)	(13,592)
Profit for the period, before transactions with unitholders		130,046	548,249
Distribution to unitholders		(115,302)	(103,568)
Profit for the period, after transactions with unitholders		14,744	444,681
Other comprehensive income – item that may be subsequently classified to profit or loss:			
Change in fair value of cash flow hedge		4,225	11,969
Total comprehensive income for the period, after transactions with unitholders		18,969	456,650
Income available for distribution to unitholders		115,302	103,568
Basic earnings per unit (HK\$)	10	0.09	0.40

DISTRIBUTION STATEMENT

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period, before transactions with unitholders	130,046	548,249
Adjustments:		
Manager's fee	23,156	20,132
Acquisition fee	10,100	—
Change in fair value of investment properties	(62,228)	(476,123)
Finance costs	6,906	5,021
Deferred tax	7,322	6,289
Income available for distribution (note (i))	115,302	103,568
Distributions to unitholders:		
For the six months ended 30 June	115,302	103,568
Distribution per unit (HK\$) (note (ii))	0.0815	0.0744

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\$23,156,000 (2013: HK\$20,132,000) out of the total manager's fee of HK\$23,688,000 (2013: HK\$20,167,000) (the difference of HK\$532,000 (2013: HK\$35,000) is paid in cash), and acquisition fee paid in units of HK\$10,100,000 (2013: Nil);
- (b) change in fair value of investment properties of HK\$62,228,000 (2013: HK\$476,123,000);

DISTRIBUTION STATEMENT

For the six months ended 30 June 2014

- (c) adjustment in respect of the difference between the accounting finance cost of HK\$29,637,000 (2013: HK\$20,840,000) less cash finance cost of HK\$22,731,000 (2013: HK\$15,819,000); and
 - (d) deferred tax provision of HK\$7,322,000 (2013: HK\$6,289,000).
- (ii) The distribution per unit of HK\$0.0815 (2013: HK\$0.0744) is calculated based on Prosperity REIT's income available for distribution of HK\$115,302,000 (2013: HK\$103,568,000) over 1,414,948,774 units (2013: 1,391,683,715 units), representing units in issue as at 30 June 2014 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 2014

	Notes	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	11	9,609,000	8,518,000
Current assets			
Trade and other receivables	12	12,574	8,676
Bank balances and cash		57,196	58,096
Total current assets		69,770	66,772
Total assets		9,678,770	8,584,772
Non-current liabilities, excluding net assets attributable to unitholders			
Derivative financial instruments	13	—	17,024
Term loans	14	2,528,795	1,753,549
Deferred tax liabilities		152,554	145,232
Total non-current liabilities, excluding net assets attributable to unitholders		2,681,349	1,915,805
Current liabilities			
Trade and other payables	15	178,539	154,062
Amounts due to related companies	16	8,916	8,778
Derivative financial instruments	13	12,799	—
Secured revolving loan	14	245,000	25,000
Provision for taxation		12,332	3,591
Manager's fee payable		11,924	10,646
Distribution payable		115,302	105,488
Total current liabilities		584,812	307,565
Total liabilities, excluding net assets attributable to unitholders		3,266,161	2,223,370
Net assets attributable to unitholders		6,412,609	6,361,402
Units in issue ('000)	17	1,410,409	1,396,178
Net asset value per unit (HK\$) attributable to unitholders	18	4.56	4.57

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the six months ended 30 June 2014

	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 2014 (audited)	2,934,637	(91,278)	(17,024)	3,535,067	6,361,402
OPERATIONS					
Profit for the period, before transactions with unitholders	—	—	—	130,046	130,046
Distribution paid and payable	—	—	—	(115,302)	(115,302)
	—	—	—	14,744	14,744
Change in fair value of cash flow hedge	—	—	4,225	—	4,225
Total comprehensive income for the period	—	—	4,225	14,744	18,969
UNITHOLDERS' TRANSACTIONS OTHER THAN DISTRIBUTIONS					
Units issued to REIT Manager	32,238	—	—	—	32,238
Net assets attributable to unitholders as at 30 June 2014	2,966,875	(91,278)	(12,799)	3,549,811	6,412,609

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

For the six months ended 30 June 2013

	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 2013 (audited)	2,894,125	(91,278)	(32,059)	3,048,394	5,819,182
OPERATIONS					
Profit for the period, before transactions with unitholders	—	—	—	548,249	548,249
Distribution paid and payable	—	—	—	(103,568)	(103,568)
	—	—	—	444,681	444,681
Change in fair value of cash flow hedge	—	—	11,969	—	11,969
Total comprehensive income for the period	—	—	11,969	444,681	456,650
UNITHOLDERS' TRANSACTIONS OTHER THAN DISTRIBUTIONS					
Units issued to REIT Manager	19,693	—	—	—	19,693
Net assets attributable to unitholders as at 30 June 2013	2,913,818	(91,278)	(20,090)	3,493,075	6,295,525

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash from operating activities	160,324	140,403
Net cash used in investing activities:		
Acquisition	(222,627)	—
Other investing activities	(14,718)	(5,877)
	(237,345)	(5,877)
Net cash from (used in) financing activities:		
Drawdown of secured revolving loan	290,000	58,000
Repayment of secured revolving loan	(70,000)	(68,000)
Bank facility origination fees	(15,660)	—
Interest payment of term loans and revolving loan	(22,731)	(15,819)
Distribution to unitholders	(105,488)	(96,024)
	76,121	(121,843)
Net (decrease) increase in cash and cash equivalents	(900)	12,683
Cash and cash equivalents at beginning of the period	58,096	44,305
Cash and cash equivalents at end of period, represented by bank balances and cash	57,196	56,988

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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 with 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, the Group 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.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

3 Principal Accounting Policies (Continued)

The accounting policies used in these condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013 except as described below.

In the current period, the Group has applied the following amendments and interpretations 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 2014:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) - Int 21	Levies

The application of the amendments and interpretations 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 revised HKFRSs that have been issued but are not yet effective.

Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ¹
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle ¹
HKFRS 9	Financial Instruments ²
HKFRS 14	Regulatory Deferral Accounts ⁴
HKFRS 15	Revenue from Contracts with Customers ⁶

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

3 Principal Accounting Policies (Continued)

- 1 Effective for annual periods beginning on or after 1 July 2014
- 2 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
- 3 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
- 4 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
- 5 Effective for annual periods beginning on or after 1 January 2016
- 6 Effective for annual periods beginning on or after 1 January 2017

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and was further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are 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. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting 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.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

3 Principal Accounting Policies (Continued)

HKFRS 9 Financial Instruments (Continued)

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The REIT Manager anticipates that the adoption of HKFRS 9 in the future may not have significant impact on amounts reported in respect of the financial assets and financial liabilities. However, it is not practicable to provide a definite conclusion on that effect until a detailed review has been completed.

4 Revenue

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Gross rental from investment properties		
Rental income	159,638	132,025
Car park income	11,519	9,911
	171,157	141,936
Rental related income	26,636	25,162
	197,793	167,098

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

5 Segment Information

Prosperity REIT is currently investing in eight office, commercial, industrial/office and industrial buildings located in Hong Kong, namely The Metropolis Tower, Prosperity Millennia Plaza, 9 Chong Yip Street (acquired on 22 January 2014), portion of Harbourfront Landmark, 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.

Six months ended 30 June 2014 (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	60,271	38,693	15,623	11,699	27,263	20,954	16,598	6,692	197,793
Segment profit	49,466	31,116	12,151	9,345	20,865	14,382	12,812	5,019	155,156
Manager's fee									(23,688)
Trust and other expenses									(17,830)
Change in fair value of investment properties									62,228
Finance costs									(29,637)
Profit before taxation and transactions with unitholders									146,229

Six months ended 30 June 2013 (unaudited)

	The Metropolis Tower HK\$'000	Prosperity Millennia Plaza 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	55,254	35,594	11,433	23,576	19,547	15,414	6,280	167,098
Segment profit	43,370	28,651	9,165	17,609	15,185	11,664	4,774	130,418
Manager's fee								(20,167)
Trust and other expenses								(3,693)
Change in fair value of investment properties								476,123
Finance costs								(20,840)
Profit before taxation and transactions with unitholders								561,841

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

6 Property Operating Expenses

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Building management expenses	17,295	15,117
Utilities	3,268	3,653
Car park operating expenses	2,963	2,426
Marketing service fee	5,182	3,893
Lease commission	2,980	3,206
Repairs and maintenance	3,378	1,975
Valuation fees (paid to principal valuer)	133	60
Audit fee	648	578
Other charges	2,141	1,921
	37,988	32,829

7 Trust and Other Expenses

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Acquisition expenses	3,744	—
Acquisition fee (paid in units)	10,100	—
Audit fee	131	106
Trustee's fee	1,407	1,199
Bank charges	480	554
Legal and professional fees	148	125
Registrar fee	300	300
Back-office support service fee	37	46
Public relations-related expenses	190	291
Trust administrative expenses	1,293	1,072
	17,830	3,693

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

8 Finance Costs

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expense on:		
— Secured term loans	17,700	14,092
— Unsecured term loan	4,000	—
— Equalisation of interest expense through cash flow hedge	6,722	6,649
	28,422	20,741
— Secured revolving loan	1,215	99
	29,637	20,840

9 Taxation

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax	8,861	7,303
Deferred tax	7,322	6,289
	16,183	13,592

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 2014

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\$130,046,000 (2013: HK\$548,249,000) by the weighted average of 1,407,199,843 (2013: 1,387,535,547) 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 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Fair value at beginning of the period/year	8,518,000	7,952,000
Additional expenditure	14,718	15,409
Acquisition (note 21)	1,014,054	—
Change in fair value of investment properties	62,228	550,591
Fair value at end of the period/year	9,609,000	8,518,000

On 22 January 2014, Prosperity REIT completed the acquisition of 9 Chong Yip Street from Cactus Holdings Limited, a subsidiary of Hutchison Whampoa Limited, through the acquisition of the entire equity interest in Clifton Properties Limited. Details of the acquisition are set out in note 21.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

11 Investment Properties (Continued)

On 30 June 2014 and 31 December 2013, an independent valuation was undertaken by Colliers International (Hong Kong) Limited. The firm is an independent qualified professional 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 was arrived at using the basis of capitalisation of the net income and cross-checked by sales evidences available on the market. In the valuation, the market rentals of all lettable units of the properties are assessed and capitalised at market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in other lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The market yield, which is the capitalisation rate adopted is made by reference to the yields derived from analysing the sales transactions and the valuer's knowledge of the market expectation from property investors to reflect factors specific to the Group's investment properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The capitalisation rate 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 valuer.

Certain of the Group's investment properties as at 30 June 2014, with aggregate carrying value of HK\$9,535,000,000 (31 December 2013: HK\$8,444,000,000), have been pledged to secure banking facilities granted to the Group.

12 Trade And Other Receivables

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Trade receivables	511	752
Less: allowance for doubtful debts	(153)	(119)
	358	633
Deposits, prepayments and other receivables	12,216	8,043
	12,574	8,676

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Current – 1 month	77	338
2 – 3 months	209	295
Over 3 months	72	—
	358	633

13 Derivative Financial Instruments

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Cash flow hedges — interest rate swap		
Current liabilities	12,799	—
Non-current liabilities	—	17,024

The Group uses interest rate swap 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.

Contract with notional amount of HK\$1,416,000,000 entered in 2010 will mature on 16 June 2015. This contract has fixed interest payments at 1.34% per annum and has floating interest receipts at three months HIBOR for periods until 16 June 2015. The REIT Manager designated the interest rate swap as effective hedging instrument.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

13 Derivative Financial Instruments (Continued)

The above derivative is measured at fair value at the end of each reporting period based on valuation provided by counterparty financial institution. Its fair value is determined based on the discounted future cash flows estimated based on forward interest rates from observable yield curves at the end of the reporting period and contractual interest rates discounted at a rate that reflects credit risk of various counterparties.

The fair value of the derivative falls under level 2 of the fair value hierarchy and is measured based on inputs other than quoted prices that are observable directly.

14 Borrowings

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Secured term loans	2,174,000	1,770,000
Unsecured term loan	380,000	—
Bank facility origination fees	(25,205)	(16,451)
	2,528,795	1,753,549
Secured revolving loan	245,000	25,000
	2,773,795	1,778,549
Carrying amount repayable:		
Within one year	245,000	25,000
Within a period of more than one year but not exceeding two years	1,758,570	—
Within a period of more than two years but not exceeding five years	770,225	1,753,549
	2,773,795	1,778,549

Under the existing banking facility agreement entered into in 2010, the Group has been granted a facility of HK\$2,200,000,000, comprising a HK\$1,770,000,000 secured term loan and a HK\$430,000,000 revolving credit facility.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

14 Borrowings (Continued)

On 22 January 2014, the Group has been granted new facilities of HK\$784,000,000, comprising a \$404,000,000 secured term loan and a \$380,000,000 unsecured term loan, which have been fully utilised by the Group during the reporting period.

The terms and conditions of the facilities are as follows:

- (i) HK\$1,770,000,000 secured term loan bears interest at floating interest rate of HIBOR+0.81% per annum and is repayable in full on 16 August 2015.
- (ii) HK\$430,000,000 revolving credit facility bears interest at floating interest rate of HIBOR+0.81% per annum and is repayable on demand.
- (iii) HK\$404,000,000 secured term loan bears interest at floating interest rate of HIBOR+1.45% per annum and is repayable in full on 16 January 2019.
- (iv) HK\$380,000,000 unsecured term loan bears interest at floating interest rate of HIBOR+1.50% per annum and it is repayable in full on 16 January 2017.

The above secured term loans and revolving credit facility are secured by the Group's investment properties 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 2014

15 Trade and Other Payables

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Trade payables	2,333	914
Tenants' deposits		
— Outside parties	126,072	111,092
— Related parties	529	425
Rental received in advance		
— Outside parties	3,254	2,555
Other payables	46,351	39,076
	178,539	154,062

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 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Current – 1 month	840	327
2 – 3 months	1,493	376
Over 3 months	—	211
	2,333	914

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 reporting period based on the lease terms amounted to HK\$81,231,000 as at 30 June 2014 (31 December 2013: HK\$71,636,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

16 Amounts Due to Related Companies

The amounts due to related companies arose from expenses of back-office 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 2013	1,379,867,101	2,894,125
Payment of Manager's base fee and variable fee through issuance of new units during the year	16,311,096	40,512
Balance as at 31 December 2013	1,396,178,197	2,934,637
Payment of acquisition fee through issuance of new units during the period	4,431,768	10,100
Payment of Manager's base fee and variable fee through issuance of new units during the period	9,798,670	22,138
Balance as at 30 June 2014	1,410,408,635	2,966,875

Subsequent to the end of the reporting period, 4,540,139 units at HK\$2.5654 per unit were issued to the REIT Manager as settlement of base fee and variable fee for the period from 1 April 2014 to 30 June 2014.

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 excluding hedging reserve, amounting to HK\$12,799,000 (31 December 2013: HK\$17,024,000), and the total number of 1,410,408,635 units in issue as at 30 June 2014 (31 December 2013: 1,396,178,197 units).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

19 Major Non-Cash Transactions

During the period, the REIT Manager earned manager's fee and acquisition fee of HK\$33,788,000 (2013: HK\$20,167,000) of which HK\$33,256,000 (2013: HK\$20,132,000) was paid or payable through the issuance of units to the REIT Manager. An amount of HK\$21,609,000 (2013: HK\$9,835,000) had been settled through the issuance of units to the REIT Manager while the balance of HK\$11,647,000 (2013: HK\$10,297,000) included in other payables would be paid in units subsequent to the period end.

Drawdown of secured term loan of HK\$404,000,000 and unsecured term loan of HK\$380,000,000 was paid to Cactus Holdings Limited directly from the bank.

20 Net Current Liabilities

At the end of the reporting period, the Group's net current liabilities, defined as current assets less current liabilities, amounted to HK\$515,042,000 (31 December 2013: HK\$240,793,000).

21 Acquisition

On 22 January 2014, Prosperity REIT completed the acquisition of 9 Chong Yip Street from Cactus Holdings Limited, a subsidiary of Hutchison Whampoa Limited, through the acquisition of the entire equity interest in Clifton Properties Limited ("Clifton") for a cash consideration of approximately HK\$1,006.6 million.

Acquisition fee and acquisition expenses amounting to HK\$13,844,000 have been recognised as expenses, and included in the "trust and other expenses" in the condensed consolidated statement of profit or loss and other comprehensive income during the reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

21 Acquisition (Continued)

Details of the acquisition are as follows:

	HK\$'000 (unaudited)
Non-current assets	
Investment properties	1,014,054
Current Assets	
Trade receivables	75
Other receivables, deposits and prepayments	4,269
	4,344
Current liabilities	
Other payables and accruals	1,911
Receipt in advance	995
Tenancy deposits	8,865
	11,771
Total consideration, satisfied by cash	1,006,627
Net cash outflow financed by:	
Secured term loan	404,000
Unsecured loan	380,000
Secured revolving loan	222,627
	1,006,627

22 Total Assets Less Current Liabilities

At the end of the reporting period, the Group's total assets less current liabilities amounted to HK\$9,093,958,000 (31 December 2013: HK\$8,277,207,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

23 Connected and Related Party Transactions

In addition to the information disclosed above, during the period, the Group entered into the following transactions with connected and related parties:

	Notes	Six months ended 30 June	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Rent and rental related income from			
Goodwell Property Management Limited	(a)	755	719
Hutchison Telephone Company Limited	(b)	46	46
Hutchison China Meditech (HK) Limited	(b)	282	—
Carpark lease agency fee for the operations of the Group's carpark			
E-Park Parking Management Limited	(a)	1,096	943
Property management fee			
Goodwell-Prosperity Property Services Limited	(a)	4,649	3,851
Marketing service fee			
Goodwell-Prosperity Property Services Limited	(a)	5,181	3,893
Trustee's fee			
HSBC Institutional Trust Services (Asia) Limited		1,407	1,199
Manager's fee			
ARA Asset Management (Prosperity) Limited		23,688	20,167
Acquisition fee			
ARA Asset Management (Prosperity) Limited		10,100	—
Back-office support service fee			
Cheung Kong Companies	(c)	37	46

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

23 Connected and Related Party Transactions (Continued)

Balances with connected and related parties are as follows:

		30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Amount due to			
Citybase Property Management Limited	(a)	211	229
Goodwell-Prosperity Property Services Limited	(a)	2,205	3,266
Goodwell Property Management Limited	(a)	5,861	4,265
Harbourfront Landmark Premium Services Limited	(b)	485	672
E-Park Parking Management Limited	(a)	154	346
Deposits placed with the Group for the lease of the Group's properties			
Goodwell Property Management Limited	(a)	401	401
Hutchison Telephone Company Limited	(b)	24	24
Hutchison China Meditech (HK) Limited	(b)	104	—

Notes:

- (a) These companies are the subsidiaries of Cheung Kong (Holdings) Limited ("CKH"), 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 are the subsidiaries, associates or jointly controlled entities of Hutchison Whampoa Limited, which is 49.9% owned by CKH and is described as an associate of CKH in the latest published annual consolidated financial statements of CKH.
- (c) These companies are subsidiaries, associates or jointly controlled entities of CKH being Randash Investment Limited, Hutchison Hotel Hong Kong Limited and Harbour Plaza Metropolis Ltd.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

23 Connected and Related Party Transactions (Continued)

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 CKH group technically constitutes a contract between the Group and CKH group. Remuneration to the building managers, which are the wholly-owned subsidiaries of CKH, 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\$418,000 (2013: HK\$405,000).

PERFORMANCE TABLE

Results Analysis

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue	197,793	167,098
Net property income	155,156	130,418
Profit for the period, before transactions with unitholders	130,046	548,249
Income available for distribution	115,302	103,568
Basic earnings per unit (HK\$)	0.09	0.40
Distribution per unit (HK\$)	0.0815	0.0744

PERFORMANCE TABLE

Major Assets and Liabilities

	30 June 2014 HK\$'000 (unaudited)	31 December 2013 HK\$'000 (audited)
Investment properties	9,609,000	8,518,000
Borrowings, excluding bank facility origination fees	(2,799,000)	(1,795,000)
Net assets attributable to unitholders	6,412,609	6,361,402
Net asset value per unit (HK\$)	4.56	4.57

Other Information

The highest traded price during the period/year (HK\$)	2.43	3.09
The highest discount of the traded price to net asset value	(46.7%)	(32.4%)
The lowest traded price during the period/year (HK\$)	2.18	2.19
The lowest discount of the traded price to net asset value	(52.2%)	(52.1%)
The net yield per unit based on market price at the end of period/year ¹	6.7%¹	6.6% ¹

1. Annualised yield based on the distribution per unit of HK\$0.0815 for the six months ended 30 June 2014 and the closing unit price of HK\$2.42 as at 30 June 2014. For the year ended 31 December 2013, the yield is based on the distribution per unit of HK\$0.1495 and the closing unit price of HK\$2.26 as at 31 December 2013.

INVESTMENT PROPERTIES PORTFOLIO

As at 30 June 2014

Property	Type	Lease term	Lease expiry date	Location	Valuation 30 June 2014 HK\$ Million
The Metropolis Tower	O	Medium-term lease	30 June 2047	10 Metropolis Drive Hung Hom Kowloon Hong Kong	2,955
Prosperity Millennia Plaza	O	Medium-term lease	30 June 2047	663 King's Road North Point Hong Kong	1,732
9 Chong Yip Street	O	Medium-term lease	30 June 2047	9 Chong Yip Street Kwun Tong Kowloon Hong Kong	1,064
Harbourfront Landmark (portion)	C	Medium-term lease	30 June 2047	11 Wan Hoi Street Hung Hom Kowloon Hong Kong	461
Prosperity Place	C	Medium-term lease	30 June 2047	6 Shing Yip Street Kwun Tong Kowloon Hong Kong	1,404
Trendy Centre	I/O	Medium-term lease	30 June 2047	682 Castle Peak Road Lai Chi Kok Kowloon Hong Kong	913
Prosperity Center (portion)	I/O	Medium-term lease	30 June 2047	25 Chong Yip Street Kwun Tong Kowloon Hong Kong	789
New Treasure Centre (portion)	I	Medium-term lease	30 June 2047	10 Ng Fong Street San Po Kong Kowloon Hong Kong	291
Total					9,609

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

Colliers International (Hong Kong) Limited

Principal Bankers

DBS Bank Limited
Standard Chartered Bank (Hong Kong) Limited
Sumitomo Mitsui Banking Corporation
The Hongkong and Shanghai Banking Corporation Limited

Legal Adviser

Baker & McKenzie

Registered Office

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99 Queen's Road Central
Hong Kong

Unit Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
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Hong Kong

Stock Code

The Stock Exchange of Hong Kong Limited:
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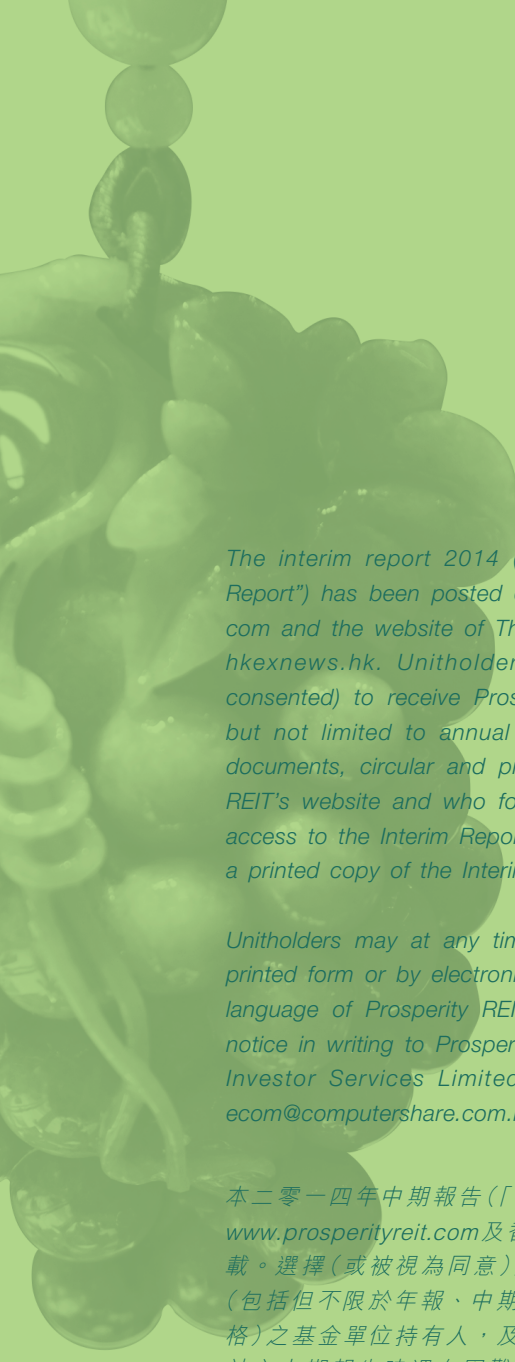
www.prosperityreit.com

Key Dates

Interim Results Announcement
14 August 2014

Closure of Register of Unitholders
for interim distribution
28 August 2014 to 2 September 2014
(both days inclusive)

Payment of interim distribution
8 September 2014



The interim report 2014 (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.ecom@computershare.com.hk.

本二零一四年中期報告(「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.ecom@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。



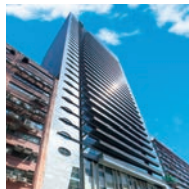
GRADE A OFFICE 甲級寫字樓

- 1 The Metropolis Tower
都會大廈
- 2 Prosperity Millennia Plaza
泓富產業千禧廣場
- 3 9 Chong Yip Street
創業街9號



COMMERCIAL 商用物業

- 4 Harbourfront Landmark (portion)
海名軒(部分)
- 5 Prosperity Place
泓富廣場



INDUSTRIAL/OFFICE 工商綜合物業

- 6 Trendy Centre
潮流工貿中心
- 7 Prosperity Center (portion)
創富中心(部分)

PORTFOLIO MAP 物業分佈圖



INDUSTRIAL 工業物業

- 8 New Treasure Centre (portion)
新寶中心(部分)



Stock Code 股份代號 : 808

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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



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