

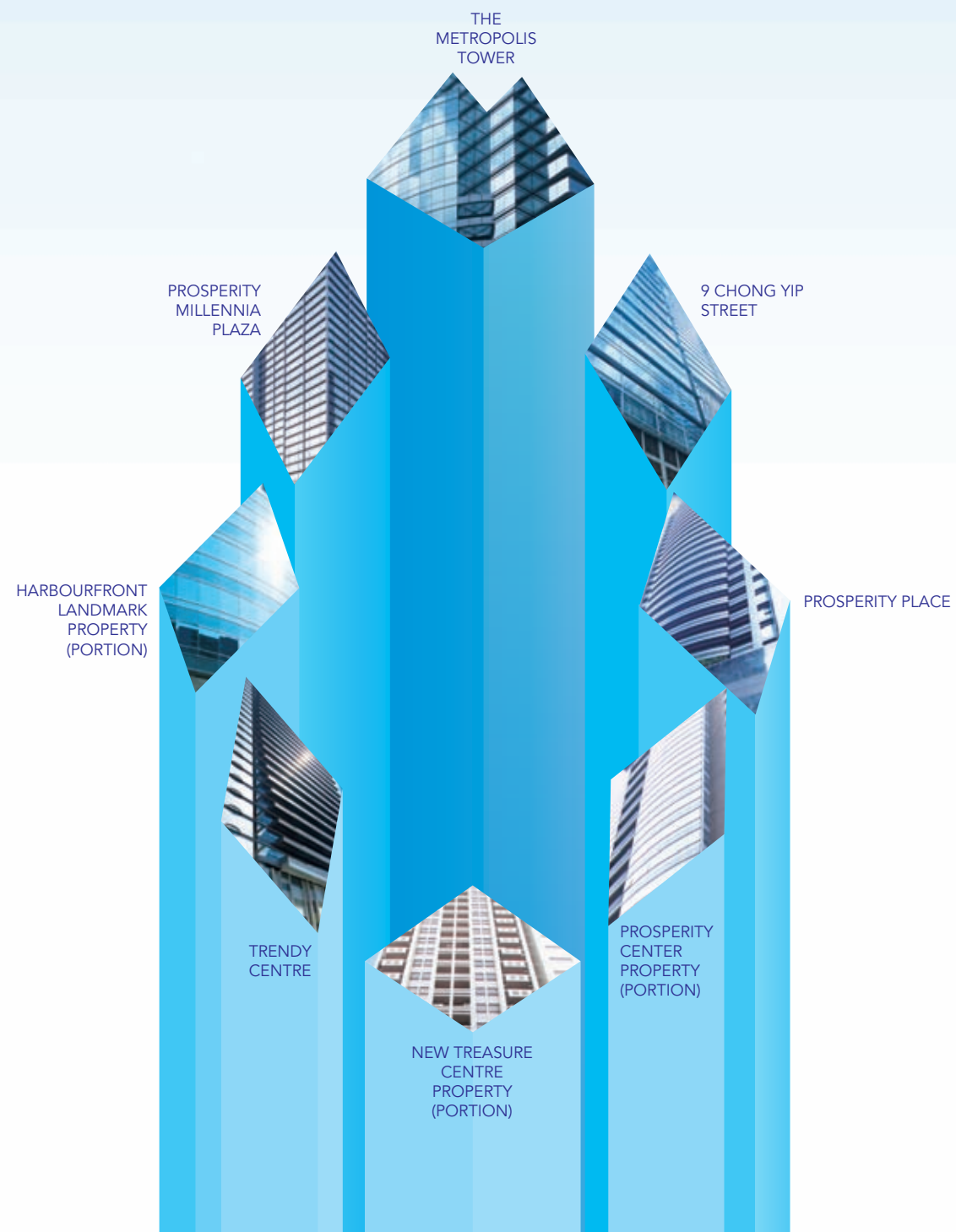
Stable Return
Shaping
a Shining Future



Annual
Report
2015

8 Prosperity REIT Portfolio

Total Gross Rentable Area of about
1.35 Million sq.ft.



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**").

Caring For
Community

Caring For
Unitholders

Caring For
Staff

808

Prosperity REIT

Caring For
Tenants

Caring For
Environment

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 which is listed on the Main Board of the Singapore Exchange Securities Trading Limited since November 2007.

ARA currently manages REITs and private real estate funds that are invested in the office, retail, logistics/ industrial, hospitality and residential sectors in the Asia Pacific region, complemented by its in-house real estate management services and advisory services.

Established in 2002, to date it has over 1,200 professionals in 15 cities managing total assets in excess of S\$30 billion.

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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Prosperity REIT has provided consistent and sound returns for its unitholders for a decade.

As the territory's first listed private sector real estate investment trust, we have excelled on the back of our strong property portfolio, a precious gem which has been enhanced by our cutting-edge management and leverage on the forthcoming developments in Kowloon East will shine evermore brightly.

Sharing the remarkable
Achievement



Dear Unitholders,

On behalf of the Board of Directors (the "**Board**") of ARA Asset Management (Prosperity) Limited, the manager of Prosperity Real Estate Investment Trust ("**Prosperity REIT**"), I am pleased to present the annual report of Prosperity REIT for the financial year ended 31 December 2015 (the "**Reporting Year**").

Results and Distribution

Amidst an uncertain global stock market and the slower economic growth in Mainland China, Prosperity REIT achieved a satisfactory result in the Reporting Year.

During the year, our distributable income rose by 9.8% year-on-year ("**YoY**") to HK\$254.1 million with the steady performance of Prosperity REIT's portfolio and the continuous benefit from the resilient decentralized office market. Net asset value per unit recorded a growth of 6.0% YoY to HK\$4.98. Buoyed by the REIT Manager devoted continuous effort in asset enhancement and proactive leasing strategies, the appraised property valuation rose by 5.3% YoY to HK\$10,419 million.

In light of these results, I am pleased to announce that our Unitholders will receive a total distribution per unit ("**DPU**") of HK\$0.1768, representing an increase of 8.5% YoY and an attractive distribution yield of 6.3%¹ as at 31 December 2015.

Market Review

In general, market conditions both in Hong Kong and across the globe remained weak during the Reporting Year. Global economic growth was dampened by the slowdown in China's economic growth, the refugee problem in European countries and so forth. In Hong Kong, the stock market tumbled in tandem with the stock market volatility in China. The decline in tourism arrivals and retail sales downturn led to an estimated 2.4% annual GDP growth.

¹ Based on Prosperity REIT's closing unit price of HK\$2.79 as at 31 December 2015.

Operation Review

During the Reporting Year, we achieved solid revenue growth by 8.8% YoY to HK\$438.7 million through the stable positive rental reversions across the portfolio. Meanwhile, our last acquired property, 9 Chong Yip Street in Kwun Tong, after completion of the planned asset enhancement works, has outperformed our rent target in the Reporting Year. The acquisition had brought forth additional distributable income to our Unitholders. Portfolio occupancy rate remained stable at 96.4% as at 31 December 2015, despite the challenging market conditions. Net property income increased by 10.7% YoY to HK\$345.5 million, thanks to the proactive operating cost saving strategies and first-rate property management services. Through our energy-saving asset enhancement initiatives such as the replacement of some existing chiller plants with more energy-efficient models, we were able to maintain a stable cost-to-revenue ratio at 21.3%. It is the REIT Manager's ongoing endeavours to keep our operating cost efficient.

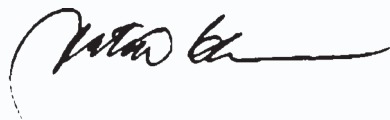
Outlook

Looking ahead in year 2016, Prosperity REIT will continue to face challenges, arising from uncertainties in Hong Kong and the global economy. A slower economic growth in Mainland China is expected and its impact is yet to be reflected in Hong Kong. Offsetting these concerns, our portfolio is primarily located in Kowloon East decentralized area, which is progressively transforming into a mature commercial hub, will continue to be attractive to corporations looking for high quality office space. Barring unforeseen circumstances, we are cautiously optimistic about the market environment and our prospects for the year ahead.

Acknowledgement

I would like to take this opportunity to thank my fellow Board members, our management team, staff members, tenants, service providers and business partners for their contributions in the past year.

Lastly, and certainly not least, I would like to sincerely thank you, our Unitholders, for the unwavering trust and confidence you have placed in Prosperity REIT and look forward to your continued support.



Chiu Kwok Hung, Justin

Chairman

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

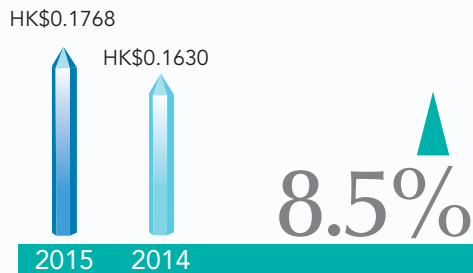
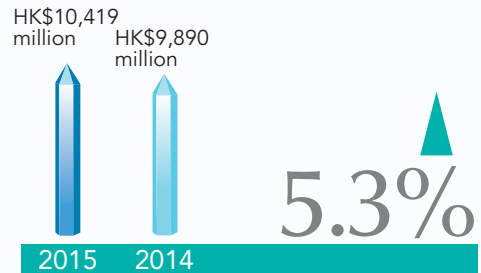
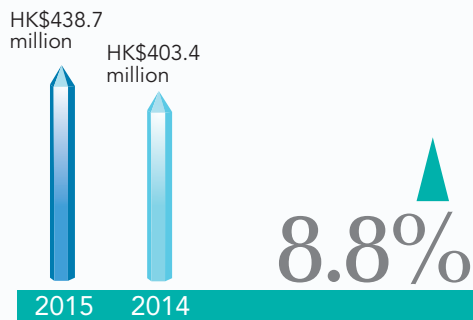
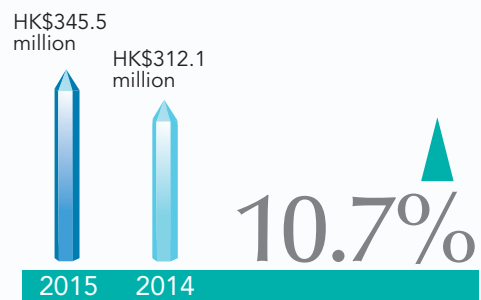
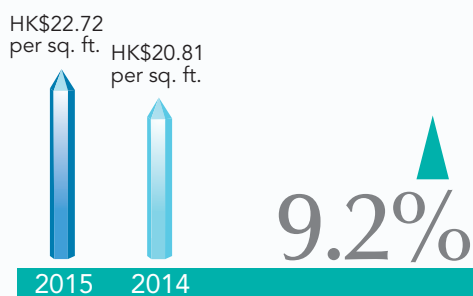
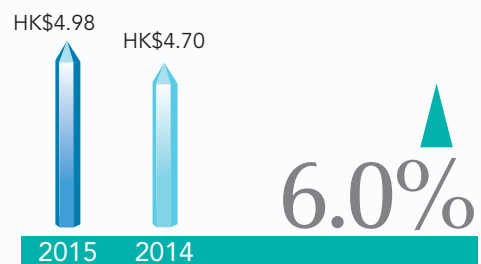
Hong Kong, 3 March 2016





Continued
Outstanding
performance
in years

Performance Highlights in 2015

Distribution Per Unit¹Property Valuation²Revenue¹Net Property Income¹Average Effective Unit Rent¹Net Asset Value Per Unit²

Notes:

¹ For the year ended 31 December

² As at year end

8 Trust Review

Diversified Property Portfolio

As at 31 December 2015, Prosperity REIT had a diversified portfolio comprising eight high-quality properties in the decentralized business districts of Hong Kong. The portfolio comprised all, or a portion of, three Grade A office buildings, two commercial buildings, two industrial/office buildings and one industrial building, with total gross rentable area of about 1.35 million sq. ft.. All properties in Prosperity REIT's portfolio are well served by multiple transportation networks.

These eight properties were completed during the period from 1995 to 2004. As at 31 December 2015, the appraised value of the portfolio was HK\$10,419 million. Grade A office buildings, commercial buildings, industrial/office buildings and industrial building accounted for 59.3%, 19.8%, 17.9% and 3.0% of the total appraised value respectively.

	Valuation HK\$ million as at 31 December 2015	Valuation HK\$ million as at 31 December 2014	Percentage change Increase/ (Decrease)
Grade A Office			
The Metropolis Tower	3,122	3,042	2.6%
Prosperity Millennia Plaza	1,971	1,824	8.1%
9 Chong Yip Street	1,088	1,079	0.8%
Commercial			
Harbourfront Landmark (portion)	514	461	11.5%
Prosperity Place	1,544	1,436	7.5%
Industrial/Office			
Trendy Centre	1,010	955	5.8%
Prosperity Center (portion)	854	800	6.8%
Industrial			
New Treasure Centre (portion)	316	293	7.8%
Total	10,419	9,890	5.3%

Effective Lease Management

As a result of proactive tenant recruitment efforts by the REIT Manager, the portfolio's occupancy rate was maintained stably at 96.4% as at 31 December 2015. The portfolio's average effective unit rent increased by 9.2% YoY to HK\$22.72 per sq. ft., with a rental reversion rate of 16.3% for the leases successfully renewed in 2015.

As at 31 December 2015, leases expiring in 2016 accounted for 34.4% of the portfolio's gross rental income. Proactive leasing strategies will be continued in 2016 to deliver stable distribution to unitholders.

Lease Expiry Profile by Gross Rental Income (as at 31 December 2015)

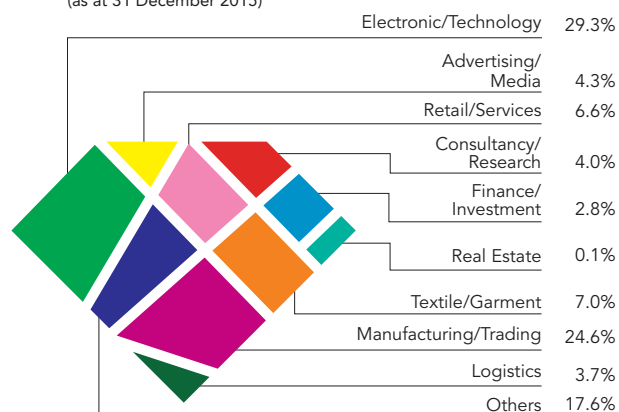
	31 December 2015 and 2016	2017	2018 and Beyond
The Metropolis Tower	41.9%	15.6%	42.5%
Prosperity Millennia Plaza	27.3%	40.9%	31.8%
9 Chong Yip Street	29.4%	47.4%	23.2%
Harbourfront Landmark (portion)	0.0%	99.9%	0.1%
Prosperity Place	30.8%	44.9%	24.3%
Trendy Centre	48.6%	43.2%	8.2%
Prosperity Center (portion)	44.7%	40.4%	14.9%
New Treasure Centre (portion)	43.4%	41.4%	15.2%
Portfolio	34.4%	39.0%	26.6%

Well-balanced Tenant Mix

As at 31 December 2015, Prosperity REIT had a total of 590 tenants. Most of these tenants were from business sectors such as electronic, technology, manufacturing, trading, as well as textile and garment. Following the wholesale conversion approval for Prosperity Place in 2012, the REIT Manager continued to secure retail and services trade tenants during the Reporting Year.

Over 60% (in terms of gross rentable area) of our tenants are medium-to-large sized enterprises. It is the long-term goal of the REIT Manager to maintain a well-balanced mix of tenants with credible financial standing to ensure a stable stream of rental income.

Trade Mix by Gross Rentable Area
(as at 31 December 2015)



Size of Tenant Premises on Gross Rentable Area (as at 31 December 2015)	Percentage
Above 10,000 sq. ft.	17.8%
5,001 sq. ft.–10,000 sq. ft.	17.6%
2,001 sq. ft.–5,000 sq. ft.	26.3%
1,001 sq. ft.–2,000 sq. ft.	25.4%
1,000 sq. ft. and below	12.9%
Total	100.0%

Close-to-Zero Rent Delinquency Rate

During the Reporting Year, Prosperity REIT maintained a close-to-zero rent delinquency rate. This was attributed to its strong tenant base and effective lease management mechanism.

Asset Enhancement

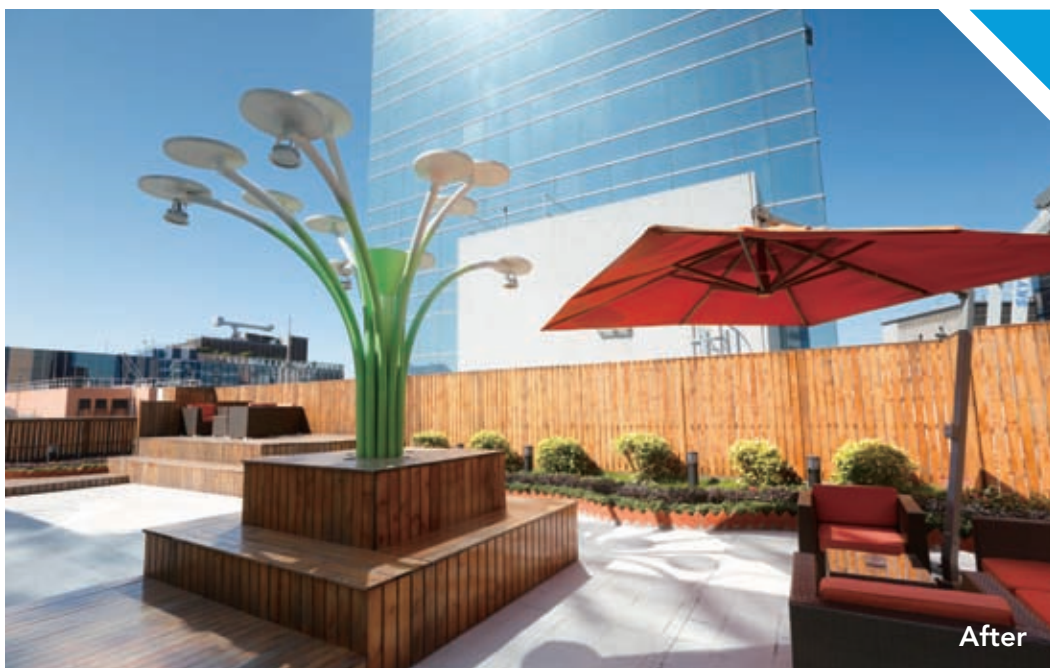
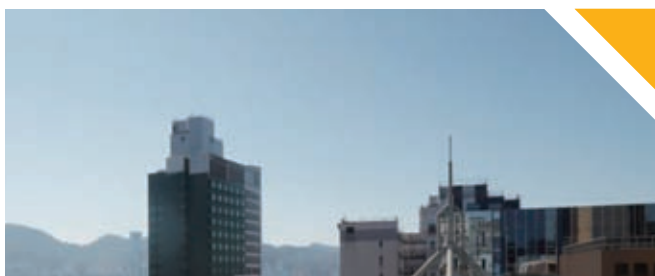
It is an established strategy of the REIT Manager to provide premium rentable space in order to achieve sustainable rental growth. To this end, large-scale asset enhancement initiatives have been planned and executed on a continuous basis. During the Reporting Year, a number of asset enhancement works were carried out at Prosperity Millennia Plaza, 9 Chong Yip Street and Trendy Centre. Asset enhancement initiatives will continue in 2016 across the portfolio, with prudently planned payback periods.

Outlook

Since its listing on 16 December 2005 (the “**Listing Date**”), Prosperity REIT has met challenges posed by various economic uncertainties, and has achieved favourable results by managing its portfolio with professionalism. Supported by Goodwell-Prosperity Property Services Limited, which provides leasing and management services for properties under Prosperity REIT’s portfolio, the REIT Manager will continue to work towards generating stable returns to the unitholders in 2016 through our proven expertise in professional management.

9 Chong Yip Street

A roof garden was set up at 9 Chong Yip Street to provide an environmental friendly workplace for our tenants.



Prosperity Millennia Plaza and Trendy Centre

In view of the rise in operating cost of the air conditioning system, we have replaced the existing chiller set with a more energy-efficient model in both properties, enabling about 15% in energy cost savings for air-conditioning provision.

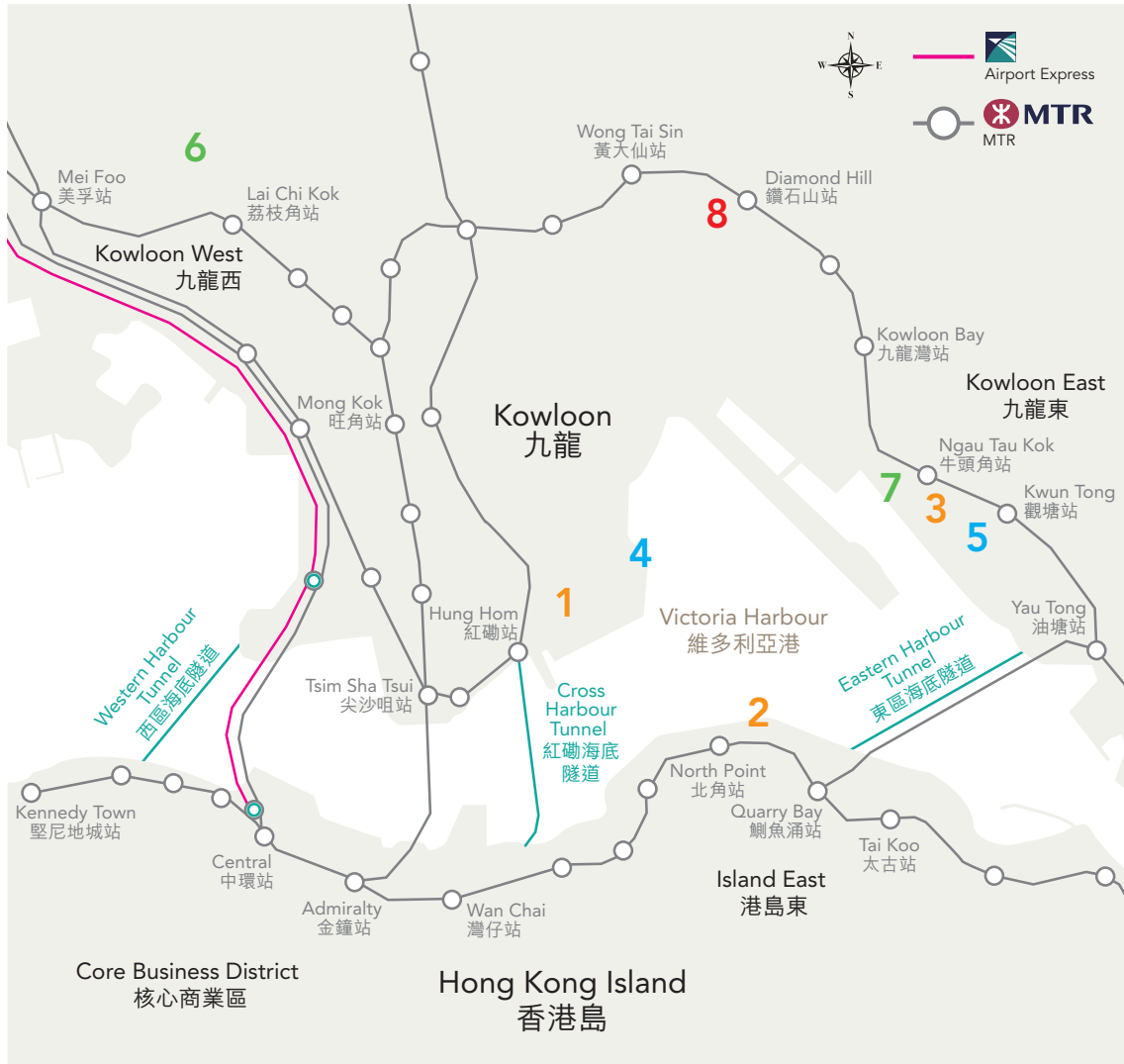
Prosperity Millennia Plaza



Trendy Centre



Portfolio Map



Grade A Office		Commercial			Industrial / Office		Industrial
1 The Metropolis Tower	2 Prosperity Millennia Plaza	3 9 Chong Yip Street	4 Harbourfront Landmark Property (portion)	5 Prosperity Place	6 Trendy Centre	7 Prosperity Center Property (portion)	8 New Treasure Centre Property (portion)

A glass chess king piece is the central focus, positioned vertically. Two vibrant rainbow beams of light enter from the left and right, passing through the piece and creating a spectrum of colors. The background is plain white.

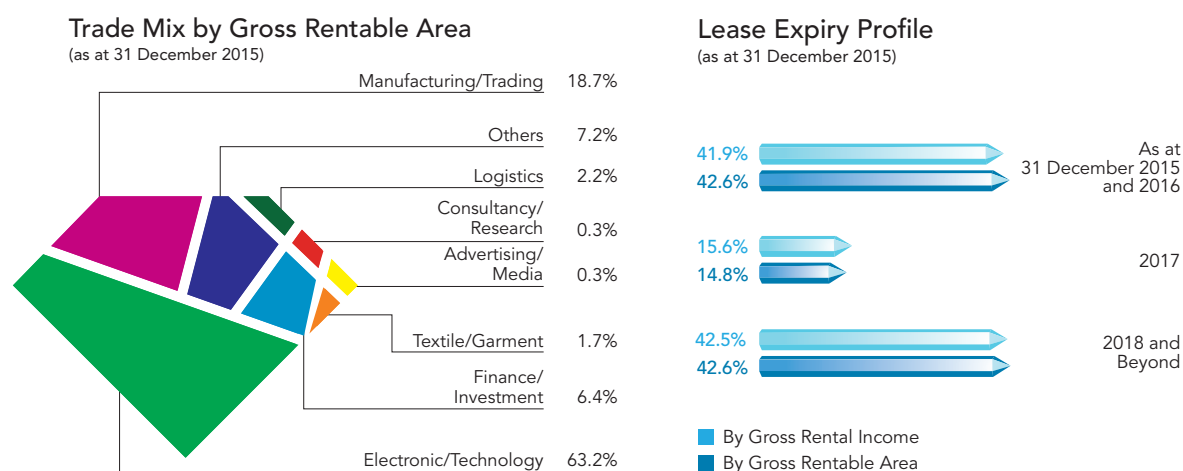
Strategic

Asset Management

The Metropolis Tower



Location	: 10 Metropolis Drive, Hung Hom, Kowloon
Year of Completion	: 2001
Gross Rentable Area (sq. ft.)	: 271,418
No. of Car Park Spaces	: 98
Appraised Value (HK\$ million)	: 3,122
Number of Tenants	: 88



Occupying a prime location in the commercial hub of Hung Hom and featuring spectacular sea view of the Victoria Harbour, The Metropolis Tower enjoys convenient transportation access, with the Hung Hom MTR East Rail Station, bus terminals and taxi stations nearby. It is also close to the Cross Harbour Tunnel, the busiest undersea vehicular tunnel in Hong Kong.

The Metropolis Tower is an established landmark in Hung Hom forming part of a 1.42 million sq. ft. development comprising of a Grade A office tower, a popular shopping mall, a hotel and serviced apartments. Surrounding public amenities include the Hong Kong Coliseum, The Hong Kong Polytechnic University and a cluster of renowned hotels and shopping malls.

Column-free floor plate, a raised floor system, a fibre optic backbone, a back-up power supply and satellite communication are among the building's modern architectural features and facilities.

As at 31 December 2015, the occupancy rate of the property was 93.9%.

Top 5 Tenants¹

Tenants	Trade	GRA* (sq. ft.)	% of GRA*	% of GRI**
Canon Hongkong Company Limited	Electronic/Technology	55,535	21.8%	20.9%
NEC Hong Kong Limited	Electronic/Technology	18,161	7.1%	6.5%
Interush Limited	Electronic/Technology	9,200	3.6%	3.5%
Omicron Electronics Asia Limited	Electronic/Technology	6,961	2.7%	3.0%
Hong Kong Taiyo Yuden Company Limited	Electronic/Technology	7,768	3.0%	3.0%

* Gross rentable area

** Gross rental income

¹ Top 5 tenants are measured based on tenant's contribution to the total rental income of the property in December 2015.

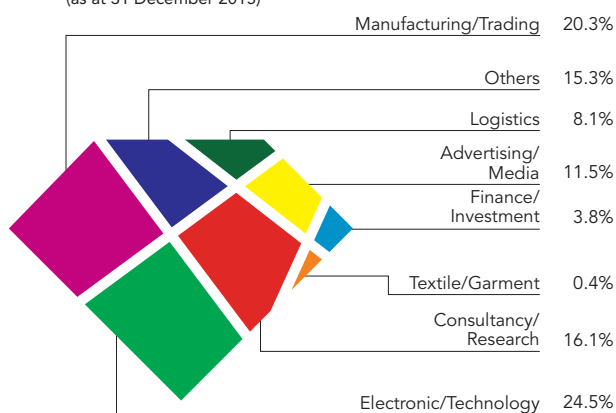
Prosperity Millennia Plaza



Location	: 663 King's Road, North Point, Hong Kong
Year of Completion	: 1999
Gross Rentable Area (sq. ft.)	: 217,955
No. of Car Park Spaces	: 43
Appraised Value (HK\$ million)	: 1,971
Number of Tenants	: 77

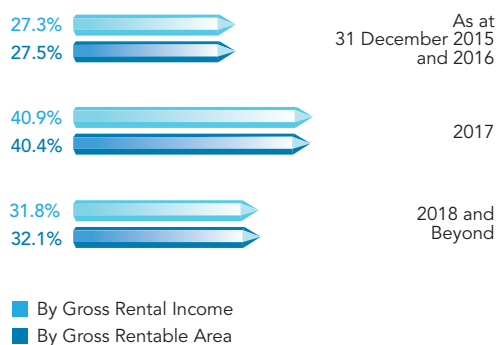
Trade Mix by Gross Rentable Area

(as at 31 December 2015)



Lease Expiry Profile

(as at 31 December 2015)



With panoramic sea view of the Victoria Harbour and strategically located in the Island East office district, Prosperity Millennium Plaza stands adjacent to the Harbour Plaza North Point Hotel and across from the North Point Government Offices. Served by a convenient transportation network, the building is a mere two minutes away from the Quarry Bay MTR Station by foot and two minutes from the Eastern Harbour Crossing Tunnel by car.

The entire Island East district has been transformed into an upscale business district, featuring a blend of premium office properties and sophisticated retail outlets. There is an increasing number of international tenants who are now moving into this district from Central and other traditional prime office areas. Accordingly, the Island East Grade A buildings have seen their tenant bases enriched with a solid high-end tenant profile.

As at 31 December 2015, the occupancy rate of the property was 98.0%.

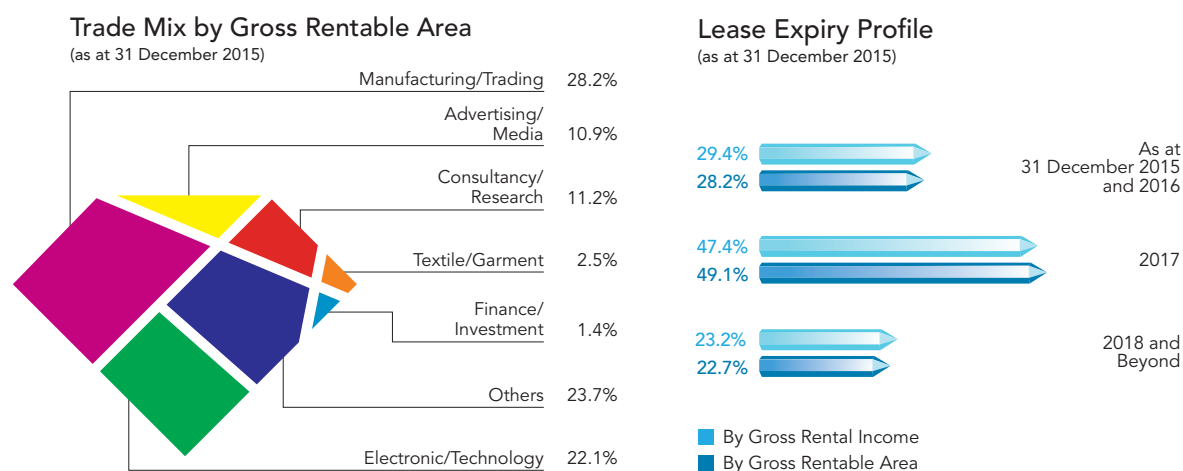
Top 5 Tenants

Tenants	Trade	GRA		
		(sq. ft.)	% of GRA	% of GRI
iClick Interactive Asia Limited, China Search (Asia) Limited & Others	Electronic/Technology	16,132	7.5%	7.4%
Lamex Trading Company Limited	Manufacturing/Trading	16,132	7.5%	6.9%
JDB Holdings Limited	Consultancy/Research	8,867	4.1%	4.6%
Excel Technology International (HK) Limited	Electronic/Technology	10,097	4.7%	4.3%
Havi Freight Management Limited	Logistics	8,314	3.9%	4.2%

9 Chong Yip Street



Location	: 9 Chong Yip Street, Kwun Tong, Kowloon
Year of Completion	: 2004
Gross Rentable Area (sq. ft.)	: 136,595
No. of Car Park Spaces	: 68
Appraised Value (HK\$ million)	: 1,088
Number of Tenants	: 41



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. The Hong Kong Government has implemented strategies to develop Kowloon East into another business district in Hong Kong. With the implementation of Kai Tak Development and Kwun Tong Town Centre Renewal Projects and transportation infrastructure including the Shatin-Central-Link connecting Shatin to Central via the Kai Tak Development currently being established, Kowloon East is poised to further leverage on and benefit from these upcoming developments.

9 Chong Yip Street is in close proximity to the Ngau Tau Kok MTR station and is easily accessible by private and public transportation such as taxis and franchised buses. Further, it is adjacent to one of Prosperity REIT's existing properties, namely Prosperity Center, and is only 10 minutes away from another Prosperity REIT's flagship property, being Prosperity Place.

As the community becomes more aware of environmental protections, green facilities have become one of the main features in commercial properties. In 9 Chong Yip Street, a roof garden was set up in 2015 to provide an environmental friendly workplace for our tenants and to get in-line with the latest design of office buildings in the vicinity.

As at 31 December 2015, the occupancy rate of the property was 97.6%.

Top 5 Tenants

Tenants	Trade	GRA		
		(sq. ft.)	% of GRA	% of GRI
Wing Shing Caisson and Foundation Limited	Consultancy/Research	6,580	4.9%	5.3%
Tenant ^{Note}	Others	6,580	4.9%	5.2%
ITApps Limited	Electronic/Technology	6,580	4.9%	5.2%
Coats China Holdings Limited	Manufacturing/Trading	6,580	4.9%	5.2%
Tenant ^{Note}	Others	6,580	4.9%	5.1%

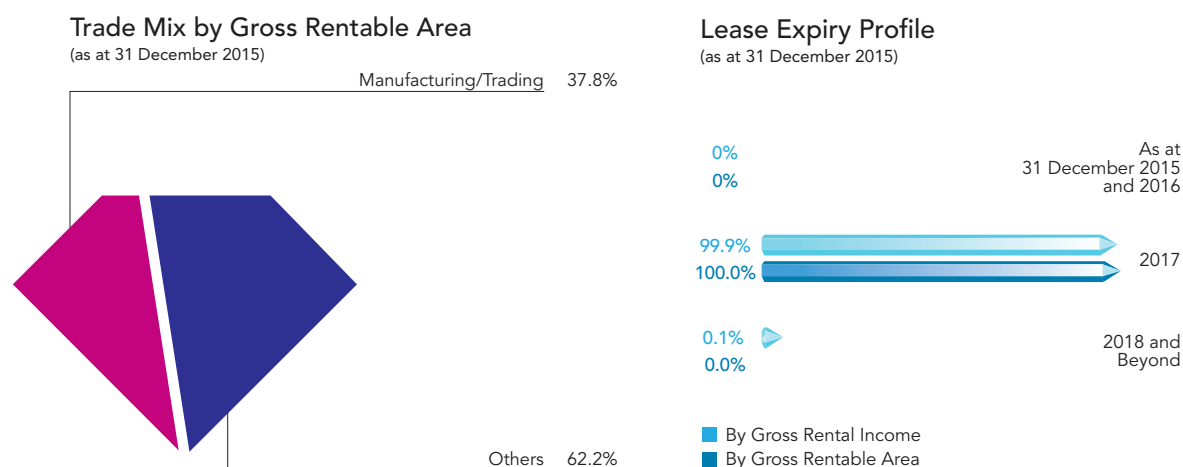
Note: Tenant requested for anonymity.

Harbourfront Landmark Property

(Portion of Harbourfront Landmark)



Location	: 11 Wan Hoi Street, Hung Hom, Kowloon
Year of Completion	: 2001
Gross Rentable Area (sq. ft.)	: 77,021
No. of Car Park Spaces	: –
Appraised Value (HK\$ million)	: 514
Number of Tenants	: 4



Harbourfront Landmark Property is a three-storey commercial area on the podium level of Harbourfront Landmark, a stunning 70-storey skyscraper on the harbour front of the Kowloon peninsula, offering breathtaking sea view of the Victoria Harbour. The property is adjacent to two Grade A office tower blocks and the renowned five-star Harbour Grand Kowloon Hotel.

Harbourfront Landmark Property is just minutes away from the Hung Hom MTR East Rail Station, a transportation hub which provides direct access to Tsim Sha Tsui, the New Territories and the Mainland China. The building is also within walking distance to the future Whampoa MTR Station of the Kwun Tong Line Extension (scheduled to operate tentatively in 2016) and a five-minute drive to the Tsim Sha Tsui East district via the Hung Hom Bypass. Moreover, the nearby Cross Harbour Tunnel allows quick access to the Hong Kong Island. The Hung Hom pier is within a three-minute walk from the building, with regular ferry services to and from the Hong Kong Island business districts at North Point pier.

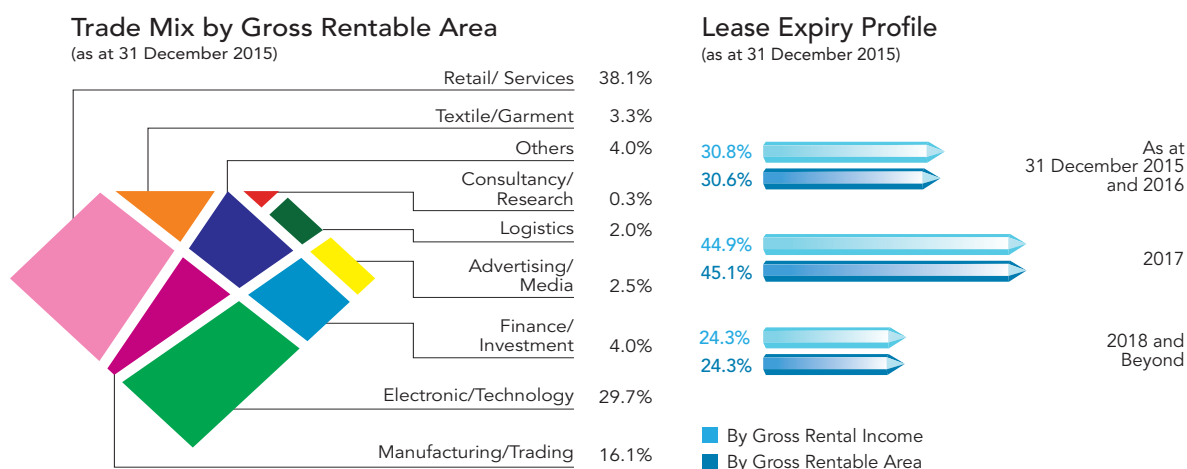
As at 31 December 2015, the occupancy rate of the property was 100.0%.

Tenants	Trade	GRA		
		(sq. ft.)	% of GRA	% of GRI
Tiger Resort Asia Limited	Others	30,151	39.1%	40.1%
Hallmark Cards (HK) Limited	Manufacturing/Trading	29,063	37.8%	36.9%
The Hong Kong Polytechnic University	Others	17,807	23.1%	23.0%

Prosperity Place



Location	: 6 Shing Yip Street, Kwun Tong, Kowloon
Year of Completion	: 1996
Gross Rentable Area (sq. ft.)	: 240,000
No. of Car Park Spaces	: 83
Appraised Value (HK\$ million)	: 1,544
Number of Tenants	: 121



Prosperity Place is located in the Kwun Tong district of Kowloon East. The district has recently experienced tremendous growth as a new commercial hub. The building is close to the Eastern Cross Harbour Tunnel, and the Kwun Tong MTR Station is just a three-minute walk away.

With new Grade A office buildings on the increase and re-development projects being carried out, Kowloon East has seen significant urban improvements on a number of fronts, including prominent modern architecture and dynamic shopping malls, along with leisure and public spaces. With the implementation of Kai Tak Development and Kwun Tong Town Centre Renewal Projects by the Government, the district is undergoing significant change by uplifting of transport infrastructures. Both public and private sectors' developments and community facilities are scheduled to be completed in the coming years. Due to these attractive developments, prestigious tenants from the traditional core business districts have moved into the area.

Following the execution of the special waiver to convert Prosperity Place from industrial/office use to commercial use at the end of 2012, we have continuously recruited commercial tenants to the property. During the Reporting Year, an additional number of selected floors have been renovated to create a commercial outlook and widen our tenant base.

As at 31 December 2015, retail and service trade tenants accounted for approximately 38.1% of Prosperity Place's gross rentable area. Marketing campaigns were launched during the Reporting Year in order to increase public awareness of the commercial image of Prosperity Place, attract foot traffic and promote the products/services of our tenants.

As at 31 December 2015, the occupancy rate of the property was 93.7%.

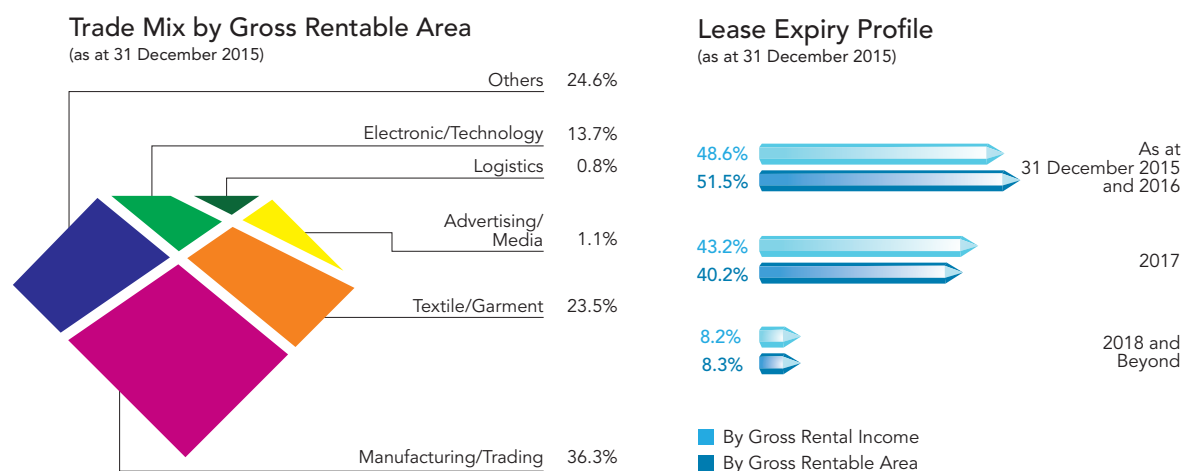
Top 5 Tenants

Tenants	Trade	GRA		
		(sq. ft.)	% of GRA	% of GRI
Evlite Electronics Company Limited	Electronic/Technology	11,819	5.3%	4.4%
I Dance Enterprise Limited	Retail/Services	10,000	4.4%	4.3%
Dickson Yoga Company Limited	Retail/Services	10,000	4.4%	4.3%
Radio Frequency Engineering Limited	Electronic/Technology	6,360	2.8%	2.8%
KC Korea (International) Limited	Retail/Services	5,402	2.4%	2.6%

Trendy Centre



Location	: 682 Castle Peak Road, Lai Chi Kok, Kowloon
Year of Completion	: 1998
Gross Rentable Area (sq. ft.)	: 173,764
No. of Car Park Spaces	: 79
Appraised Value (HK\$ million)	: 1,010
Number of Tenants	: 143



Situated on Castle Peak Road in Lai Chi Kok, Trendy Centre is located in the heart of Kowloon's garment and fashion wholesale district. It has close proximity to the Container Terminals of the Kwai Chung-Tsing Yi basin, which have a total handling capacity of over 19 million TEUs (twenty-foot equivalent units) annually.

Moreover, major transportation arteries, namely the Route 3 expressway incorporating the Ting Kau Bridge and Kong Sham Western Highway and the Route 8 expressway incorporating the Tsing Ma Bridge and Stonecutters Bridge, are close-by, providing quick access to the Hong Kong International Airport, as well as the Mainland border crossings. The Lai Chi Kok MTR Station is just a convenient five-minute stroll from Trendy Centre.

As at 31 December 2015, the occupancy rate of the property was 95.7%.

Top 5 Tenants

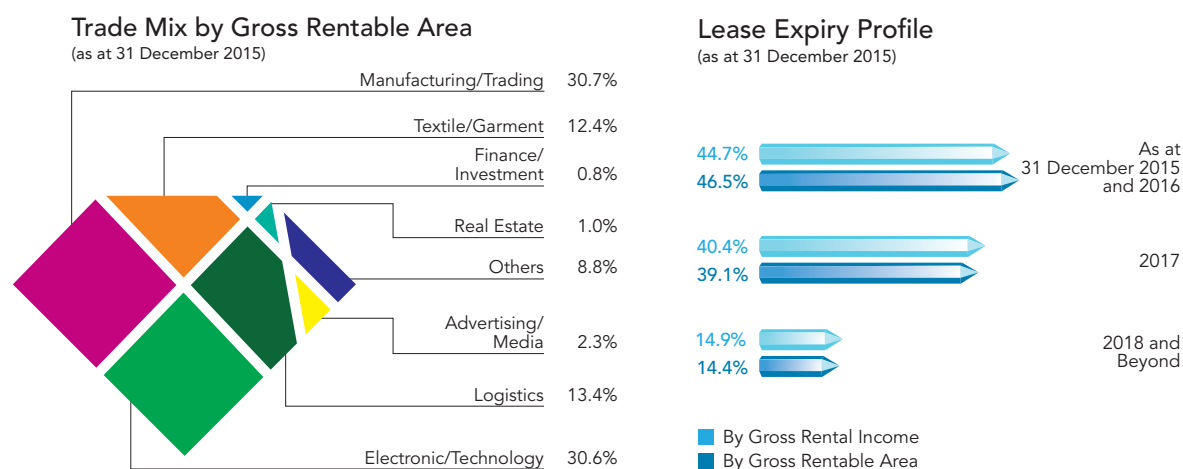
Tenants	Trade	GRA		
		(sq. ft.)	% of GRA	% of GRI
Lush Asia Limited	Manufacturing/Trading	3,974	2.4%	4.1%
CEH Textiles Limited	Textile/Garment	6,849	4.1%	3.6%
Madrid Group Limited	Others	708	0.4%	2.8%
GFSI, Inc.	Textile/Garment	820	0.5%	1.8%
Springair Garment (H.K.) Company Limited	Textile/Garment	2,720	1.6%	1.7%

Prosperity Center Property

(Portion of Prosperity Center)



Location	: 25 Chong Yip Street, Kwun Tong, Kowloon
Year of Completion	: 1999
Gross Rentable Area (sq. ft.)	: 149,253
No. of Car Park Spaces	: 105
Appraised Value (HK\$ million)	: 854
Number of Tenants	: 66



Prosperity Center Property is strategically located in the Kowloon East business district and is less than a three-minute walk from the Ngau Tau Kok MTR Station.

The Kowloon East area has evolved into a modern commercial hub. Prosperity Center Property has capitalized on the trend and gained new quality tenants. The industrial/office building features a modern curtain wall, 5 to 7.5 kPa floor loading, split-type air conditioning systems for all units, high ceilings, sub-divisible floor plates, cargo lifts, high-grade passenger lifts, ample loading/unloading bays, and related facilities.

As at 31 December 2015, the occupancy rate of the property was 98.2%.

Top 5 Tenants

Tenants	Trade	GRA		
		(sq. ft.)	% of GRA	% of GRI
Tenant ^{Note}	Textile/Garment	10,528	7.2%	7.7%
Opsec Delta (HK) Limited	Manufacturing/Trading	10,528	7.2%	7.7%
Senko Advanced Components (HK) Limited	Electronic/Technology	10,528	7.2%	7.3%
"A Better Way" (Hong Kong) Limited	Electronic/Technology	5,588	3.8%	3.4%
Barco Limited	Electronic/Technology	4,597	3.1%	3.3%

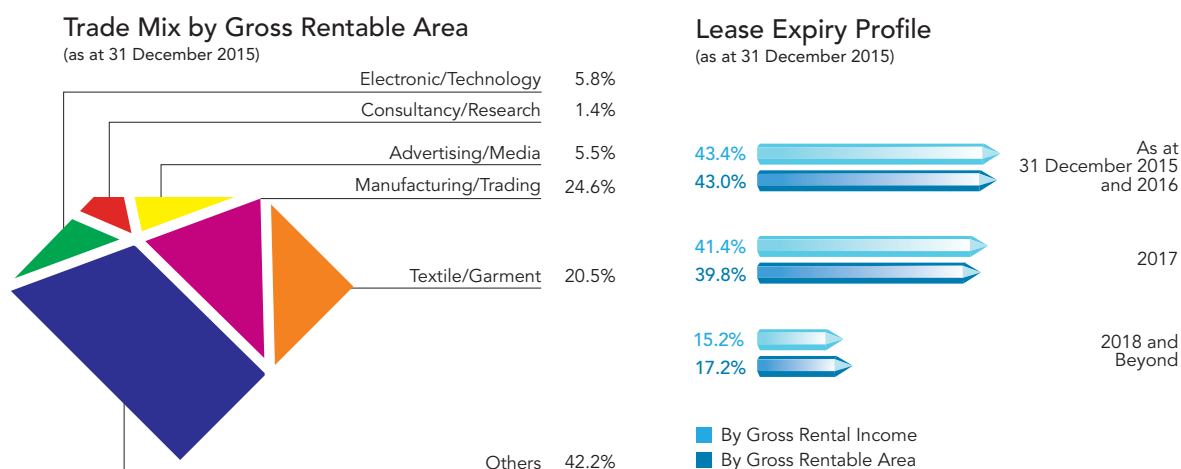
Note: Tenant requested for anonymity.

New Treasure Centre Property

(Portion of New Treasure Centre)



Location	: 10 Ng Fong Street, San Po Kong, Kowloon
Year of Completion	: 1995
Gross Rentable Area (sq. ft.)	: 86,168
No. of Car Park Spaces	: 22
Appraised Value (HK\$ million)	: 316
Number of Tenants	: 50



New Treasure Centre Property is located in San Po Kong, Kowloon, an established industrial area well served by extensive transportation links, the north-south Route 2 and west-east Route 7 expressways, MTR, buses and public light buses. The building is conveniently located within five minutes walking distance to the Diamond Hill MTR Station.

The prestigious design of the ground floor main lobby coupled with the eminent concierge service counter distinguishes New Treasure Centre Property from the other older industrial buildings in the vicinity. The building has solid industrial building features including 7.5 kPa floor loading, split-type air conditioning systems for every unit, sub-divisible floor plates, cargo lifts, high-grade passenger lifts, ample loading/unloading bays, and related facilities. The multi-level lorry and car parking area is fastidiously maintained, with generous illumination.

As at 31 December 2015, the occupancy rate of the property was 100.0%.

Top 5 Tenants

Tenants	Trade	GRA		
		(sq. ft.)	% of GRA	% of GRI
Goodwell Property Management Limited*	Others	12,404	14.4%	12.5%
Reich Pharm Limited	Others	7,488	8.7%	8.7%
Macrotech Security & Management Services Limited	Others	2,496	2.9%	3.2%
A. Integrity Property Services Limited	Others	2,496	2.9%	3.1%
Everfit Enterprises (HK) Limited	Textile/Garment	2,386	2.8%	2.8%

* Goodwell Property Management Limited is a connected person of Prosperity REIT within the meaning of the REIT Code.

Stable return,
Continued growth in
Performance



Performance Highlights

Below is a summary of Prosperity REIT's performance for the Reporting Year:

	Year ended 31 December 2015	Year ended 31 December 2014	Percentage change Increase/(Decrease)
Distribution per unit	HK\$0.1768	HK\$0.1630	8.5%

Key financial figures	As at 31 December 2015	As at 31 December 2014	Percentage change Increase/(Decrease)
Net asset value per unit	HK\$4.98	HK\$4.70	6.0%
Property valuation	HK\$10,419 million	HK\$9,890 million	5.3%
Gearing ratio ¹	27.2%	28.6%	(1.4%) ²

Operation data	Year ended 31 December 2015	Year ended 31 December 2014	Percentage change Increase/(Decrease)
Revenue	HK\$438.7 million	HK\$403.4 million	8.8%
Net property income	HK\$345.5 million	HK\$312.1 million	10.7%
Average effective unit rent	HK\$22.72 per sq. ft.	HK\$20.81 per sq. ft.	9.2%
Occupancy rate (as at 31 December)	96.4%	97.7%	(1.3%) ²
Cost-to-revenue ratio	21.3%	22.6%	(1.3%) ²

¹ This excludes the bank facility origination fees already paid in cash, and is calculated by dividing total borrowings over total assets.

² Absolute change

Operations Review

As at 31 December 2015, Prosperity REIT owned a diverse portfolio of eight properties 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 31 December 2015, the total gross rentable area was 1,352,174 sq. ft., with a total of 498 car park spaces.

Information about the properties in the portfolio, as at 31 December 2015, 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	3,122	93.9%
Prosperity Millennia Plaza	North Point	217,955	43	1,971	98.0%
9 Chong Yip Street	Kwun Tong	136,595	68	1,088	97.6%
Commercial					
Harbourfront Landmark (portion)	Hung Hom	77,021	–	514	100.0%
Prosperity Place	Kwun Tong	240,000	83	1,544	93.7%
Industrial/Office					
Trendy Centre	Lai Chi Kok	173,764	79	1,010	95.7%
Prosperity Center (portion)	Kwun Tong	149,253	105	854	98.2%
Industrial					
New Treasure Centre (portion)	San Po Kong	86,168	22	316	100.0%
Total		1,352,174	498	10,419	96.4%

With the REIT Manager's professional management expertise, Prosperity REIT was able to attain organic growth in the Reporting Year. A stable occupancy rate of 96.4% was recorded as at 31 December 2015, reflecting the effectiveness of the leasing strategies employed. As a result of increased revenue, coupled with efficient streamlining of operations, the cost-to-revenue ratio was maintained at a relatively low level of 21.3%.

Investment Review

The REIT Manager will continue to implement its acquisition strategy prudently and 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.

Financial Review

The revenue and net property income of each property in Prosperity REIT's portfolio for the Reporting Year 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	105,511	19,821	125,332	101,501
Prosperity Millennia Plaza	73,070	13,692	86,762	71,127
9 Chong Yip Street	34,275*	4,094	38,369	29,442
Commercial				
Harbourfront Landmark (portion)	22,015	6,403	28,418	23,044
Prosperity Place	61,183	500	61,683	46,726
Industrial/Office				
Trendy Centre	40,655	6,547	47,202	35,348
Prosperity Center (portion)	33,213	3,240	36,453	27,596
Industrial				
New Treasure Centre (portion)	12,769	1,735	14,504	10,695
Total	382,691	56,032	438,723	345,479

* As the rental income for 9 Chong Yip Street (being the aggregate of all rental, license fees and other income from the leasing or licensing of 9 Chong Yip Street, and income from the carpark including rental, license fees and hourly parking fees) for the Reporting Year in the sum of HK\$34,275,000 is greater than the agreed rental income support for the relevant financial year, no rental support payment is payable by Cactus Holdings Limited to Prosperity REIT under the deed of rental support dated 22 January 2014 for the Reporting Year. For details, please refer to the announcement of Prosperity REIT dated 3 March 2016.

Revenue

During the Reporting Year, revenue improved to HK\$438.7 million, being HK\$35.3 million or 8.8% higher than that of 2014.

The revenue comprised HK\$382.7 million of rental and car park income, plus HK\$56.0 million of rental related income. Rental and car park income was HK\$32.5 million or 9.3% above that of 2014.

Net Property Income

For the Reporting Year, the net property income was HK\$345.5 million, exceeding that of 2014 by HK\$33.4 million or 10.7%. The growth was attributable to the rental reversion rate of 16.3% for the entire portfolio, outstanding performance in both occupancy rate and rental income in 9 Chong Yip Street acquired in 2014 and the strong rental uplift in Harbourfront Landmark. The cost-to-revenue ratio was 21.3%.

Distributable Income

The annual distributable income of Prosperity REIT to unitholders for the Reporting Year, amounted to HK\$254.1 million, representing a total DPU of HK\$0.1768. The distributable income for the Reporting Year is calculated by the REIT Manager as representing the consolidated profit after tax of Prosperity REIT and its subsidiaries for the relevant financial year, 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\$12.7 million (equivalent to HK\$0.0088 per unit), which have been recorded in the consolidated statement of profit or loss and other comprehensive income for the Reporting Year.

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 for the financial year ended 31 December 2015. Pursuant to the Trust Deed, Prosperity REIT is required to ensure that the total amount distributed to unitholders shall be no less than 90% of Prosperity REIT's annual distributable income for each financial year.

The distributable income for the half year from 1 July 2015 to 31 December 2015 is HK\$129.3 million, equivalent to a DPU of HK\$0.0897. The interim DPU from 1 January 2015 to 30 June 2015 was HK\$0.0871, and the total DPU for the Reporting Year is HK\$0.1768, which represents a distribution yield of 6.3%³. The DPU increased 8.5% YoY mainly due to the increase in net property income.

The distribution for the half year from 1 July 2015 to 31 December 2015 will be paid on Tuesday, 5 April 2016.

³ Based on Prosperity REIT's closing unit price of HK\$2.79 as at 31 December 2015.

Liquidity and Financing

As at 31 December 2015, Prosperity REIT had facilities in aggregate of HK\$3,284 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;
- (ii) A HK\$404 million secured term loan, which bears interest at a margin of 1.45% per annum over HIBOR, and will mature and become repayable 5 years from 16 January 2014 (the **"HK\$404 Million Facility"**); and
- (iii) A HK\$380 million unsecured term loan, which bears interest at a margin of 1.50% per annum over HIBOR, and will mature and become repayable 3 years from 16 January 2014 (the **"HK\$380 Million Facility"**).

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 for the purposes of refinancing the facilities due to expire in August 2015. None of the revolving credit facility was drawn as at 31 December 2015.

The HK\$404 Million Facility and the HK\$380 Million Facility were fully drawn on 22 January 2014 to partly finance the acquisition of 9 Chong Yip Street.

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 31 December 2015, the interest costs for approximately 55% (31 December 2014: 55%) 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 27.2% as at 31 December 2015, whereas the gross liability of Prosperity REIT as a percentage of Prosperity REIT's gross assets was 31.8% as at 31 December 2015.

Taking into account the fair value of investment properties, presently 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 Year, Prosperity REIT's portfolio recorded an investment property revaluation gain of HK\$515.7 million, based on a professional valuation performed by an independent valuer, Jones Lang LaSalle Limited. The movements of fair values are tabulated below:

	31 December 2015 HK\$'000	31 December 2014 HK\$'000
Fair value at the beginning of the year	9,890,000	8,518,000
Additional expenditure	13,298	25,845
Acquisition	–	1,014,054
Increase in fair value of investment properties	515,702	332,101
Fair value at the end of the year	10,419,000	9,890,000

Charges on Assets

As at 31 December 2015, certain investment properties of Prosperity REIT, with an aggregate carrying value of HK\$6,526.9 million, were pledged to secure bank loan facilities of Prosperity REIT's finance companies.

Prosperity REIT and its subsidiaries have provided guarantees for the HK\$2,500 Million Facilities, the HK\$404 Million Facility and the HK\$380 Million Facility.

Employees

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

Closure of Register of Unitholders

The register of unitholders will be closed from Tuesday, 22 March 2016 to Thursday, 24 March 2016, both days inclusive, during which period no transfer of units will be effected. In order to qualify for the distribution, all unit certificates with completed transfer forms must be lodged with Prosperity REIT's unit registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 21 March 2016. The payment date of the final distribution will be on Tuesday, 5 April 2016.

Major Real Estate Agents and Contractors

Top Five Real Estate Agents

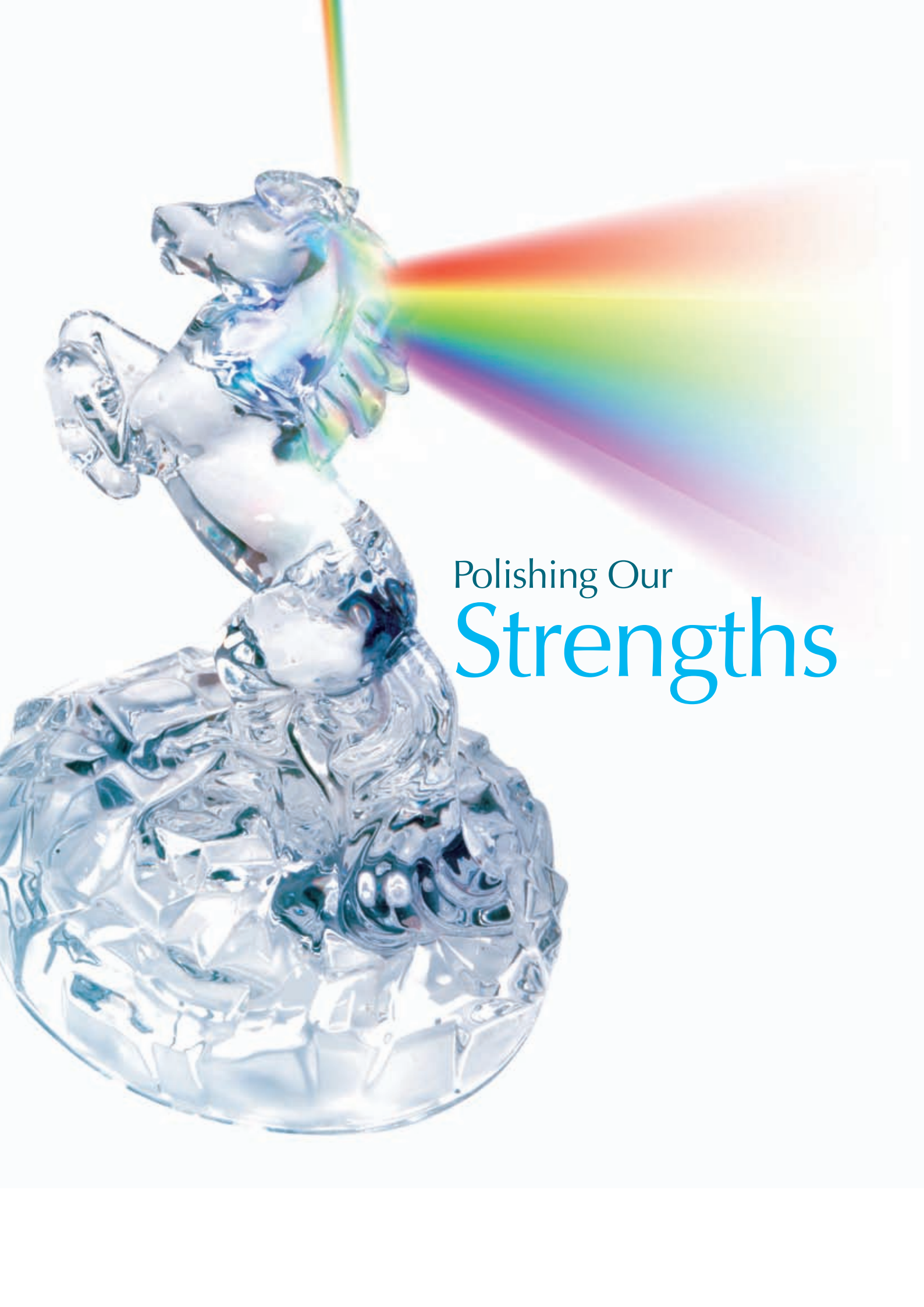
The total commission paid to real estate agents to secure new tenants during the Reporting Year was HK\$4,775,000. The commission paid to the top five real estate agents, summarized as follows, was HK\$3,194,000 and accounted for 66.9% of the total commission paid:

Real Estate Agents	Nature of Services	Commission Paid	Percentage of Total Commission Paid
		HK\$'000	
Centaline Property Agency Limited	Leasing	1,123	23.5%
Midland Realty	Leasing	819	17.2%
CBRE Limited	Leasing	529	11.1%
Jones Lang LaSalle Limited	Leasing	384	8.0%
Colliers International Agency Limited	Leasing	339	7.1%
		3,194	66.9%

Top Five Contractors

The total value of service contracts of contractors engaged by Prosperity REIT during the Reporting Year was HK\$65,420,000. The value of contracts of the top five contractors, summarized as follows, was HK\$55,931,000 and accounted for 85.5% of the total value of contracts:

Contractors	Nature of Services	Value of Contract	Percentage of Total Value of Contracts
		HK\$'000	
Goodwell Property Management Limited	Building management	27,685	42.3%
Citybase Property Management Limited	Building management	12,900	19.7%
Goodwell-Prosperity Property Services Limited	Building management	10,447	16.0%
Harbourfront Landmark Premium Services Limited	Building management	2,472	3.8%
E-Park Parking Management Limited	Carpark operation	2,427	3.7%
		55,931	85.5%



Polishing Our
Strengths

Pursuant to the property management agreement dated 29 November 2005 between the REIT Manager and Goodwell-Prosperity Property Services Limited (the “**Property Manager**”), as amended, supplemented and/or otherwise modified or extended from time to time, the REIT Manager has appointed the Property Manager to operate, maintain, manage and market all the properties of Prosperity REIT, subject to the overall management and supervision of the REIT Manager.

The Property Manager, a subsidiary of Cheung Kong Property Holdings Limited, exclusively manages the property portfolio of Prosperity REIT on a dedicated basis.

CHU Kin Leung, Kevin
Chief Property Manager

NG Chi Wah, Kevin
Assistant Director, Asset Management

Chan Chung Ho, Terence
Assistant Technical Manager

WONG Sze Yu, Kitty
Assistant Property Manager

CHAN Chun Kwok, Boris
Leasing Manager

YEUNG Tin On, Bruce
Assistant Leasing Manager

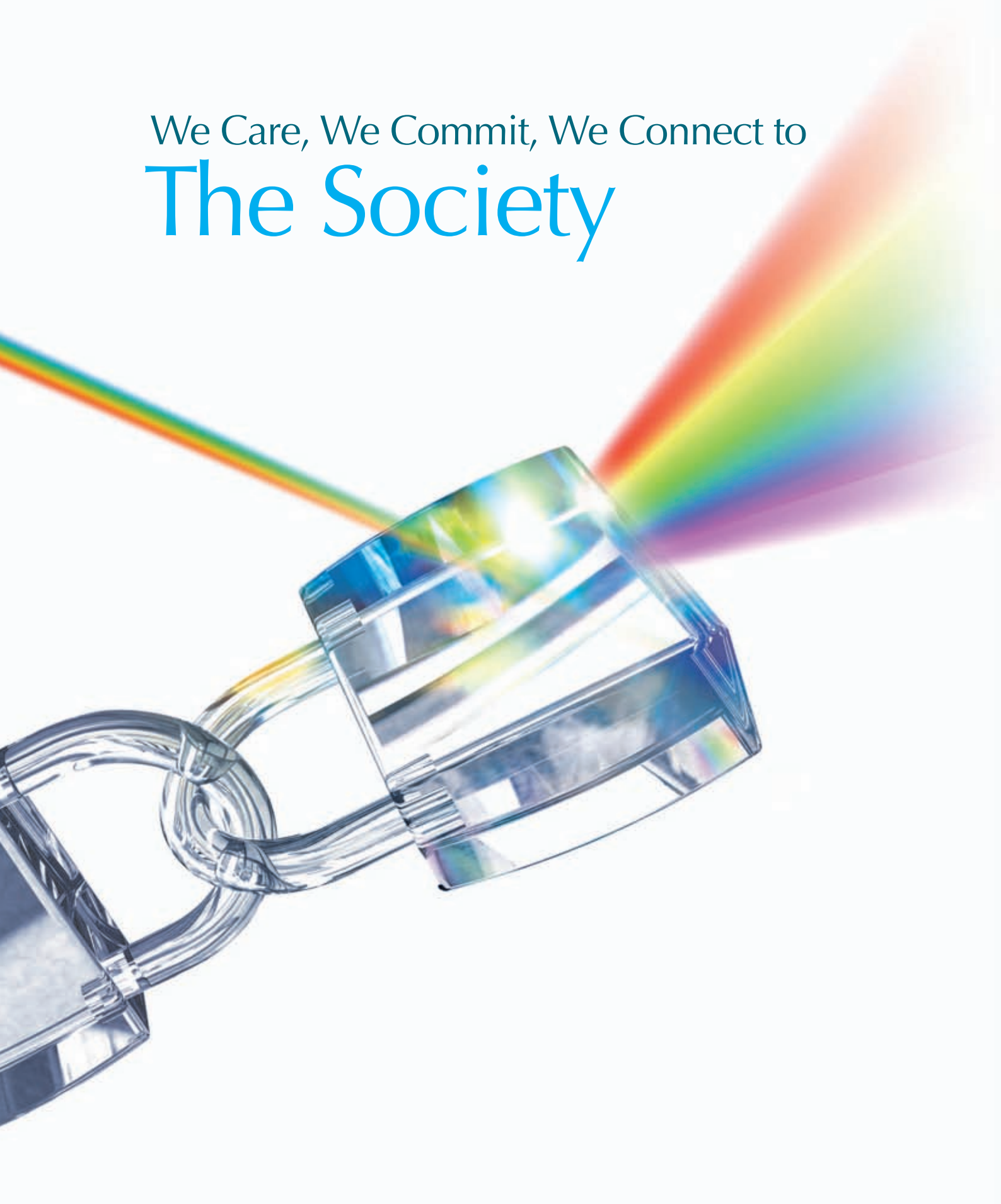


WONG Ling Fei
Assistant Chief Manager, Leasing

DENG Chi Yung, Jonathan
Leasing Manager

WONG Lai Hung, Mavis
Chief Executive Officer

We Care, We Commit, We Connect to
The Society





At Prosperity REIT, we believe that continuous support from stakeholders is vital to the sustainability of our business. To this end, we integrate Corporate Social Responsibilities (“CSR”) in all aspects of our business, from day-to-day operations to business practices. Taking responsible actions allows us to better retain talented employees, enhance our brand reputation and earn trust from investors, thereby creating long term value. During the Reporting Year, we implemented a wide range of CSR activities towards the community, the environment, our tenants, our staff as well as our unitholders.

Caring for Community

As our properties are commercial buildings, our operations are inevitably tied with the local communities. We therefore place great emphasis in making a positive impact on the society. Our continued efforts in helping the less fortunate in the society have earned us the Caring Company Award from The Hong Kong Council of Social Service.

Volunteering

We continued to join hands with Evangelical Lutheran Church of Hong Kong to organize the “Make a Fairy Garden” educational event at Prosperity Place for a group of primary school pupils from low income families. Guided by our volunteering team, the children learned about the green elements at Prosperity Place, including the green wall in the lobby, variety of plants and the hydroponic farm system in the rooftop garden. After touring the building, the children and our volunteers together participated in a plant jamming workshop and created beautiful pots of plants. We are glad to have provided an enjoyable and educational experience for the children.



We also took care of the elderly group during the Reporting Year as part of our CSR effort, including visiting elderly day care center and organized a seasonal event with Evangelical Lutheran Church of Hong Kong.



Donations

We regularly make charitable donations. During the Reporting Year, we donated to the Tung Wah Group of Hospitals "Food-for-all" kitchen, the Skip Lunch Day, Dress Casual Day and Green Day by the Community Chest. We also regularly do blood donation with a team of our colleagues, to achieve the vision of sharing and saving lives.



Caring for Environment

Sponsorship

We sponsored The Nature Conservancy Hong Kong (TNC), for saving the oceans from pollution, climate change, and destructive fishing fund raising activity. One of the visions of TNC is to make the oceans healthy and safe for critically endangered species sea creatures.



Creating Green Space

Greening our properties offers great opportunities to protect the environment and to provide tenants with an eco-friendly workplace. Over the years, we have added a variety of green elements to our properties, such as rooftop gardens, green walls, solar panels, T5 fluorescent systems, etc.

We built a hydroponic farm system on the rooftop garden of Prosperity Place for growing vegetables. This system centers on the idea of cultivating crops free of chemicals in a completely self-sustaining manner. Part of the system is an aesthetic fish pond, which adds to the relaxing ambience of the rooftop garden. And best of all, our tenants get to enjoy the freshly picked vegetables. In recognition of its excellence in property greening through outstanding landscape design, Prosperity Place was accredited the "Best Landscape Award (Merit)" by the Leisure and Cultural Services Department. During the reporting year, a rooftop garden was set up at 9 Chong Yip Street to provide an environmental friendly workplace for our tenants.



Involvement of Tenants and Contractors

We are mindful that environmental protection is a joint effort. Therefore, we actively engage our tenants and contractors in protecting the environment. Measures implemented with our tenants during the Reporting Year include an ongoing computer recycling program, a mooncake box recycling campaign and participation in the Earth Hour. When performing renovation works in our properties, contractors are required to strictly adhere to our environmental protection guidelines.

Caring for Tenants

Tenants form a key pillar of our business. Apart from the asset enhancement works, we believe attentive property management service is indispensable to a high quality workplace for our tenants. Throughout the years, we have received numerous awards in recognition of our property management service. During the Reporting Year, we garnered yet more recognition with our properties and management, winning the "Outstanding Managed Property" and "Best Security Staff" in the Best Security Services Awards organized by the Hong Kong Police Force.

Interactions with Tenants

We frequently organize mingling events with tenants at our properties. We value face-to-face dialogues as a means of establishing sustainable relationship with tenants and understanding their needs for continuous improvement in our operations. During the Reporting Year, the Sport Fun Day, Chinese New Year lion dances, seasonal promotion events and Christmas parties were organized.



Complaints Handling

To ensure quality customer services, all complaints from tenants are treated seriously and handled according to a well set of procedures across all our properties.

Caring for Staff

The staff of the REIT Manager and the Property Manager are building blocks of our business. Besides the daily course of work, they also create ideas, share insights and work together to contribute to the success of Prosperity REIT. We strive to provide them with a fair, safe, healthy, enjoyable and supportive working environment.

Teamwork

In attending team building activities, our employees develop team spirit and a deeper sense of belonging. During the Reporting Year, apart from our annual spring dinner, activities such as hiking with seafood dinner and 10th anniversary celebrations party were well attended and enjoyed by our staff.



Occupational Health and Safety

Work procedures and guidelines are documented in details to ensure occupational health and safety ("OHS") at our workplace. Workshops on OHS topics were organized for all our staff to attend during the Reporting Year. In addition, our property management staff attended certified OHS courses so as to maintain their industry knowledge at a professional level. Newsletters on the latest OHS practices and trends were also distributed to the staff every quarter.

Career Development

An appraisal process is conducted annually whereby the supervisor meets with each subordinate face-to-face and discusses his/her job performance for the year. The supervisor and subordinate are encouraged to discuss on the staff's job performance, work environment, training, future expectation and other areas which will help career advancement.

All staff are provided with equal opportunities for training and development to update their knowledge, or to enhance their business networking. We also provide study sponsorship programs.

Compensation and Benefits

Staff are rewarded fairly based on their ability, performance, contribution and experience. In addition to an annual salary review, a variable bonus may also be awarded subject to the company's performance and the staff's individual work performance.

Staff are entitled to leave benefits including annual, medical, marriage, maternity, paternity, compassionate and prolonged illness leave. Recognizing the importance of the well-being of our staff, we provide them with medical and dental benefits, as well as health screening and fitness center membership.

Conducive Workplace

We adhere to established guidelines to ensure fair employment services. Recruitment and selection of staff are based on the basis of merit and regardless of age, race, gender, religion, national origin, sexual orientation, family status, disability and medical condition.

A Whistle Blowing Policy is in place to provide a communication channel for all staff who may in confidence, raise concerns about possible improprieties and obstructive action within the company. The policy protects complainants from reprisals or victimization when they whistle blow in good faith and without malice.

To promote a harmonious working relationship, a Code of Conduct is established for staff to conduct and carry themselves in a proper and courteous manner at work. The basic behavior expected of staff covers areas such as ethics, duties and responsibilities, confidentiality, restraint, bribery, prohibition of accepting gratuities, and company property.

Caring for Unitholders

We believe that business ethics is crucial for earning trust from unitholders and building a sustainable business. Since Prosperity REIT's listing, we have been committed to nurturing the loyalty and confidence of unitholders through effective communication and strong corporate governance practices.

Open Communication

We maintain an open channel of communication with our unitholders, including but not limited to general meetings of unitholders, results briefings, corporate website, newsletters, investor conferences/meetings and property tours.





1

1 Caring company — 5 years Plus
The Hong Kong Council of Social Service



2

2 HSBC Living Business — Green Achieve Award
HSBC Commercial Banking



3

3 Quality Water Recognition Scheme For Buildings
Water Supplies Department



4

4 Recycling Program of Christmas trees, Peach Blossom and CNY Plants
Hong Kong Environmental Protection Association



5

5 Indoor Air Quality Certificate Scheme for Office and Public Places
Environmental Protection Department



6

6 Power Smart Energy Saving Contest 2015
Friends Of The Earth



7

7 Hong Kong Island Best Security Services Awards 2014-2015
— Outstanding Industrial/Commercial Property Management Award
Hong Kong Island Regional Crime Prevention Office

Directors

CHIU Kwok Hung, Justin

Chairman and Non-executive Director



Dr. CHIU Kwok Hung, Justin, aged 65, is the Chairman of the REIT Manager. He is the Chairman and Non-executive Director of ARA Asset Management Limited ("**ARA**") (listed in Singapore), the holding company of the REIT Manager, and ARA Asset Management (Fortune) Limited as the manager of Fortune REIT (listed in Hong Kong and Singapore). Dr. Chiu is also a Director of ARA Fund Management (Asia Dragon) Limited as the manager of the ARA Asia Dragon Fund, and a Director of ARA Asia Dragon Limited. Dr. Chiu is an Executive Director and a Member of Executive Committee of Cheung Kong Property Holdings Limited (listed in Hong Kong). He was previously an Executive Director and a Member of Executive Committee of CK Hutchison Holdings Limited ("**CK Hutchison**") (listed in Hong Kong) and Cheung Kong (Holdings) Limited (whose

listing status on The Stock Exchange of Hong Kong Limited was replaced by CK Hutchison on 18 March 2015). He joined the Cheung Kong Group in 1997 and has been an Executive Director since 2000, heading the real estate sales, marketing and property management teams.

Dr. Chiu has more than 30 years of international experience in real estate in Hong Kong and various countries and is one of the most respected professionals in the property industry in Asia. He serves as a member of the Standing Committee of the 12th Shanghai Committee of the Chinese People's Political Consultative Conference of the People's Republic of China, and is a Council Member and a Fellow of The Hong Kong Institute of Directors, a Fellow of Hong Kong Institute of Real Estate Administrators and a member of the Board of Governors of Hong Kong Baptist University Foundation.

Dr. Chiu holds Bachelor of Arts degrees in Sociology and Economics from Trent University in Ontario, Canada, and was conferred with the degree of Doctor of Social Sciences, honoris causa by Hong Kong Baptist University and the degree of Doctor of Laws, honoris causa by Trent University in Ontario, Canada.

LIM Hwee Chiang

Non-executive Director



Mr. LIM Hwee Chiang, aged 59, is a Non-executive Director of the REIT Manager. He is the Group Chief Executive Officer and an Executive Director of ARA. He has been a Director of ARA since its establishment. Mr. Lim is also Non-executive Director of Hui Xian Asset Management Limited as the manager of Hui Xian REIT (listed in Hong Kong), ARA Asset Management (Fortune) Limited as the manager of Fortune REIT (listed in Hong Kong and Singapore), ARA Trust Management (Suntec) Limited as the manager of Suntec REIT (listed in Singapore), ARA-CWT Trust Management (Cache) Limited as the manager of Cache Logistics Trust (listed in Singapore) and Teckwah Industrial Corporation Limited (listed in Singapore).

In addition, Mr. Lim is the Chairman of APM Property Management Pte. Ltd., Suntec Singapore International Convention & Exhibition Services Pte. Ltd. and the management council of The Management Corporation Strata Title Plan No. 2197 (Suntec City). He is also Chairman of the property management committee of the Singapore Chinese Chamber of Commerce & Industry, the managing director of Chinese Chamber Realty Private Limited and a director of The Finance Board of the Singapore Chinese Chamber of Commerce. He is also a member of the Consultative Committee to the Department of Real Estate, National University of Singapore.

Mr Lim has more than 30 years of experience in the real estate industry, and has received many notable corporate awards. These include the Ernst & Young Entrepreneur Of the Year Singapore 2012, Ernst & Young Entrepreneur Of the Year — Financial Services 2012 and the Outstanding CEO of the Year 2011 at the Singapore Business Awards 2012. Mr. Lim, along with the Board of Directors of ARA, is also a recipient of the prestigious Best Managed Board (Gold) Award at the Singapore Corporate Awards 2012.

Mr. Lim holds a Bachelor of Engineering (First Class Honours) in Mechanical Engineering, a Master of Science in Industrial Engineering, as well as a Diploma in Business Administration, each from the National University of Singapore.

WONG Lai Hung, Mavis

Executive Director and Chief Executive Officer



Ms. WONG Lai Hung, Mavis, aged 43, is an Executive Director, the Chief Executive Officer and a Responsible Officer of the REIT Manager. She is also the Chairman of the Disclosures Committee and a member of the Designated (Finance) Committee of the REIT Manager. Ms. Wong has led and/or been a key member of the Investment and Asset Management Team of the REIT Manager since Prosperity REIT was listed in December 2005. She was the Director, Investment and Asset Management of the REIT Manager overseeing the business plans of Prosperity REIT's properties including leasing, property management and asset enhancement strategies, and is responsible for investment strategy and policy. She was then promoted as Acting Chief Executive Officer and re-

designated as the Chief Executive Officer on 1 January 2013. Ms. Wong has been a Responsible Officer of the REIT Manager since July 2007.

Ms. Wong has over 20 years of real estate industry experience. Prior to joining the REIT Manager, Ms. Wong worked in the leasing, marketing and asset/property management departments of various developers, management companies and corporations including Cheung Kong (Holdings) Limited, New World Development Company Limited, Jardine Matheson & Co., Limited, Goodwill Management Limited (a wholly-owned subsidiary of Henderson Land Development Company Limited) and Yaohan Department Store (HK) Limited. Ms. Wong is a Member of The Hong Kong Institute of Directors.

Ms. Wong holds a Bachelor of Arts degree from the Chinese University of Hong Kong, a Postgraduate Certification in HK Law from City University of Hong Kong and a Diploma in Property Development from SPACE, University of Hong Kong.

MA Lai Chee, Gerald

Non-executive Director



Mr. MA Lai Chee, Gerald, aged 48, is a Non-executive Director of the REIT Manager and a member of the Designated (Finance) Committee. He is a Non-executive Director of ARA Asset Management (Fortune) Limited as the manager of Fortune REIT (listed in Hong Kong and Singapore). Mr. Ma is currently a Member of Executive Committee and General Manager, Corporate Business Development Department of Cheung Kong Property Holdings Limited (listed in Hong Kong), an Alternate Director to Mr. Lai Kai Ming, Dominic, Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited ("**Hutchison Telecommunications**") (listed in Hong Kong). Mr. Ma is also a director of aircraft leasing companies, Accipiter Holdings Limited and Vermillion

Aviation Holdings Limited, members of CK Hutchison. He was previously a Member of Executive Committee and General Manager, Corporate Business Development Department of Cheung Kong (Holdings) Limited (whose listing status on The Stock Exchange of Hong Kong Limited was replaced by CK Hutchison on 18 March 2015) and a Member of Executive Committee of CK Hutchison.

Directors And Senior Management Biographical Information

Mr. Ma has over 26 years of experience in finance, investment and portfolio management, real estate development and marketing, as well as managing IT related ventures and services. He is a member of the Hospitality Services Committee of Caritas Hong Kong. He is also a member of the President's Circle, the Dean's Advisory Board for the Faculty of Arts and the China Advisory Council for the Sauder School of Business of the University of British Columbia, Canada. He holds a Bachelor of Commerce degree in Finance and a Master of Arts degree in Global Business Management.

LAN Hong Tsung, David

Independent Non-executive Director



Dr. LAN Hong Tsung, David, aged 75, is an Independent Non-executive Director, Chairman of the Audit Committee and a member of each of the Disclosures Committee and Designated (Finance) Committee of the REIT Manager. He is an Independent Non-executive Director of ARA Asset Management (Fortune) Limited as the manager of Fortune REIT (listed in Hong Kong and Singapore), Cheung Kong Infrastructure Holdings Limited ("**CK Infrastructure**") (listed in Hong Kong), Hutchison Telecommunications (listed in Hong Kong) and SJM Holdings Limited (listed in Hong Kong). Dr. Lan is currently the Chairman of David H T Lan Consultants Ltd., Supervisor of Nanyang Commercial Bank (China), Limited and holds a directorship at Nanyang

Commercial Bank Ltd., as well as being a Senior Advisor of Mitsui & Company (Hong Kong) Limited. Dr. Lan is the President of the International Institute of Management. He is also a Chartered Secretary and a Fellow Member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

Dr. Lan was the Secretary for Home Affairs of the Government of the Hong Kong Special Administrative Region until his retirement in July 2000. He had served as civil servant in various capacities for 39 years and was awarded the Gold Bauhinia Star Medal (GBS) on 1 July 2000. He was appointed to the 10th and 11th sessions of the National Committee Member of the Chinese People's Political Consultative Conference of the People's Republic of China. Dr. Lan was previously an Independent Non-executive Director of China Oceanwide Holdings Limited (formerly known as "Hutchison Harbour Ring Limited") (listed in Hong Kong) and a Non-executive Director and Co-Chairman of Aurum Pacific (China) Group Limited (listed in Hong Kong).

Dr. Lan received his Bachelor of Arts degree from the University of London and completed the Advanced Management Program (AMP) of the Harvard Business School, Boston. He was also awarded Fellow, Queen Elizabeth House (Oxford). Dr. Lan was conferred with Doctor of Humanities, honoris causa by Don Honorio Ventura Technological State University, and holder of Visiting Professorship Awards of Bulacan State University and Tarlac State University.

SNG Sow-Mei (alias POON Sow Mei)

Independent Non-Executive Director



Mrs. SNG Sow-Mei (alias POON Sow Mei), aged 74, is an Independent Non-executive Director and a member of the Audit Committee of the REIT Manager. She is an Independent Non-executive Director of ARA Asset Management (Fortune) Limited as the manager of Fortune REIT (listed in Hong Kong and Singapore) and CK Infrastructure (listed in Hong Kong). She is also an Independent Non-executive Director and the Lead Independent Director of Hutchison Port Holdings Management Pte. Limited as the trustee-manager of Hutchison Port Holdings Trust ("**HPH Trust**") (listed in Singapore).

From 2004 to 2013, Mrs. Sng was an Independent Non-executive Director of ARA Trust Management (Suntec) Limited as the manager of Suntec REIT (listed in Singapore). Prior to her appointments with Singapore Technologies Pte. Ltd. where she was Director of Special Projects (North East Asia) in 2000, and Senior Consultant (International Business) of Singapore Technologies Electronics Limited from 2001 to 2013, Mrs. Sng was the Managing Director of CapitalLand Hong Kong Ltd. for investment in Hong Kong and the region including Japan and Taiwan. In Hong Kong, Mrs. Sng was a Director of INFA Systems Ltd. from 2007 to 2013, the Centre Director and then Regional Director of the Singapore Economic Development Board and Trade Development Board respectively from 1983 to 1997. She was Singapore's Trade Commissioner in Hong Kong from 1990 to 1997.

Mrs. Sng, who holds a Bachelor of Arts degree from the Nanyang University of Singapore, has wide experience in various fields of industrial investment, business development, strategic and financial management, especially in property investment and management. In 1996, Mrs. Sng was conferred the title of PPA (P) – Pingat Pentadbiran Awam (Perak), the Singapore Public Administration Medal (Silver).

WONG Kwai Lam

Independent Non-executive Director



Mr. WONG Kwai Lam, aged 66, is an Independent Non-executive Director and a member of each of the Audit Committee and Designated (Finance) Committee of the REIT Manager. He is an Independent Non-executive Director of China Merchants Bank Co., Ltd. (listed in Hong Kong and Shanghai), K. Wah International Holdings Limited (listed in Hong Kong), Langham Hospitality Investments Limited (a company which together with Langham Hospitality Investments listed in Hong Kong) and LHIL Manager Ltd. as the trustee-manager of Langham Hospitality Investments, and Hutchison Port Holdings Management Pte. Limited as the trustee-manager of HPH Trust (listed in Singapore). Mr. Wong is currently the Chairman of IncitAdv Consultants Ltd., a director of Opera Hong

Kong Limited, Vice Chairman of the Board of Trustees and a member of the Investment Committee of the Board of Trustees of New Asia College of the Chinese University of Hong Kong, a member of the Investment Sub-Committee of the Chinese University of Hong Kong, a member of Hospital Governing Committee of the Prince of Wales Hospital, and a member of the Board of Directors of CUHK Medical Centre Ltd. He was formerly a member of each of the Advisory Committee and Real Estate Investment Trust (REIT) Committee of the Securities and Futures Commission in Hong Kong and a member of the China Committee of the Hong Kong Trade Development Council.

Mr. Wong has over 33 years of experience in the commercial and investment banking industry. Mr. Wong worked with Merrill Lynch (Asia Pacific) Ltd. from May 1993 to August 2009 where he served as a Managing Director in the Asia investment banking division since January 1995. He was appointed as a Senior Client Advisor to Merrill Lynch (Asia Pacific) Ltd. in September 2009 and served in that position for one year. Prior to joining Merrill Lynch (Asia Pacific) Ltd., Mr. Wong had been a Director in the investment banking division of CS First Boston (Hong Kong) Ltd. and a Director and the head of primary market in Standard Chartered Asia Limited.

Mr. Wong holds Bachelor of Arts degree from the Chinese University of Hong Kong and a Ph. D from Leicester University, England. He was conferred with honorary fellowship by the Chinese University of Hong Kong.

Executive Officers

Ms. WONG Lai Hung, Mavis is the Chief Executive Officer of the REIT Manager. Details of her working experience are set out in the sub-section "Directors".

Ms. Wong is responsible for working with the Board to determine the strategy for Prosperity REIT. She works with the other members of the REIT Manager's management team to ensure that Prosperity REIT is operated in accordance with the REIT Manager's stated investment strategy. Additionally, she is responsible for planning the strategic development of Prosperity REIT and the day-to-day operations of the REIT Manager. She supervises the REIT Manager's management team to ensure that Prosperity REIT operates in accordance with the stated strategy, policies and regulations.

Mr. CHEUNG Kin Wah, Samuel is the Assistant Director, Finance of the REIT Manager. He is responsible for the financial management of Prosperity REIT. He has over 20 years of experience in audit and finance areas.

From 2000 to 2006, Mr. Cheung was the Chief Financial Controller and Company Secretary of Joinn Holdings Limited ("Joinn") (currently named as Chinasing Investment Holdings Limited), a company listed on the Main Board of SGX-ST. He was in charge of the accounting and finance functions of the group. He also performed company secretarial duties to ensure compliance with all legal and listing requirements and helped to ensure proper corporate governance. Mr. Cheung also helped to manage Joinn's Initial Public Offering in Singapore and was responsible for helping with the spinning-off of one associate company on SEHK's Growth Enterprise Market.

Prior to joining Joinn, Mr. Cheung served as an auditor with Messrs. Ernst & Young (Hong Kong) from 1995 to 2000 and also with Messrs. Kwan, Wong, Tan & Fong (which has merged with Deloitte Touche Tohmatsu) from 1993 to 1994.

Mr. Cheung is a Certified Public Accountant in Hong Kong and a fellow of the Association of Chartered Certified Accountants. He is also an associate of the Hong Kong Institute of Certified Public Accountants, and a Certified Tax Adviser and associate member of the Taxation Institute of Hong Kong.

Mr. CHUNG Meng Him, Vicho is the Manager, Investments and Investor Relations of the REIT Manager. He is responsible for conducting market research and feasibility studies, performing financial due diligence and analysis, and participating in financial models for potential acquisition target. In terms of asset management, he is responsible for performing financial analysis for asset enhancement projects, thereby providing financial analysis support for budgeting rental projection and leasing strategy. In terms of investor relations, he is responsible for communicating and liaising with unitholders and investors of Prosperity REIT.

Mr. Chung has about 8 years of experience in the account and audit field, covering the areas of general accounting, marketing, financial analysis and auditing. From 2004 to 2008, he worked with Ernst and Young as Senior Auditor — Global Financial Services.

Mr. Chung holds a Bachelor degree in Commerce (Accounting and Information System) from Curtin University of Technology, Australia.

Ms. CHIN Wai Yan, Ally is the Manager, Internal Audit of the REIT Manager. She is responsible for reviewing Prosperity REIT's implementation of corporate governance practices and internal control systems and measures. She formulates risk-based internal audit plan and independently assesses the effectiveness of the REIT Manager's internal control procedures, operational functions and key processes.

Prior to joining the REIT Manager, Ms. Chin worked for Lotus International Limited responsible for formulating and executing internal audit plan, performing risk-based internal audit reviews on operations and internal control systems for various business units of Lotus International Limited.

Prior to that, Ms. Chin joined Ernst & Young's Assurance & Advisory Business Services Department after obtaining a Bachelor of Accounting & Finance degree from the University of Hong Kong. She is a Certified Public Accountant, a member of the Hong Kong Institute of Certified Public Accountants and a Certified Internal Auditor with The Institute of Internal Auditors.

Ms. AU Ka Yee, Irene is the Assistant Director, Legal & Compliance of the REIT Manager. She is responsible for ensuring that Prosperity REIT and the REIT Manager comply with the Trust Deed, the REIT Code, the applicable Listing Rules, the Securities and Futures Ordinance, and other applicable laws, rules and regulations. She is also responsible for overseeing all legal issues arising from the operation of Prosperity REIT and the REIT Manager.

Ms. Au was concurrently the Hong Kong-based Compliance Manager of ARA Asset Management (Fortune) Limited (the manager of Fortune REIT) from March 2010 to April 2012. Prior to joining the REIT Manager in 2007, Ms. Au was a solicitor in private practice for over 8 years. She holds a Bachelor of Laws degree and Postgraduate Certificate in Laws. Apart from being a solicitor of the Hong Kong Special Administrative Region, she is also an associate of the Chartered Institute of Arbitrators of the United Kingdom, East Asia Branch.

Mr. NG Chi Wah, Kevin is the Assistant Director, Asset Management of the REIT Manager. He is responsible for strategic asset enhancement planning and asset management of Prosperity REIT. Prior to joining the REIT Manager, he was the Assistant Technical Manager for Goodwell Property Management Limited responsible for formulating project development strategies, policies and overseeing the renovation projects for various commercial mall, office building and service apartment in Hong Kong and China.

Mr. Ng is a Registered Professional Engineer and Chartered Engineer. He holds a Master of Science degree in Environmental Engineering from The Hong Kong Polytechnic University and a Bachelor of Engineering degree in Building Services Engineering from The Northumbria University in UK. He is also a member of The Hong Kong Institution of Engineers, The Chartered Institution of Building Services Engineers and The Institution of Engineering and Technology.

Responsible Officers

Ms. WONG Lai Hung, Mavis is the Responsible Officer of the REIT Manager. Details of her working experience are set out in the sub-section "Directors".

Mr. NG Chi Wah, Kevin is the Responsible Officer of the REIT Manager. Details of his working experience are set out in the sub-section "Executive Officers".

Mr. CHUNG Meng Him, Vicho is the Responsible Officer of the REIT Manager. Details of his working experience are set out in the sub-section "Executive Officers".

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 Year, 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. It is the firm belief of the Board of Directors of the REIT Manager (the “**Board**”) that transparency, accountability, sound internal control policies and risk management systems are the essential elements for winning trust and support from retail and institutional investors. The Board keeps abreast of the latest industry trend and regulation changes in order to maintain its competence in the dynamic market condition, and ultimately upholds the best corporate governance practices. Set out below is a summary of the key components of the corporate governance policies that have been adopted and complied with by the REIT Manager and Prosperity REIT.

Authorization Structure

Prosperity REIT is a collective investment scheme authorized by the Securities and Futures Commission (the “**SFC**”) under section 104 of the Securities and Futures Ordinance (Cap. 571) (the “**SFO**”) and regulated by the provisions of the Code on Real Estate Investment Trusts (the “**REIT Code**”). The REIT Manager has been licensed by the SFC under section 116 of the SFO to conduct the regulated activity of asset management. Ms. Wong Lai Hung, Mavis, the Chief Executive Officer (the “**CEO**”) and an Executive Director, Mr. Ng Chi Wah, Kevin and Mr. Chung Meng Him, Vicho are the Responsible Officers of the REIT Manager pursuant to the requirements of section 125 of the SFO and Chapter 5.4 of the REIT Code.

The Trustee, HSBC Institutional Trust Services (Asia) Limited, is registered as a trust company under section 77 of the Trustee Ordinance (Cap. 29). The Trustee is qualified to act as a trustee for collective investment schemes authorized under the SFO pursuant to the REIT Code.

Roles of the Trustee and the REIT Manager

The Trustee and the REIT Manager are independent of each other. The Trustee is responsible under the Trust Deed for the safe custody of the assets of Prosperity REIT on behalf of the unitholders.

The REIT Manager has general power of management over the assets of Prosperity REIT and shall act in the best interests of the unitholders in accordance with the REIT Code. The REIT Manager’s role under the Trust Deed is to manage Prosperity REIT in accordance with the Trust Deed and, in particular, to ensure that the financial and economic aspects of the assets of Prosperity REIT are professionally managed in the sole interests of the unitholders. Other main roles, functions and responsibilities of the REIT Manager include:

- (1) setting the strategic direction and risk management policies of Prosperity REIT on acquisition, divestment or enhancement of assets of Prosperity REIT in accordance with its stated investment strategy;
- (2) preparing various asset management plans on a regular basis to explain the performance of the assets of Prosperity REIT;
- (3) ensuring compliance with the applicable provisions of the REIT Code, the SFO and all other relevant legislation, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), the Trust Deed, all other relevant legislation and all relevant contracts; and
- (4) attending to all regular communications with unitholders.

Board of Directors of the REIT Manager

The Board is responsible for the overall governance of the REIT Manager including establishing goals for 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.

With the aim of creating a board structure that is both effective and balanced, the size of the Board has been set to provide for a minimum of five Directors and a maximum of twenty Directors.

The composition of the Board is determined using the following principles:

- (1) the Chairman of the Board shall be a Non-executive Director of the REIT Manager;
- (2) the CEO shall be a member of the Board; and
- (3) the Board shall comprise Directors with a broad range of educational background, commercial experience including expertise in funds management and the property industry, and diversified in terms of gender, age and cultural background appropriate to the business of Prosperity REIT and the REIT Manager.

The composition is reviewed regularly to ensure that the Board has a balance of skills, expertise, experience and diversity appropriate to the requirements of the business of Prosperity REIT and the REIT Manager.

The Board presently comprises seven members, three of whom are Independent Non-executive Directors (“INEDs”). All directors of the REIT Manager (the “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 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.

During the Reporting Year, the Board reviewed and monitored Prosperity REIT’s policies and practices on corporate governance, Prosperity REIT’s policies and practices on compliance with the applicable legal and regulatory requirements, the compliance of the Compliance Manual and any other code of conduct applicable to Directors and employees of the REIT Manager, and Prosperity REIT’s compliance with the applicable corporate governance practices and disclosure requirements under the REIT Code and the applicable Listing Rules.

Four full Board meetings of the REIT Manager were held during the Reporting Year and the attendance record of the Board meetings is as follows:

Members of the Board	Attendance
<i>Chairman and Non-executive Director</i> Dr. Chiu Kwok Hung, Justin	4/4
<i>CEO and Executive Director</i> Ms. Wong Lai Hung, Mavis	4/4
<i>Non-executive Directors</i> Mr. Lim Hwee Chiang Mr. Ma Lai Chee, Gerald	4/4 2/4
<i>Independent Non-executive Directors</i> Dr. Lan Hong Tsung, David Mrs. Sng Sow-Mei (alias Poon Sow Mei) Mr. Wong Kwai Lam	4/4 4/4 4/4

Apart from regular Board meetings, the Chairman also held one meeting with the Non-executive Directors (including INEDs) without presence of the Executive Director during the Reporting Year. The REIT Manager believes that contributions from each Director go beyond his/her attendances at Board and board committee meetings.

Pursuant to the corporate governance policy adopted by the REIT Manager, the INEDs must fulfill the independence criteria set out in the Compliance Manual. The REIT Manager has received written annual confirmation from each INED of his/her independence pursuant to the "Criteria for Independence of INEDs" set out in the Compliance Manual. Such confirmations were tabled before the Board Meeting of the REIT Manager for the full Board's review and consideration. All the INEDs contribute objective advice and independent guidance to the Board and the management team of the REIT Manager, and possess the required integrity, independence, experience and expertise.

Appointment and Removal of Directors

The appointment and removal of Directors is a matter for the Board and the shareholders of the REIT Manager to determine in accordance with the Compliance Manual and the articles of association of the REIT Manager. As the REIT Manager is licensed by the SFC under Part V of the SFO, the appointment of an Executive Director who is or is to be appointed as a Responsible Officer requires the prior approval of the SFC.

In considering persons for appointment and re-appointment as Directors, the Board will have regard to a number of matters set out in the Compliance Manual in assessing whether such persons are fit and proper to be a Director.

Directors' Continuous Professional Development

Directors are well aware of their responsibilities as a director of the REIT Manager and the conduct, business activities and development of Prosperity REIT. They are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. In-house briefings for Directors are arranged by the REIT Manager where appropriate. The management team of the REIT Manager is required to provide timely reports regarding the business operations and performance of Prosperity REIT, market research analysis and the relevant latest government policies to the Board. Directors are also encouraged to participate in appropriate continuous professional development programmes or the relevant training courses organized by professional institutions or conducted by qualified professionals or legal counsels to develop and refresh their knowledge and skills. In addition, they also enriched and updated their knowledge by reading materials relevant to directors' duties and responsibilities. All Directors have provided the REIT Manager with their records of continuous professional development programmes during the Reporting Year.

During the Reporting Year, in-house briefings/reports were given by Company Secretary and/or the in-house counsel of the REIT Manager to Directors in respect of the updates on the Listing Rules amendment regarding risk management and internal control, and updates on the frequently asked questions of the REIT Code. Besides, the external auditor of Prosperity REIT also gave briefings on updates of accounting standards and principles to the members of the Audit Committee.

Records of Directors' continuous professional development programmes during the Reporting Year are as follows:

Members of the Board	In-house briefings/ reports	Other continuous professional development programmes
<i>Chairman and Non-executive Director</i> Dr. Chiu Kwok Hung, Justin	✓	✓
<i>CEO and Executive Director</i> Ms. Wong Lai Hung, Mavis	✓	✓
<i>Non-executive Directors</i> Mr. Lim Hwee Chiang Mr. Ma Lai Chee, Gerald	✓ ✓	✓ ✓
<i>Independent Non-executive Directors</i> Dr. Lan Hong Tsung, David Mrs. Sng Sow-Mei (alias Poon Sow Mei) Mr. Wong Kwai Lam	✓ ✓ ✓	✓ ✓ ✓

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 internal control systems and compliance procedures.

The Board, through the Audit Committee, conducts reviews 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 of the REIT Managers' 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 auditor of Prosperity REIT periodically, as well as reviewing and supervising the internal control procedures and risk management systems.

The Audit Committee's responsibilities also include:

- (1) reviewing external audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the management;
- (2) monitoring the procedures in place to ensure compliance with the applicable legislation, the REIT Code and the applicable Listing Rules;
- (3) reviewing all financial statements and all internal audit reports; and
- (4) monitoring the procedures established to regulate connected party transactions, including ensuring compliance with the provisions of the REIT Code relating to transactions between Prosperity REIT and a connected person (as defined in the REIT Code).

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.

The Audit Committee meets on a half yearly basis for considering and reviewing the 2014 final results, 2015 interim results and other internal controls, risk management and compliance matters of Prosperity REIT. The attendance record of the Audit Committee meetings is as follows:

Members of the Audit Committee	Attendance
Dr. Lan Hong Tsung, David	2/2
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	2/2
Mr. Wong Kwai Lam	2/2

The external auditor of Prosperity REIT attended the two Audit Committee meetings to report any major audit issues and findings, and provide its opinion on the accounting issues to the Audit Committee. The Audit Committee also met with the external auditor without the presence of the management team of the REIT Manager once during the Reporting Year.

Pursuant to the waiver from strict compliance with the requirement under Clause 9.13(b) of the REIT Code granted by the SFC, the Audit Committee confirms that the public relations-related expenses are incurred in accordance with the internal control procedures of the REIT Manager and the nature of the same are incurred solely for the purposes as set out in Clauses 4.5.6 and 4.5.13 of the Trust Deed.

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's responsibilities also include:

- (1) reviewing and recommending to the Board on matters of corporate disclosure issues and announcements regarding (without limitation) financial reporting, connected party transactions, and potential areas of conflict of interests;
- (2) overseeing compliance with the applicable legal requirements and the continuity, accuracy, clarity, completeness and currency of information disseminated by or on behalf of Prosperity REIT to the public and the applicable regulatory agencies; and
- (3) reviewing and approving all material information of Prosperity REIT prior to such information being disseminated to the public or filed with the regulatory agencies, as applicable.

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.

The Disclosures Committee meets on a half yearly basis and otherwise on an as-needed basis. The Disclosures Committee held two meetings during the Reporting Year for considering and reviewing the 2014 final results announcement and 2015 interim results announcement, the 2014 annual report and 2015 interim report of Prosperity REIT, and other corporate disclosure issues of Prosperity REIT. The Disclosures Committee also reviewed all public announcements issued by Prosperity REIT throughout the Reporting Year. The attendance record of the Disclosures Committee meetings is as follows:

Members of the Disclosures Committee	Attendance
Dr. Chiu Kwok Hung, Justin	2/2
Ms. Wong Lai Hung, Mavis	2/2
Dr. Lan Hong Tsung, David	2/2

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.

The meetings of the Designated (Finance) Committee are convened as and when necessary. No meeting of the Designated (Finance) Committee was held during the Reporting Year.

Management of Business Risk

The Board meets quarterly or more often if necessary and reviews the financial performance of Prosperity REIT against a previously approved budget. The Board also reviews any risks to the assets of Prosperity REIT, examines liability management and acts upon any comments from the auditor of Prosperity REIT.

The REIT Manager has appointed experienced and well-qualified management team to handle the day-to-day operations of the REIT Manager and Prosperity REIT. The management team provides the Board with monthly updates giving a balanced and understandable assessment of Prosperity REIT's performance and current financial position. In assessing business risk, the Board considers the economic environment and the property industry risk. It reviews management reports and feasibility studies on individual development project prior to approving any major transactions.

Conflicts of Interest

The REIT Manager has instituted the following procedures to deal with conflicts of interest issues:

- (1) The REIT Manager is a dedicated manager to Prosperity REIT and does not manage any other real estate investment trust or involve in any other real property business.
- (2) All connected party transactions are managed in accordance with the procedures set out in the Compliance Manual.
- (3) At least one-third of the Board shall comprise INEDs.

In addition, Directors are requested to give general notice to the REIT Manager stating his/her interests in transactions, arrangements or contracts of any description which may subsequently be made by the REIT Manager pursuant to sections 536 to 542 under Part 11 — Division 5 of the Companies Ordinance (Cap. 622) and the articles of association of the REIT Manager.

Communication with Unitholders and Investors

The REIT Manager considers that effective communication with unitholders is essential for enhancing investor relations and investor understanding of Prosperity REIT's business performance and strategies. The REIT Manager also recognizes the importance of transparency and timely disclosure of corporate information, which will enable unitholders and investors to make the best investment decisions.

The general meetings of Prosperity REIT provide a forum for direct communication between the Board and the unitholders. Under the Trust Deed, the Trustee or the REIT Manager may respectively (and the REIT Manager shall at the request in writing of not less than two unitholders registered as together holding not less than 10% of the units for the time being in issue and outstanding) at any time convene a meeting of unitholders at such time and place in Hong Kong as the party convening the meeting may think fit and propose resolutions for consideration at such meeting.

The 2015 Annual General Meeting ("AGM") was held on 7 May 2015 and the notice of AGM was sent to unitholders at least 20 clear business days before the AGM. Apart from Mr. Ma Lai Chee, Gerald, all the Directors (including the Chairman of the Board and chairmen of the respective board committees) as well as the external auditor of Prosperity REIT attended the AGM, and were available to answer questions from unitholders.

Prosperity REIT maintains a website at www.prosperityreit.com where updated information on Prosperity REIT's business operations and developments, financial information and other information are posted. The REIT Manager has been actively participating in regular press conferences and meetings with investors and analysts in order to update the interested parties on the performance of Prosperity REIT. The REIT Manager values suggestions from unitholders on its efforts to promote transparency and foster investor relationships. Comments and suggestions are welcome and they can be sent to the REIT Manager by mail, phone or email according to the information set out in the Corporate Information section.

Reporting and Transparency

Prosperity REIT prepares its accounts in accordance with the generally accepted accounting principles in Hong Kong with a financial year-end of 31 December and a financial half-year of 30 June. In accordance with the REIT Code, the annual report and interim report of Prosperity REIT will be published and sent to unitholders within four months of the end of each financial year and within two months of the end of each financial half-year respectively.

As required by the REIT Code, the REIT Manager will ensure that public announcements of material information and developments with respect to Prosperity REIT will be made on a timely basis in order to keep unitholders apprised of the position of Prosperity REIT. Announcements will be made by publishing them on the website of The Stock Exchange of Hong Kong Limited (the "SEHK") and the website of Prosperity REIT.

Directors' Responsibility for Financial Statements

The Directors acknowledge their responsibility for preparation of a true and fair presentation of the financial statements for the year ended 31 December 2015. They are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the ability of Prosperity REIT to continue as a going concern.

The statement of the auditor of Prosperity REIT about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report.

Issues of Further Units Post-Listing

To minimize the possible material dilution of holdings of unitholders, any further issue of units will need to comply with the pre-emption provisions contained in the REIT Code. Such provisions require that further issues of units be first offered on a pro rata pre-emptive basis to existing unitholders except that units may be issued: (i) free of such pre-emption rights up to an aggregate maximum in any financial year of 20% of the number of units in issue at the end of the previous financial year; and (ii) free of pre-emption rights in other circumstances provided that the approval of unitholders by way of an ordinary resolution is obtained.

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

Pursuant to the Units Dealing Code, Management Persons wishing to deal in any securities of Prosperity REIT must first have regard to the provisions of Parts XIII and XIV of the SFO with respect to market misconduct and insider dealing, as if the SFO applies to the securities of Prosperity REIT. In addition, Management Persons must not make any unauthorized disclosure of confidential information or make any use of such information for the advantage of himself, itself or others. Management Persons who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are notifiable transactions under Chapter 14 of the Listing Rules or connected party transactions under the REIT Code or any inside information (as defined in the Listing Rules) must refrain from dealing in the securities of Prosperity REIT as soon as they become aware of them or privy to them until the information has been announced. Management Persons who are privy to relevant negotiations or agreements or any inside information should caution those Management Persons who are not so privy that there may be inside information and that they must not deal in the securities of Prosperity REIT for a similar period.

Pursuant to the Units Dealing Code, Management Persons must not deal in any securities of Prosperity REIT on any day on which Prosperity REIT’s financial results are published and:

- (1) during a period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (2) during a period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-yearly results or, if shorter, the period from the end of the relevant quarter or half-year period up to the publication date of the results;

unless the circumstances are exceptional, for example, the exceptional circumstances as described in the Compliance Manual. The Management Persons must comply with the procedures set out in the Units Dealing Code.

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.

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 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.

Matters to be Decided by Unitholders by Special Resolution

Pursuant to the Trust Deed, decisions with respect to certain matters require specific prior approval of unitholders by way of special resolution. Such matters include: (i) change in the REIT Manager's investment policies for Prosperity REIT; (ii) disposal of any land or an interest, option or right over any of the land forming part of the assets of Prosperity REIT or shares in any special purpose vehicles holding such land, option or right over any of the land for Prosperity REIT within two years of acquisition of such land; (iii) any increase in the rate above the permitted limit or change in structure of the REIT Manager's management fees; (iv) any increase in the rate above the permitted limit or change in structure of the Trustee's fees; (v) certain modifications of the Trust Deed; (vi) termination of Prosperity REIT; and (vii) merger of Prosperity REIT. The unitholders may also, by way of special resolution (i) remove Prosperity REIT's auditor and appoint other auditor or (ii) remove the Trustee or the REIT Manager. The quorum for passing a special resolution is two or more unitholders present in person or by proxy registered as holding together not less than 25% of the units of Prosperity REIT in issue.

Changes of Directors' Information

Subsequent to publication of the 2015 Interim Report of Prosperity REIT, the REIT Manager received notifications regarding the following changes of Directors' information:

- (1) Dr. Chiu Kwok Hung, Justin was appointed as a Director of Wide Option Investments Limited, a significant unitholder of Prosperity REIT, with effect from 3 June 2015.
- (2) Dr. Lan Hong Tsung, David ceased to be a Non-executive Director and Co-Chairman of Aurum Pacific (China) Group Limited (a company listed in Hong Kong) with effect from 8 October 2015.
- (3) Mr. Wong Kwai Lam was appointed as an Independent Non-executive Director of Hutchison Port Holdings Management Pte Limited as the trustee-manager of Hutchison Port Holdings Trust (which is listed in Singapore) with effect from 2 December 2015.

Review of Annual Report

The annual report of Prosperity REIT for the Reporting Year has been reviewed by the Audit Committee and the Disclosures Committee.

Public Float of the Units

As far as the REIT Manager is aware, more than 25% of the issued units of Prosperity REIT were held in public hands as of 31 December 2015.

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 Year:

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 Year:

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 year ended 31 December 2015 HK\$	Rental deposit received as at 31 December 2015 HK\$
Goodwell Property Management Limited	Note 1	Tenancy of property of Prosperity REIT ^{Note 3}	1,547,388	493,329
Hutchison Telephone Company Limited	Note 2	Licence of property of Prosperity REIT ^{Note 4}	91,900	24,487
Hutchison Hain Organic (Hong Kong) Limited	Note 2	Tenancy of property of Prosperity REIT ^{Note 5}	606,670	250,661
Total			2,245,958	768,477

Notes:

1. The connected person was a subsidiary of Cheung Kong (Holdings) Limited ("CKH"), a significant holder of Prosperity REIT up to 2 June 2015, and is a subsidiary of Cheung Kong Property Holdings Limited ("CKPH"), a significant holder of Prosperity REIT since 3 June 2015.
2. The connected persons were associates of CKH, a significant holder of Prosperity REIT up to 2 June 2015, and are associated companies of CKPH, a significant holder of Prosperity REIT since 3 June 2015.
3. For 2/F, Units 302-3, 306-7, New Treasure Centre.
4. For installation of micro-transmission station equipment at Prosperity Place and indoor antennae at Harbourfront Landmark.
5. For Units 1703A, 1703B and 1704, 9 Chong Yip Street (the lease of Unit 1703A commenced on 1 December 2015).

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 Year:

Name of Connected Person	Relationship with Prosperity REIT	Nature of the Connected Party Transaction	Payment received/receivable for the year ended 31 December 2015 HK\$
Goodwell Property Management Limited ^{Note 1}	Note 3	Remuneration of DMC Manager	188,077
Goodwell Property Management Limited ^{Note 2}	Note 3	Remuneration of Carpark Manager	7,525
Citybase Property Management Limited ^{Note 1}	Note 3	Remuneration of DMC Manager	292,607
Citybase Property Management Limited ^{Note 2}	Note 3	Remuneration of Carpark Manager	70,598
Harbourfront Landmark Premium Services Limited ^{Note 1}	Note 4	Remuneration of DMC Manager	326,161
Total			884,968

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. The connected persons were subsidiaries of CKH, a significant holder of Prosperity REIT up to 2 June 2015, and are subsidiaries of CKPH, a significant holder of Prosperity REIT since 3 June 2015.
4. The connected person was an associate of CKH, a significant holder of Prosperity REIT up to 2 June 2015, and is an associated company of CKPH, a significant holder of Prosperity REIT since 3 June 2015.

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 Year:

Name of Connected Person	Relationship with Prosperity REIT	Nature of the Connected Party Transaction	Expenses for the year ended 31 December 2015 HK\$
Goodwell-Prosperity Property Services Limited	Subsidiary of a significant holder ^{Note 1}	Property management and lease management fee	10,446,923
Goodwell-Prosperity Property Services Limited	Subsidiary of a significant holder ^{Note 1}	Marketing service fee	11,021,738
E-Park Parking Management Limited	Subsidiary of a significant holder ^{Note 1}	Carpark lease agency fee	2,427,191
HSBC Institutional Trust Services (Asia) Limited	Trustee	Trustee fee	3,042,989
ARA Asset Management (Prosperity) Limited	REIT Manager	Base fee and variable fees	51,195,740
Cheung Kong Companies ^{Note 2}	Associates or subsidiaries of a significant holder ^{Note 1}	Back-office support service fee	45,235
Total			78,179,816

Notes:

1. Significant holder being CKH up to 2 June 2015 and CKPH since 3 June 2015.
2. Cheung Kong Companies include Harbour Plaza North Point Catering Limited, Harbour Plaza Metropolis Limited and Hutchison Hotel Hong Kong Limited.

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) within the Reporting Year.

* 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 support services, carpark management services and property management services to Prosperity REIT during the Reporting Year and hence amounts due from Prosperity REIT as at 31 December 2015 were as follows:

Name of Connected Person	Amount payable HK\$
Goodwell-Prosperity Property Services Limited	4,048,309
Goodwell Property Management Limited	4,669,016
E-Park Parking Management Limited	411,433
Citybase Property Management Limited	909,717
Harbourfront Landmark Premium Services Limited	782,230
Total	10,820,705

Confirmation by the INEDs

The INEDs confirm that they have reviewed the terms of all relevant connected party transactions including those connected party transactions with the HSBC Group and that they are satisfied that these transactions have been entered into:

- (a) in the ordinary and usual course of business of Prosperity REIT;
- (b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Prosperity REIT than terms available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreement governing them (if any) on terms that are fair and reasonable and in the interests of the unitholders of Prosperity REIT as a whole.

Confirmation by the Auditor of Prosperity REIT

Messrs. Deloitte Touche Tohmatsu, auditor of Prosperity REIT, was engaged to report on Prosperity REIT and its subsidiaries' continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions on leasing/licensing transactions, property management arrangements, third party services and other operational transactions and transactions involving ordinary banking and financial services disclosed by Prosperity REIT and its subsidiaries from pages 64 to 67 of the Annual Report in accordance with the waiver from strict compliance with disclosure requirements under Chapter 8 of the REIT Code granted by the SFC. A copy of auditor's letter has been provided by Prosperity REIT to the SFC.

Confirmation by the REIT Manager and the Trustee of corporate finance transaction with the HSBC Group

Both the REIT Manager and the Trustee confirm that there was no corporate finance transaction and other connected party transaction (save and except for those disclosed hereinabove) with the HSBC Group during the Reporting Year.

Repurchase, Sale or Redemption of Units

During the Reporting Year, other than the disposal of 9,104,000 units 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 31 December 2015		As at 31 December 2014
	Number of Units	Percentage of Unitholdings <small>Note 6</small>	Number of Units
Total Win Group Limited <small>Note 1</small>	176,328,129	12.27%	176,328,129
Wide Option Investments Limited <small>Note 1</small>	98,883,559	6.88%	98,883,559
HKSCC Nominees Limited <small>Note 2</small>	1,075,527,162	74.85%	1,056,197,192
HSBC <small>Note 3</small>	16,833,250	1.17%	44,180,250
ARA Asset Management (Prosperity) Limited <small>Note 4</small>	8,115,693	0.56%	852
Lan Hong Tsung, David <small>Note 5</small>	350,000	0.02%	–

Notes:

1. 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 31 December 2015.

Before 3 June 2015, Total Win was an indirect wholly-owned subsidiary of CKH, which was therefore deemed to hold 176,328,129 units held by Total Win during the period from 1 January 2015 to 2 June 2015. Since 3 June 2015, 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 31 December 2015.

Before 3 June 2015, Wide Option Investments Limited ("**Wide Option**") was a connected person of Prosperity REIT as it was an associated company (as defined under the REIT Code) of CKH, which was therefore deemed to hold 98,883,559 units held by Wide Option during the period from 1 January 2015 to 2 June 2015. Since 3 June 2015, 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 31 December 2015.

Therefore, CKH was deemed to hold 275,211,688 units during the period from 1 January 2015 to 2 June 2015 of which 176,328,129 units were held by Total Win and 98,883,559 units were held by Wide Option. CKPH was deemed to hold 275,211,688 units as at 31 December 2015, of which 176,328,129 units were held by Total Win and 98,883,559 units were held by Wide Option.

During the period from 18 March 2015 to 2 June 2015, CK Hutchison Holdings Limited ("**CK Hutchison**") was a connected person of Prosperity REIT as CKH, which was deemed to hold 275,211,688 units during the period, was a wholly-owned subsidiary of CK Hutchison.

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 31 December 2015. 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 31 December 2015 and 31 December 2014. The Trustee's directors, senior executives, officers and their associates were beneficially interested in 100,000 units as at 31 December 2015 and were not beneficially interested in any units as at 31 December 2014. The controlling entity, holding company, subsidiary or associated company of the Trustee were beneficially interested in 16,733,250 units and 44,180,250 units as at 31 December 2015 and 31 December 2014 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 31 December 2015.*
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 31 December 2015.*
6. *The total number of issued units as at 31 December 2015 was 1,436,853,915.*

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 31 December 2015.

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

As at 31 December 2015, 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	8,115,693	–	0.56%
Lan Hong Tsung, David	350,000	–	0.02%

Note:

The total number of issued units as at 31 December 2015 was 1,436,853,915.

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 31 December 2015.

Our Ref.: 2/16/00014
DC/ET/yf

22 February 2016

ARA Asset Management (Prosperity) Limited

(As Manager of Prosperity Real Estate Investment Trust)
Units 5508-5510, 55/F
The Center
99 Queen's Road Central
Hong Kong

HSBC Institutional Trust Services (Asia) Limited

(As Trustee of Prosperity Real Estate Investment Trust)
17th Floor, Towers 2 and 3
HSBC Centre
1 Sham Mong Road Kowloon

Dear Sirs

Re: Prosperity REIT — Year End Valuation as at 31 December 2015

1.0 Instructions

We refer to the instruction from ARA Asset Management (Prosperity) Limited ("**the Manager**"), acting as the manager of Prosperity Real Estate Investment Trust ("**Prosperity REIT**"), and HSBC Institutional Trust Services (Asia) Limited ("**the Trustee**") for us to conduct property valuation ("**the Valuation**") of the Prosperity REIT's property portfolio ("**the Portfolio**") for the Annual Report of Prosperity REIT for the financial period ending on 31 December 2015, and for accounting, mortgage security and testing financial covenants purposes.

The Portfolio as identified to us for this valuation is listed in Section 2.0 below.

We confirm that we have inspected the Portfolio, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing our opinion of market value of the Portfolio, with the benefit of existing tenancies, as at 31 December 2015 (the "**Date of Valuation**").

2.0 The Portfolio

The Portfolio comprises the following property interests:

- 1 The Metropolis Tower, 10 Metropolis Drive, Hung Hom, Kowloon
- 2 Prosperity Millennia Plaza, 663 King's Road, North Point, Hong Kong
- 3 9 Chong Yip Street, Kwun Tong, Kowloon
- 4 Commercial Units on 3rd, 5th and 6th Floors, Harbourfront Landmark, 11 Wan Hoi Street, Hung Hom, Kowloon
- 5 Prosperity Place, 6 Shing Yip Street, Kwun Tong, Kowloon

- 6 Trendy Centre, 682 Castle Peak Road, Lai Chi Kok, Kowloon
- 7 Various Portions of Prosperity Center, 25 Chong Yip Street, Kwun Tong, Kowloon
- 8 Various Portions of New Treasure Centre, 10 Ng Fong Street, San Po Kong, Kowloon

3.0 Basis of Valuation

All work is carried out in accordance with the "HKIS Valuation Standards 2012 Edition" published by The Hong Kong Institute of Surveyors ("HKIS"), the "International Valuation Standards" published by the International Valuation Standards Council ("IVSC") and the "RICS Valuation — Professional Standards 2014" published by the Royal Institution of Chartered Surveyors ("RICS") subject to variation to meet local established law. Unless otherwise stated, our valuations are undertaken as External Valuers as defined in the relevant Valuation Standards.

Our valuation is made on the basis of Market Value as defined by IVSC and adopted by HKIS and RICS, set out as:

"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Our valuation presented in the report would represent 100% interest of the Portfolio and not the share holdings of the company holding the Portfolio interest hereof.

4.0 Valuation Methodologies

We have made use of the Income Capitalisation Method cross-referenced with the Direct Comparison Method.

4.1 Income Capitalisation Method

The income capitalisation method is based on the capitalisation of the current passing rental income and potential reversionary income over the remaining tenure of the Portfolio from the date of valuation at appropriate investment yields to arrive at the capital value. The appropriate adjustments/deductions for rent free period, ongoing vacancy voids/marketing periods and non recoverable expenses for the vacant space have been allowed.

The income capitalisation method can more accurately reflect these property specific factors by utilising various specific assumptions which have been derived via analysis of market evidence. The ability to apply these assumptions in the capitalisation method is by far more appropriate for valuing an investment property where investors' emphasis on delivering returns is of paramount importance.

4.2 Direct Comparison Method

The direct comparison method is the most widely used method of valuation in Hong Kong and is based on comparing the properties to be valued directly with other comparable properties which recently changed hands or leased. These premises are generally located in the surrounding areas or in another market which is comparable to the properties. However, because of the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative and quantitative differences that may affect the price/rental likely to be achieved by the properties under consideration.

Factors such as tenants covenants, trade mix are difficult to be quantified in the overall unit value of the comparables. Furthermore, good comparables may not be readily available in the market. In the light of the characteristics of the Portfolio, we have therefore placed more weighting on the reliance on the income capitalisation method in arriving at our valuation conclusion.

4.3 Valuation Reconciliation

The results of the two valuation methods will be reconciled and the assessed value will be analysed in terms of estimated net property yield.

5.0 Valuation Assumptions

5.1 Valuation Assumptions

Our report is qualified by certain assumptions, definitions and limiting conditions.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Portfolio nor for any expenses or taxation which may be incurred in effecting sales. Unless otherwise stated, it is assumed that the Portfolio is free of encumbrances, restrictions and outgoings of an onerous nature which could affect the capital values of the Portfolio.

5.2 Title Investigation and Encumbrances

We have conducted land searches of the Portfolio with the Land Registry. However, we have not examined the original documents to verify ownership or to ascertain the existence of any lease amendments, which may not appear on the copies handed to us. All documents and leases have been used for reference only and all dimensions, measurements and areas are approximate.

5.3 Source of Information

We have relied to a considerable extent on the information provided by the Manager and have accepted advice given to us on such matters as identification of the Portfolio, planning approvals, statutory notices, easements, tenure, occupation, floor plans, floor areas, tenancy schedule and all other relevant matters.

In the course of our valuation, we have also made reference to inter alia, the following information provided by the Manager:

1. Copy of the Rent Rolls of the Portfolio as at 30 November 2015 and 31 December 2015;
2. Copy of the Carpark income & expense of the Portfolio from January 2015 to December 2015;
3. Copy of layout plans of the Portfolio.

Dimensions, measurements and areas included in the report are based on information contained in copies of documents provided to us and are therefore only approximations. No on site measurements have been taken. We have not been instructed to independently verify the information provided to us. Our valuation is totally dependent on the adequacy and accuracy of the information supplied and/or the assumptions made. Should these prove to be incorrect or inadequate, the accuracy of the valuation may be affected.

We have not seen original planning and/or development and occupation consents. We have assumed that the Portfolio has been erected, being occupied and used in accordance with such consents and that there are no outstanding statutory notices.

5.4 Measurements

All measurements are carried out in accordance with the "Code of Measuring Practice" booklet published by the HKIS. To suit the local legislation and as agreed with the Manager, we declare our departure from the "RICS property measurement" published by RICS in May 2015. Unless otherwise stated, we do not physically measure the actual properties or verify the floor areas provided to us, unless we specifically agree in writing to do so, although we make reference to the Registered Floor Plans if available.

5.5 Property Inspection

We inspected the exterior, and where possible the interior of the Portfolio on 15 December 2015 and 16 December 2015.

We have not conducted formal site and structural surveys and, as such, we cannot report that the Portfolio is free from rot, infestation or any other structural defects. We have not carried out a building survey, nor have we inspected those parts of the Portfolio which are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts. No tests have been carried out to any of the services.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the Portfolio, or has since been incorporated, and we are therefore unable to report that the Portfolio are free from risk in this respect. For the purpose of this valuation we have assumed that such investigations would not disclose the presence of any such material to any significant extent.

5.6 Site Investigation

We have not carried out any investigations on site in order to determine the suitability of ground conditions and services etc. for future redevelopment, nor did we undertake archaeological, ecological or environmental surveys. Our valuation is on the basis that these aspects are satisfactory and that where developments are contemplated, no extraordinary expenses or delays will be incurred during the construction period due to these, or to archaeological or ecological matters. In the course of our assessments, we have assumed that no contamination affecting the Portfolio or the neighbouring land. However, should it be established subsequently that contamination exists at the Portfolio or on any neighbouring land, or that the premises have been or are being put to any contaminative use, we reserve the right to adjust the values reported herein.

5.7 Plant and Machinery

Our valuation normally includes all plant and machinery that form part of the building services installations. However, process plant, machinery and equipment which may have been installed wholly in connection with the occupiers' commercial processes, together with furniture and furnishings, tenants' fixtures and fittings are excluded in our valuation.

5.8 Telecommunication Facilities

We have assumed that all telecommunication facilities at the Portfolio are permitted and that all necessary approvals have been obtained from the relevant authorities.

6.0 Office Market Overview

6.1 Office Demand

The recent volatility in the local and Mainland Chinese stock markets had a limited impact on PRC demand, with a number of PRC securities trading firms and mid-tier banks actively securing office space in the third quarter of 2015.

Entering into the last quarter of the year, leasing activity was relatively subdued owing to the holiday season and limited tenant options, resulting in negative net take-up in most major office submarkets. Kowloon East was the only submarket to record positive net take-up, partly due to new leases concluded at unsold units in Billion Development's recently completed strata-titled office buildings.

6.2 Office Supply

The total new supply in 2015 reached 1.8 million sq.ft., slightly above the 10-year historical annual average.

Phoenix Property Investors' office/retail development in Causeway Bay, Tower 535 and Billion Development's 3 On Kwan Street in Shek Mun were issued with Occupation Permits in September 2015 and October 2015 respectively. About 20% of the 128,300 sq.ft. Tower 535 has been leased to a fitness centre and a club operator while over 95% of the 161,000 sq.ft. 3 On Kwan Street had been pre-sold.

The government awarded a business site in Shek Mun (STTL 617) to Sun Hung Kai Properties for a premium of HK\$675.5 million in October 2015. The transacted accommodation value of HK\$3,886 per sq.ft. fell within the range of market expectations but was still double the amount Billion Development paid in 2011 for the two adjacent business sites.

6.3 Office Rental Performance

With vacancy rates at below frictional levels across most submarkets, tenants continued to face difficulties in finding space as all Grade-A office developments completed in 2015 were either built for sales market or already secured for self-use.

The occupier market saw rents edge higher across all submarkets, albeit most landlords in Kowloon East were cautious in raising rents given stiff competition with new supply. Office rents in the Kowloon East recorded mild growth of 0.2% in the fourth quarter of 2015, bringing the total growth to about 1.0% in the second half of the year. All other office submarkets also recorded rental growth, contributing to overall rents increasing by 1.6% quarter-on-quarter.

6.4 Office Outlook

Leasing activity is expected to moderate in 2016, with modest economic growth forecasted for the city. PRC demand likely remains to be a key driver behind growth on the back of strong policy support from China, including launch of the Shenzhen-Hong Kong Stock Connect. Supply side competition, including industrial refurbishment, should continue to weigh on Kowloon East rentals.

Positive investment appetite for office properties should sustain into 2016 as rents steadily rise, supporting prices across the market. Central rentals are likely to continue to edge higher, supported by ultra-tight vacancy environment. PRC corporates and insurers seeking long-term investments are likely to remain on the lookout for office assets.

7.0 Industrial Market Overview

7.1 Industrial Demand

Weak demand from all major trading partners saw the value of exports and imports fall 3.6% y-o-y and 8.3% y-o-y, respectively, in October and November 2015. Preliminary figures of airfreight cargo and container throughput continued to retreat, down 0.6% y-o-y and 10.5% y-o-y over the same two-month period.

Leasing demand was mainly driven by relocation requirements from 3PLs being ousted by landlords looking to restack voids within their facilities and for consolidation purposes. Hong Kong's Janco Logistics and Korea's Pantos Logistics together leased over 100,000 sq ft at SF Centre in Tsing Yi, relocating from premises in Kwai Chung and Tsuen Wan, respectively.

7.2 Industrial Supply

Take-up at SF Centre contributed to the vacancy rate in the overall market tightening to 1.7% though an accumulation of marketable/shadow space was recorded during the fourth quarter of 2015.

No new supply was completed in the second half of 2015. Meanwhile, about 30% of the floor space at Mapletree Logistics Hub in Tsing Yi – scheduled for completion in the first quarter of 2016 – has reportedly been pre-leased.

7.3 Industrial Asset Performance

Capital values and rentals of private flatted factories have increased 1.7% and 0.4% respectively in the 5 months from June 2015 to November 2015. The investment market saw revived interest from end-users and long-term investors, with three en-bloc warehouses properties being transacted in the second half of 2015.

A local investor reportedly acquired the whole of Kader Industrial Centre in Fanling for HKD 715.0 million (HKD 3,533 per sq.ft.), the highest unit price for industrial buildings in North New Territories. Automotive dealer Jardine International Motors acquired the whole of Chivas Godown in Chai Wan for HKD 1.55 billion (HKD 3,523 per sq.ft.), reportedly for self-use. The deal includes a one-floor leaseback agreement with the vendor, Safety Godown, for a maximum of two years. Foreign property fund PAG reportedly purchased Cargo Consolidation Complex in Kwai Chung for HKD 1.40 billion (HKD 5,259 per sq.ft.) via equity transfer. The majority of the premises is used as a data centre.

7.4 Industrial Outlook

The slowdown and rebalancing of the Chinese economy and uncertainties in the global economy are likely to weigh on Hong Kong's external trade. Together with the completion of new supply, vacancy in the overall market is likely to increase. Rental growth is therefore expected to flatten out over the course of 2016.

The expiry of the revitalization policies at the end of March 2016 is likely to put pressure on capital values of industrial properties. The low vacancy environment and limited supply of warehouse properties, however, should continue to attract demand from end-users and long-term investors.

8.0 Disclosure of Interest

Jones Lang LaSalle is unaware of any of our business, relationship or interest is in real, potential or apparent conflict with the performance required for the above-mentioned assignment.

9.0 Satisfaction of Property Valuer Criteria in REIT Code

Jones Lang LaSalle and the qualifications of directors of our firm, are in a position to fulfill and comply fully with paragraphs 6.4, 6.5, 6.6 and 6.7 of the Code on Real Estate Investment Trusts ("REIT Code").

10.0 Valuation

A summary of our opinion of the market value of each property, subject to the existing tenancies, as at 31 December 2015, are as follows:

No.	Property name	Approximate Gross Area (sq.ft.)	No. of CPS (lots)	Market Value as at 31 December 2015 (HK\$)
1	The Metropolis Tower	271,418	98	3,122,000,000
2	Prosperity Millennia Plaza	217,955	43	1,971,000,000
3	9 Chong Yip Street	136,595	68	1,088,000,000
4	Harbourfront Landmark Property	77,021	Nil	514,000,000
5	Prosperity Place	240,000	83	1,544,000,000
6	Trendy Centre	173,764	79	1,010,000,000
7	Prosperity Center Property	149,253	105	854,000,000
8	New Treasure Centre Property	86,168	22	316,000,000
	Total	1,352,174	498	10,419,000,000

We are of the opinion that the market value of the unencumbered leasehold interest of the Portfolio, subject to the existing tenancies, as at 31 December 2015, was in the sum of **HK\$10,419,000,000 (HONG KONG DOLLARS TEN BILLION FOUR HUNDRED AND NINETEEN MILLION)**.

Please refer to the attached valuation reports for property particulars of each of the properties.

11.0 Conversion Factors

Conversion factors

1 square metre = 10.764 square feet
1 metre = 3.2808 feet

Yours faithfully

For and on behalf of

Jones Lang LaSalle Limited

Dorothy Chow BSc(Hons), MSc, MHKIS, MRICS, RPS (GP)

Regional Director

Licence No.: E-182969

Summary Valuation Report

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 31 December 2015
1. The Metropolis Tower, 10 Metropolis Drive, Hung Hom, Kowloon 24,734/247,769th equal and undivided parts or shares of and in Kowloon Inland Lot No. 11077	<p>The Metropolis Tower is a 15-storey office building comprising 11th to 28th Floors (13th, 14th and 24th floor numbers are omitted) built over a multi-storey retail/carparking podium on a registered site area of approximately 50,058 sq m (538,824.3 sq ft). The building was built in 2001.</p> <p>The Metropolis Tower is the office portion of the comprehensive mixed-use complex, called The Metropolis. The Metropolis comprises other components including a shopping centre (Fortune Metropolis), two 18-storey residential towers (The Metropolis Residence) and a 12-storey hotel (Harbour Plaza Metropolis).</p> <p>The Metropolis Tower comprises the entire office units from the 11th to 28th Floors with a total gross area of approximately 25,215.3 sq m (271,418 sq ft). The total saleable area is approximately 18,832.87 sq m (202,717 sq ft).</p> <p>The property also comprises of 98 carparking spaces within the retail/carparking podium of the development.</p> <p>Kowloon Inland Lot No. 11077 is held under Conditions of Grant No. 12444 from 14 February 1997 to 30 June 2047. The Government rent payable is at 3% of the rateable value of the property.</p>	<p>The office portion of the property is let under various tenancies for various terms with the latest expiry in October 2018, yielding a total monthly rental income of approximately HK\$8,645,800, exclusive of Government rates and rent, management fees and utility charges.</p> <p>The occupancy rate of the property as at date of valuation (excluding carparking spaces) was approximately 93.9%.</p> <p>The carparking spaces of the property were let on monthly and hourly basis yielding an average net monthly income of approximately HK\$338,100 during the period from January 2015 to December 2015.</p>	<p>HK\$3,122,000,000</p> <p>(HONG KONG DOLLARS THREE BILLION ONE HUNDRED AND TWENTY TWO MILLION)</p> <p>Estimated net property yield was approximately 3.5%.</p>

Notes:

- (1) The registered owners of the property are as follows:

Properties	Registered Owner
11th Floor and 6 Carparking Spaces	Wisdom Champion Limited
12th Floor and 6 Carparking Spaces	Wisdom Champion (12) Limited
15th Floor and 6 Carparking Spaces	Wisdom Champion (15) Limited
16th Floor and 6 Carparking Spaces	Wisdom Champion (16) Limited
17th Floor and 6 Carparking Spaces	Wisdom Champion (17) Limited
18th Floor and 6 Carparking Spaces	Wisdom Champion (18) Limited
19th Floor and 6 Carparking Spaces	Wisdom Champion (19) Limited
20th Floor and 7 Carparking Spaces	Wisdom Champion (20) Limited
21st Floor and 7 Carparking Spaces	Wisdom Champion (21) Limited
22nd Floor and 7 Carparking Spaces	Wisdom Champion (22) Limited
23rd Floor and 7 Carparking Spaces	Wisdom Champion (23) Limited
25th Floor and 7 Carparking Spaces	Wisdom Champion (25) Limited
26th Floor and 7 Carparking Spaces	Wisdom Champion (26) Limited
27th Floor and 7 Carparking Spaces	Wisdom Champion (27) Limited
28th Floor and 7 Carparking Spaces	Wisdom Champion (28) Limited

- (2) The property is currently zoned for "Other Specified Uses (Business)" purposes under the Hung Hom Outline Zoning Plan No. S/K9/24 approved on 15 October 2010.
- (3) The following major encumbrance is registered against the property upon our recent Land Registry search:
- Mortgage in favour of DBS Bank Ltd., Hong Kong Branch, in its capacity as security trustee for the loan secured parties for consideration see Memorial vide various Memorial Nos. (14122402450673, 14122402450684, 14122402450691, 14122402450701, 14122402450715, 14122402450726, 14122402450736, 14122402450746, 14122402450752, 14122402450764, 14122402450779, 14122402450782, 14122402450798, 14122402450809 & 14122402450818) dated 28 November 2014.
- (4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.
- (5) The estimated net property yield is based on the monthly net rental income for December 2015 and average net monthly car parking income for the period of January 2015 to December 2015.
- (6) Based on the tenancy information provided, our analysis of the existing tenancy profile (excluding carparking spaces) is set out below:

Tenancy Commencement Profile

Year	Gross Area (sq ft)	% of Total	Monthly Rental (HK\$)	% of Total	No. of Tenancy	% of Total
2013 and before	68,668	26.9%	2,244,300	26.0%	19	21.1%
2014	53,724	21.1%	1,868,400	21.6%	27	30.0%
2015	132,552	52.0%	4,533,140	52.4%	44	48.9%
TOTAL	254,944	100.0%	8,645,840	100.0%	90	100.0%

Tenancy Expiry Profile

Year	Gross Area (sq ft)	% of Total	Monthly Rental (HK\$)	% of Total	No. of Tenancy	% of Total
31 Dec 2015 & 2016	108,614	42.6%	3,623,100	41.9%	38	42.2%
2017	37,848	14.8%	1,352,500	15.6%	23	25.6%
2018 & beyond	108,482	42.6%	3,670,240	42.5%	29	32.2%
TOTAL	254,944	100.0%	8,645,840	100.0%	90	100.0%

Tenancy Duration Profile

Tenancy Duration	Gross Area (sq ft)	% of Total	Monthly Rental (HK\$)	% of Total	No. of Tenancy	% of Total
2 years and below	35,958	14.1%	1,219,700	14.1%	20	22.2%
> 2 yrs up to 3 yrs	218,986	85.9%	7,426,140	85.9%	70	77.8%
more than 3 yrs	0	0.0%	0	0.0%	0	0.0%
TOTAL	254,944	100.0%	8,645,840	100.0%	90	100.0%

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 31 December 2015
<p>2. Prosperity Millennia Plaza, 663 King's Road, North Point, Hong Kong</p> <p>3,741/10,000th equal and undivided parts or shares of and in Inland Lot No. 8885</p>	<p>Prosperity Millennia Plaza is a 32-storey office building (including 3 mechanical floors and a refuge floor) together with a 2-level basement carport. It is erected on portion of a site with a registered site area of approximately 3,404 sq m (36,640.7 sq ft). The property was built in 1999.</p> <p>The 2-level basement of the property is for carparking and ancillary purposes. The 1st Floor (Ground Floor is omitted from floor numbering) is used for lobby and circulation purposes whereas the remaining upper floors from the 2nd to 32nd Floors (4th, 13th, 14th and 24th floor numbers are omitted) are for office uses.</p> <p>The property comprises the entire office units with a total gross area of approximately 20,248.51 sq m (217,955 sq ft). The total saleable area is approximately 14,551.28 sq m (156,630 sq ft).</p> <p>The property also consists of 43 carparking spaces within the 2-level basement.</p> <p>Inland Lot No. 8885 is held under Conditions of Exchange No. 12374 for a term from 24 January 1996 to 30 June 2047. The Government rent payable is at 3% of the rateable value of the property.</p>	<p>The office portion of the property is let under various tenancies for various terms with the latest one expiring in December 2018, yielding a total monthly rental income is approximately HK\$6,072,900, exclusive of Government rates and rent, management fees and utility charges.</p> <p>The occupancy rate of the property as at the date of valuation (excluding carparking spaces) was approximately 98.0%.</p> <p>The carparking spaces of the property are let on monthly and hourly basis yielding an average net monthly income of approximately HK\$278,600 during the period from January 2015 to December 2015.</p>	<p>HK\$1,971,000,000</p> <p>(HONG KONG DOLLARS ONE BILLION NINE HUNDRED AND SEVENTY ONE MILLION)</p> <p>Estimated net property yield was approximately 3.9%.</p>

Notes:

- (1) The registered owner of the property is Conestoga Limited.
- (2) The property is currently zoned for "Commercial" purposes under the North Point Outline Zoning Plan No. S/H8/24 approved on 30 November 2010.
- (3) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the Property.

- (4) The estimated net property yield is based on the monthly net rental income for December 2015 and average net monthly car parking income for the period of January 2015 to December 2015.
- (5) Based on the tenancy information provided, our analysis of the existing tenancy profile (excluding carparking spaces) is set out below:

Tenancy Commencement Profile

Year	Gross Area (sq ft)	% of Total	Monthly Rental (HK\$)	% of Total	No. of Tenancy	% of Total
2013 and before	27,176	12.7%	763,050	12.5%	10	11.9%
2014	109,028	51.0%	3,126,083	51.5%	47	56.0%
2015	77,484	36.3%	2,183,800	36.0%	27	32.1%
TOTAL	213,688	100.0%	6,072,933	100.0%	84	100.0%

Tenancy Expiry Profile

Year	Gross Area (sq ft)	% of Total	Monthly Rental (HK\$)	% of Total	No. of Tenancy	% of Total
31 Dec 2015 & 2016	58,836	27.5%	1,662,630	27.3%	31	36.9%
2017	86,317	40.4%	2,480,803	40.9%	40	47.6%
2018 & beyond	68,535	32.1%	1,929,500	31.8%	13	15.5%
TOTAL	213,688	100.0%	6,072,933	100.0%	84	100.0%

Tenancy Duration Profile

Tenancy Duration	Gross Area (sq ft)	% of Total	Monthly Rental (HK\$)	% of Total	No. of Tenancy	% of Total
2 years and below	22,453	10.5%	668,700	11.0%	15	17.9%
> 2 yrs up to 3 yrs	151,664	71.0%	4,297,233	70.8%	63	75.0%
more than 3 yrs	39,571	18.5%	1,107,000	18.2%	6	7.1%
TOTAL	213,688	100.0%	6,072,933	100.0%	84	100.0%

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 31 December 2015
3. 9 Chong Yip Street Kwun Tong, Kowloon Kwun Tong Inland Lot No. 444	<p>9 Chong Yip Street is a 25- storey Grade A office building with ancillary parking erected on a registered site area of approximately 965.6 sq m (10,393.8 sq ft). The property was built in 2004.</p> <p>Portion of the Ground Floor and 1st to 3rd Floors are for carparking and mechanical plant room whereas the remaining portion of the Ground Floor is used for a lobby. The upper floors from the 5th to 27th Floors (4th, 14th and 24th floor numbers are omitted) are designated for office purposes.</p> <p>The total gross area of the property (excluding parking lots) is approximately 12,690.0 sq m (136,595 sq ft). The total saleable area is approximately 9,229.7 sq m (99,349 sq ft).</p> <p>The property also consists of 64 carparking spaces, 4 loading/unloading spaces and 5 motor cycle parking spaces.</p> <p>Kwun Tong Inland Lot No. 444 is held under Government Lease for a term of 99 years less the last 3 days thereof commencing from 1 July 1898. The lease has been extended to expire on 30 June 2047. The Government rent payable is at 3% of the rateable value of the property.</p>	<p>The office portion of the property is let under various tenancies for various terms with the latest one expiring in December 2019, yielding a total monthly rental of approximately HK\$2,784,700, exclusive of Government rates and rent, management fees and utility charges.</p> <p>The occupancy rate of the property as at the date of valuation (excluding carparking spaces) was approximately 97.6%.</p> <p>The carparking spaces of the property are let on monthly and hourly basis yielding an average net monthly income of approximately HK\$155,600 during the period from January 2015 to December 2015.</p>	<p>HK\$1,088,000,000</p> <p>(HONG KONG DOLLARS ONE BILLION AND EIGHTY EIGHT MILLION)</p> <p>Estimated net property yield was approximately 3.2%.</p>

Notes:

- (1) The registered owner of the property is Clifton Properties Limited.
- (2) The property is currently zoned for "Other Specified Uses (Business)" purposes under the Kwun Tong South Outline Zoning Plan No. S/K14S/20 approved on 21 July 2015.
- (3) The following encumbrance is registered against the property upon our recent Land Registry search:
 - Property Mortgage in favour of Standard Chartered Bank (Hong Kong) Limited vide Memorial No. 14012402290020 dated 22 January 2014.

- (4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the Property.
- (5) The estimated net property yield is based on the monthly net rental income for December 2015 and average net monthly car parking income for the period of January 2015 to December 2015.
- (6) Based on the tenancy information provided, our analysis of the existing tenancy profile (excluding carparking spaces) is set out below:

Tenancy Commencement Profile

Year	Gross Area (sq ft)	% of Total	Monthly Rental (HK\$)	% of Total	No. of Tenancy	% of Total
2013 and before	6,580	4.9%	145,512	5.2%	1	2.3%
2014	66,941	50.2%	1,371,756	49.3%	23	52.3%
2015	59,835	44.9%	1,267,458	45.5%	20	45.4%
TOTAL	133,356	100.0%	2,784,726	100.0%	44	100.0%

Tenancy Expiry Profile

Year	Gross Area (sq ft)	% of Total	Monthly Rental (HK\$)	% of Total	No. of Tenancy	% of Total
31 Dec 2015 & 2016	37,655	28.2%	819,468	29.4%	12	27.3%
2017	65,464	49.1%	1,319,558	47.4%	21	47.7%
2018 & beyond	30,237	22.7%	645,700	23.2%	11	25.0%
TOTAL	133,356	100.0%	2,784,726	100.0%	44	100.0%

Tenancy Duration Profile

Tenancy Duration	Gross Area (sq ft)	% of Total	Monthly Rental (HK\$)	% of Total	No. of Tenancy	% of Total
2 years and below	20,397	15.3%	433,400	15.6%	7	15.9%
> 2 yrs up to 3 yrs	106,379	79.8%	2,206,526	79.2%	36	81.8%
more than 3 yrs	6,580	4.9%	144,800	5.2%	1	2.3%
TOTAL	133,356	100.0%	2,784,726	100.0%	44	100.0%

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 31 December 2015
4. Commercial Units on 3rd, 5th and 6th Floors, Harbourfront Landmark, 11 Wan Hoi Street, Hung Hom, Kowloon	<p>The property comprises the commercial portion on 3rd, 5th and 6th floors within a mixed use development called Harbourfront Landmark, which comprises three blocks of 50 to 60-storey residential towers built over 1 level of clubhouse, 3 levels of commercial podium and 2 levels of carpark (including a basement). It is erected on a registered site area of approximately 7,402 sq m (79,675.1 sq ft), and was built in 2001.</p> <p>The Basement and the Lower 1st Floor of the development are used for carparking purposes whilst the Upper 1st Floor is used for lobby and circulation purposes. The 3rd to 6th Floors (4th floor number is omitted) are for commercial uses whilst the 7th Floor of the development is for a clubhouse. The remaining upper floors of the 3 residential towers are for domestic uses.</p> <p>The property comprises the three commercial floors within the development with a total gross area of approximately 7,155.4 sq m (77,021 sq ft). The total saleable area is approximately 5,875.98 sq m (63,249 sq ft).</p> <p>Kowloon Inland Lot No. 11055 is held under Conditions of Sale No. UB12460 for a term from 3 June 1997 to 30 June 2047. The Government rent payable is at 3% of the rateable value of the property.</p>	<p>The property is let under various tenancies with the latest expiry in May 2018, yielding a total monthly rental income of approximately HK\$1,957,100 exclusive of Government rates and rent, management fees and utility charges.</p> <p>The property was fully let as at the date of valuation.</p>	<p>HK\$514,000,000</p> <p>(HONG KONG DOLLARS FIVE HUNDRED AND FOURTEEN MILLION)</p> <p>Estimated net property yield was approximately 4.6%.</p>

Notes:

- (1) The registered owner of the property is Harbour Champ Limited.
- (2) The property is currently zoned for "Residential (Group A) 3" purposes under the Hung Hom Outline Zoning Plan No. S/K9/24 approved on 5 October 2010.

- (3) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.
- (4) Based on the tenancy information provided, our analysis of the existing tenancy profile (excluding carparking spaces) is set out below:

Tenancy Commencement Profile

Year	Gross Area (sq ft)	% of Total	Monthly Rental (HK\$)	% of Total	No. of Tenancy	% of Total
2013 and before	0	0.0%	0	0.0%	0	0.0%
2014	77,021	100.0%	1,955,400	99.9%	3	75.0%
2015	0	0.0%	1,700	0.1%	1	25.0%
TOTAL	77,021	100.0%	1,957,100	100.0%	4	100.0%

Tenancy Expiry Profile

Year	Gross Area (sq ft)	% of Total	Monthly Rental (HK\$)	% of Total	No. of Tenancy	% of Total
31 Dec 2015 & 2016	0	0.0%	0	0.0%	0	0.0%
2017	77,021	100.0%	1,955,400	99.9%	3	75.0%
2018 & beyond	0	0.0%	1,700	0.1%	1	25.0%
TOTAL	77,021	100.0%	1,957,100	100.0%	4	100.0%

Tenancy Duration Profile

Tenancy Duration	Gross Area (sq ft)	% of Total	Monthly Rental (HK\$)	% of Total	No. of Tenancy	% of Total
2 years and below	0	0.0%	0	0.0%	0	0.0%
> 2 yrs up to 3 yrs	77,021	100.0%	1,957,100	100.0%	4	100.0%
more than 3 yrs	0	0.0%	0	0.0%	0	0.0%
TOTAL	77,021	100.0%	1,957,100	100.0%	4	100.0%

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 31 December 2015
5. Prosperity Place, 6 Shing Yip Street, Kwun Tong, Kowloon	<p>Prosperity Place is a 27- storey commercial building with ancillary parking and loading/unloading facilities erected on a registered site area of approximately 1,858.05 sq m (20,000.1 sq ft). The building was built in 1996.</p> <p>Prosperity Place has been granted a waiver letter in September 2012 with conversion from industrial/office uses to commercial uses under the revitalization of industrial buildings policy by the Government.</p> <p>Ground Floor of the building is for entrance lobby, commercial and loading/unloading purposes; 1st and 2nd Floors of the building are for carparking and/or loading/unloading purposes; whereas the remaining upper floors from the 3rd to 29th Floors (4th, 14th and 24th floor numbers are omitted) are for commercial purposes.</p> <p>The property comprises the entire commercial units with a total gross area of approximately 22,296.5 sq m (240,000 sq ft). The total saleable area is approximately 14,754.09 sq m (158,813 sq ft). The property also consists of a total of 83 carparking spaces.</p> <p>Kwun Tong Inland Lot No. 62 is held under a Government Lease for a term of 21 years and renewable for another 21 years commencing from 1 July 1955. The lease has been extended to expire on 30 June 2047. The Government rent payable is at 3% of the rateable value of the property.</p>	<p>The commercial portion of the property is let under various tenancies for various terms with the latest one expiring in June 2019, yielding a total monthly rental income of approximately HK\$4,354,200, exclusive of Government rates and rent, management fees and utility charges.</p> <p>The property was also subject to various licences yielding a total monthly licence fee of approximately HK\$104,000.</p> <p>The occupancy rate of the property as at the date of valuation (excluding carparking spaces) was approximately 93.7%.</p> <p>The carparking spaces of the property are let on monthly and hourly basis yielding an average net monthly income of approximately HK\$370,500 during the period from January 2015 to December 2015.</p>	<p>HK\$1,544,000,000</p> <p>(HONG KONG DOLLARS ONE BILLION FIVE HUNDRED AND FORTY FOUR MILLION)</p> <p>Estimated net property yield was approximately 3.8%.</p>

Notes:

- (1) The registered owner of the property is Bandick Limited.
- (2) The property is currently zoned for "Other Specified Uses (Business)" purposes under the Kwun Tong (South) Outline Zoning Plan No.S/K14S/20 approved on 21 July 2015.
- (3) The following encumbrance is registered against the property upon our recent Land Registry search:
 - Mortgage in favour of DBS Bank Ltd., Hong Kong Branch, in its capacity as security trustee for the loan secured parties for a consideration see Memorial vide Memorial No. 14122402450653 dated 28 November 2014.
- (4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the Property.
- (5) The estimated net property yield is based on the monthly net rental income for December 2015 and average net monthly car parking income for the period of January 2015 to December 2015.
- (6) Based on the tenancy information provided, our analysis of the existing tenancy profile (excluding carparking spaces) is set out below:

Tenancy Commencement Profile

Year	Gross Area (sq ft)	% of Total	Monthly Rental (HK\$)	% of Total	No. of Tenancy	% of Total
2013 and before	38,881	17.3%	716,577	16.4%	14	11.5%
2014	78,151	34.7%	1,561,685	35.9%	52	42.6%
2015	107,840	48.0%	2,075,940	47.7%	56	45.9%
TOTAL	224,872	100.0%	4,354,202	100.0%	122	100.0%

Tenancy Expiry Profile

Year	Gross Area (sq ft)	% of Total	Monthly Rental (HK\$)	% of Total	No. of Tenancy	% of Total
31 Dec 2015 & 2016	68,800	30.6%	1,333,300	30.6%	50	41.0%
2017	101,361	45.1%	2,000,757	46.0%	52	42.6%
2018 & beyond	54,711	24.3%	1,020,145	23.4%	20	16.4%
TOTAL	224,872	100.0%	4,354,202	100.0%	122	100.0%

Tenancy Duration Profile

Tenancy Duration	Gross Area (sq ft)	% of Total	Monthly Rental (HK\$)	% of Total	No. of Tenancy	% of Total
2 years and below	46,019	20.5%	940,548	21.6%	30	24.6%
> 2 yrs up to 3 yrs	148,853	66.2%	2,846,954	65.4%	88	72.1%
more than 3 yrs	30,000	13.3%	566,700	13.0%	4	3.3%
TOTAL	224,872	100.0%	4,354,202	100.0%	122	100.0%

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 31 December 2015
6. Trendy Centre, 682 Castle Peak Road, Lai Chi Kok, Kowloon New Kowloon Inland Lot No. 6224	<p>Trendy Centre is a 30- storey industrial/office building with ancillary parking and loading/unloading facilities erected on a registered site area of approximately 1,393.5 sq m (15,000.0 sq ft). The property was built in 1998.</p> <p>Portion of the Ground Floor and 1st to 3rd Floors are for carparking and/or loading/unloading purposes whereas the remaining portion of the Ground Floor is used for lobby and retail shops. The upper floors from the 5th to 33rd Floors (4th, 13th, 14th and 24th floor number is omitted) are designed for industrial/office purposes.</p> <p>The property comprises the entire units within the building with a total gross area of approximately 16,143.1 sq m (173,764 sq ft). The total saleable area is approximately 10,934.23 sq m (117,696 sq ft).</p> <p>The property also consists of 79 carparking spaces.</p> <p>New Kowloon Inland Lot No. 6224 is held under Conditions of Exchange No. 12399 for a term from 24 July 1996 to 30 June 2047. The Government rent payable is at 3% of the rateable value of the property.</p>	<p>The industrial/office portion of the property is let under various tenancies for various terms with the latest expiry in November 2018, yielding a total monthly rental income of approximately HK\$3,037,500 exclusive of Government rates and rent, management fees and utility charges.</p> <p>The occupancy rate of the property as at date of valuation (excluding carparking spaces) was approximately 95.7%.</p> <p>The carparking spaces of the property were let on monthly and hourly basis yielding an average net monthly income of approximately HK\$363,700 from January 2015 to December 2015.</p>	<p>HK\$1,010,000,000</p> <p>(HONG KONG DOLLARS ONE BILLION AND TEN MILLION)</p> <p>Estimated net property yield was approximately 4.0%.</p>

Notes:

- (1) The registered owner of the property is Top Easy Profits Limited.
- (2) The property is currently zoned for "Other Specified Uses (Business 1)" purposes under the Cheung Sha Wan Outline Zoning Plan No. S/K5/35 approved on 17 December 2013.
- (3) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.
- (4) The estimated net property yield is based on the monthly net rental income for December 2015 and average net monthly car parking income for the period of January 2015 to December 2015.

- (5) Based on the tenancy information provided, our analysis of the existing tenancy profile (excluding carparking spaces) is set out below:

Tenancy Commencement Profile

Year	Gross Area (sq ft)	% of Total	Monthly Rental (HK\$)	% of Total	No. of Tenancy	% of Total
2013 and before	31,320	18.8%	543,300	17.9%	24	16.1%
2014	77,805	46.8%	1,359,600	44.8%	76	51.0%
2015	57,186	34.4%	1,134,600	37.3%	49	32.9%
TOTAL	166,311	100.0%	3,037,500	100.0%	149	100.0%

Tenancy Expiry Profile

Year	Gross Area (sq ft)	% of Total	Monthly Rental (HK\$)	% of Total	No. of Tenancy	% of Total
31 Dec 2015 & 2016	85,719	51.5%	1,474,800	48.6%	79	53.0%
2017	66,817	40.2%	1,312,200	43.2%	57	38.3%
2018 & beyond	13,775	8.3%	250,500	8.2%	13	8.7%
TOTAL	166,311	100.0%	3,037,500	100.0%	149	100.0%

Tenancy Duration Profile

Tenancy Duration	Gross Area (sq ft)	% of Total	Monthly Rental (HK\$)	% of Total	No. of Tenancy	% of Total
2 years and below	49,072	29.5%	943,600	31.1%	46	30.9%
> 2 yrs up to 3 yrs	117,239	70.5%	2,093,900	68.9%	103	69.1%
more than 3 yrs	0	0.0%	0	0.0%	0	0.0%
TOTAL	166,311	100.0%	3,037,500	100.0%	149	100.0%

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 31 December 2015
7. Portion of Prosperity Center, 25 Chong Yip Street, Kwun Tong, Kowloon (see note (1))	<p>The property comprises various office/workshop units and retained areas within Prosperity Center, which is a 26-storey industrial/office building with ancillary parking and loading/unloading facilities. It is erected on a registered site area of approximately 1,889 sq m (20,333.2 sq ft), and was built in 1999.</p> <p>Portion of the Ground Floor, 2nd to 5th Floors of the building (1st and 4th floor numbers are omitted) are for carparking and/or loading/unloading purposes whereas the remaining portion of the Ground Floor and upper floors from the 6th to 30th Floors (13th, 14th and 24th floor numbers are omitted) are for office/workshop purposes.</p> <p>The property comprises portion of Prosperity Center with a total gross area of approximately 13,865.9 sq m (149,253 sq ft). The total saleable area is approximately 10,095.60 sq m (108,669 sq ft).</p> <p>The property also consists of 105 carparking spaces comprising 91 private carparking spaces, 13 lorry parking spaces and 1 container parking space within the building.</p> <p>Kwun Tong Inland Lot No. 729 is held under Conditions of Exchange No. 12317 for a term from 6 August 1994 to 30 June 2047. The Government rent payable is at 3% of the rateable value of the property.</p>	<p>The office/workshop portion of the property is let under various tenancies for various terms with the latest one expiring in July 2018, yielding a total monthly rental income of approximately HK\$2,546,500, exclusive of Government rates and rent, management fees and utility charges.</p> <p>The occupancy rate of the property as at the date of valuation (excluding carparking spaces) was approximately 98.2%.</p> <p>The carparking spaces of the property are let on monthly and hourly basis yielding an average net monthly income of approximately HK\$330,200 during the period from January 2015 to December 2015.</p>	<p>HK\$854,000,000</p> <p>(HONG KONG DOLLARS EIGHT HUNDRED AND FIFTY FOUR MILLION)</p> <p>Estimated net property yield was approximately 4.0%.</p>

Notes:

(1) The property comprises Units G01, G02, G03, G05 and G06 on Ground Floor, Units 601-610 on 6th Floor, the whole of 7th Floor, 801-810 on 8th Floor, 901-910 on 9th Floor, 1001-1010 on 10th Floor, 1101-1110 on 11th Floor, 1201-1210 on 12th Floor, 1501-1510 on 15th Floor, 1701 and 1707-1710 on 17th Floor, 1801-1810 on 18th Floor, 1901-1910 on 19th Floor, 2007-2010 on 20th Floor, 2310 on 23rd Floor, 2601-2603, 2605 and 2607-2610 on 26th Floor, 2701-2706 and 2708-2710 on 27th Floor, 2805-2806 on 28th Floor, 2901-2907 on 29th Floor (Unit No. 04 is omitted on each floor), the Retained Areas on 6th Floor, 8th-12th Floors, 15th-16th Floors, 18th-19th Floors, 23rd Floor, 25th-27th Floors and 105 carparking spaces, Prosperity Center, 25 Chong Yip Street, Kwun Tong, Kowloon.

(2) The registered owners of the property are set out below:

Property	Registered Owner
Units 1001-1010 on 10th Floor and Units 2601-2603 and 2605 on 26th Floor	Winrise Champion Limited
The remainder of the property	Prodes Company Limited

(3) The property is currently zoned for "Other Specified Uses" purposes under the Kwun Tong (South) Outline Zoning Plan No. S/K14S/20 approved on 21 July 2015.

(4) The following encumbrance is registered against the property upon our recent Land Registry search:

- Mortgage in favour of DBS Bank Ltd., Hong Kong Branch, in its capacity as security trustee for the loan secured parties for a consideration see Memorial vide Memorial no. 14122402450664 dated 28 November 2014 (Re: the remainder of the property owned by Prodes Company Limited).

(5) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.

(6) The estimated net property yield is based on the monthly net rental income for December 2015 and average net monthly car parking income for the period of January 2015 to December 2015.

(7) Based on the tenancy information provided, our analysis of the existing tenancy profile (excluding carparking spaces) is set out below:

Tenancy Commencement Profile

Year	Gross Area (sq ft)	% of Total	Monthly Rental (HK\$)	% of Total	No. of Tenancy	% of Total
2013 and before	35,476	24.2%	569,300	22.4%	15	21.8%
2014	57,936	39.6%	1,009,400	39.6%	23	33.3%
2015	53,099	36.2%	967,800	38.0%	31	44.9%
TOTAL	146,511	100.0%	2,546,500	100.0%	69	100.0%

Tenancy Expiry Profile

Year	Gross Area (sq ft)	% of Total	Monthly Rental (HK\$)	% of Total	No. of Tenancy	% of Total
31 Dec 2015 & 2016	68,120	46.5%	1,136,800	44.7%	29	42.0%
2017	57,329	39.1%	1,029,600	40.4%	30	43.5%
2018 & beyond	21,062	14.4%	380,100	14.9%	10	14.5%
TOTAL	146,511	100.0%	2,546,500	100.0%	69	100.0%

Tenancy Duration Profile

Tenancy Duration	Gross Area (sq ft)	% of Total	Monthly Rental (HK\$)	% of Total	No. of Tenancy	% of Total
2 years and below	43,885	29.9%	779,800	30.6%	18	26.1%
> 2 yrs up to 3 yrs	92,098	62.9%	1,571,700	61.7%	50	72.5%
more than 3 yrs	10,528	7.2%	195,000	7.7%	1	1.4%
TOTAL	146,511	100.0%	2,546,500	100.0%	69	100.0%

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 31 December 2015
8. Portion of New Treasure Centre, 10 Ng Fong Street, San Po Kong, Kowloon (see note (1))	<p>The property comprises various factory units within New Treasure Centre, which is a 30-storey industrial building (including a Mezzanine Floor) with ancillary parking and loading/unloading facilities. It is erected on a registered site area of approximately 1,304.3 sq m (14,040 sq ft), and was built in 1995.</p> <p>Portion of the Ground Floor and Mezzanine Floor of the building are for carparking and/or loading/unloading purposes whereas the remaining upper floors from the 1st to 31st Floors (4th, 14th and 24th floor numbers are omitted) are used for factory purposes.</p> <p>The property has a total gross area of approximately 8,005.2 sq m (86,168 sq ft). The total saleable area is approximately 5,947.70 sq m (64,021 sq ft).</p> <p>The property also consists of flat roof areas on the 1st Floor with a total area of approximately 401.99 sq m (4,327 sq ft) and 22 carparking spaces within the building.</p> <p>New Kowloon Inland Lot No. 4864 is held under Government Lease for the residue of a term of 99 years less the last three days thereof commencing from 1 July 1898. The lease has been extended to expire on 30 June 2047. The Government rent payable is at 3% of the rateable value of the property.</p>	<p>The factory portion of the property is let under various tenancies for various terms with the latest expiry in October 2018, yielding a total monthly rental income of approximately HK\$941,800 exclusive of Government rates and rent, management fees and utility charges.</p> <p>The property was fully let as at the date of valuation. (excluding carparking spaces)</p> <p>The carparking spaces of the property were let on monthly and hourly basis yielding an average net monthly income of approximately HK\$159,100 from January 2015 to December 2015.</p>	<p>HK\$316,000,000</p> <p>(HONG KONG DOLLARS THREE HUNDRED AND SIXTEEN MILLION)</p> <p>Estimated net property yield was approximately 4.2%.</p>

Notes:

- (1) The property comprises Units 101 (and portion of Flat Roof adjacent thereto), 103 (and portion of Flat Roof adjacent thereto) and 107 on 1st Floor, 201–203, 205–207 on 2nd Floor, 301–303, 306 and 307 on 3rd Floor, 501–503, 505–507 on 5th Floor, 603, 606 and 607 on 6th Floor, 703 on 7th Floor, 801–803, 806 and 807 on 8th Floor, 1005 on 10th Floor, 1201–1203, 1205 and 1207 on 12th Floor, 1302, 1303 and 1306 on 13th Floor, 1506 and 1507 on 15th Floor, 1602, 1603, 1605 and 1607 on 16th Floor, 1702, 1703, 1705–1707 on 17th Floor, 1801–1803 and 1805–1807 on 18th Floor, 2202, 2203 and 2205 on 22nd Floor, 2301–2303, 2306 and 2307 on 23rd Floor, 2706 and 2707 on 27th Floor, 2803 on 28th Floor, 2903, 2906 and 2907 on 29th Floor and 22 carparking spaces, New Treasure Centre, 10 Ng Fong Street, San Po Kong, Kowloon.
- (2) The registered owner of the property is Haskins Investments Limited.
- (3) The property is currently zoned for "Other Specified Uses (Business)" purposes under the Tsz Wan Shan, Diamond Hill & San Po Kong Outline Zoning Plan No. S/K11/27 approved on 31 March 2015.
- (4) In accordance with the property owner's standard terms and conditions of a tenancy agreement, the landlord is to be responsible for structural and external repairs and the tenant is to be responsible for internal repairs of the property.
- (5) The estimated net property yield is based on the monthly net rental income for December 2015 and average net monthly car parking income for the period of January 2015 to December 2015.
- (6) Based on the tenancy information provided, our analysis of the existing tenancy profile (excluding carparking spaces) is set out below:

Tenancy Commencement Profile

Year	Gross Area (sq ft)	% of Total	Monthly Rental (HK\$)	% of Total	No. of Tenancy	% of Total
2013 and before	8,636	10.0%	94,600	10.0%	6	11.5%
2014	36,676	42.6%	403,700	42.9%	26	50.0%
2015	40,856	47.4%	443,500	47.1%	20	38.5%
TOTAL	86,168	100.0%	941,800	100.0%	52	100.0%

Tenancy Expiry Profile

Year	Gross Area (sq ft)	% of Total	Monthly Rental (HK\$)	% of Total	No. of Tenancy	% of Total
31 Dec 2015 & 2016	37,093	43.0%	409,100	43.4%	28	53.8%
2017	34,296	39.8%	389,600	41.4%	21	40.4%
2018 & beyond	14,779	17.2%	143,100	15.2%	3	5.8%
TOTAL	86,168	100.0%	941,800	100.0%	52	100.0%

Tenancy Duration Profile

Tenancy Duration	Gross Area (sq ft)	% of Total	Monthly Rental (HK\$)	% of Total	No. of Tenancy	% of Total
2 years and below	40,926	47.5%	456,500	48.5%	29	55.8%
> 2 yrs up to 3 yrs	45,242	52.5%	485,300	51.5%	23	44.2%
more than 3 yrs	0	0.0%	0	0.0%	0	0.0%
TOTAL	86,168	100.0%	941,800	100.0%	52	100.0%

Report of the Trustee

We hereby confirm that, in our opinion, the manager of Prosperity Real Estate Investment Trust has, in all material respects, managed Prosperity Real Estate Investment Trust in accordance with the provisions of the Trust Deed dated 29 November 2005, as amended by the first supplemental deed dated 12 December 2005, the second supplemental deed dated 15 May 2007, the third supplemental deed dated 14 May 2008, the fourth supplemental deed dated 23 July 2010 and the fifth supplemental deed dated 29 December 2011, for the financial year ended 31 December 2015.

HSBC Institutional Trust Services (Asia) Limited

In its capacity as the trustee of Prosperity Real Estate Investment Trust
Hong Kong

3 March 2016

**TO THE UNITHOLDERS OF
PROSPERITY REAL ESTATE INVESTMENT TRUST**

(A Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

We have audited the consolidated financial statements of Prosperity Real Estate Investment Trust ("Prosperity REIT") and its subsidiaries (collectively referred to as the "Group") set out on pages 97 to 132, which comprise the consolidated statement of financial position as at 31 December 2015, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in net assets attributable to unitholders, consolidated statement of cash flows and distribution statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Manager's Responsibility for the Consolidated Financial Statements

ARA Asset Management (Prosperity) Limited (the "REIT Manager" of Prosperity REIT) is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, the relevant provisions of the Trust Deed dated 29 November 2005 (as amended) (the "Trust Deed") and the relevant disclosure requirements set out in Appendix C of the Code on Real Estate Investment Trusts (the "Code") issued by the Securities and Futures Commission of Hong Kong, and for such internal control as the REIT Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Appendix C of the Code, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the REIT Manager, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the disposition of the assets and liabilities of the Group as at 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the relevant provisions of the Trust Deed and the relevant disclosure requirements set out in Appendix C of the Code.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

3 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Revenue	5	438,723	403,413
Property management fees		(10,447)	(9,460)
Property operating expenses	6	(82,797)	(81,897)
Total property operating expenses		(93,244)	(91,357)
Net property income		345,479	312,056
Interest income		68	1
Manager's fee		(51,196)	(48,054)
Trust and other expenses	7	(8,577)	(22,139)
Change in fair value of investment properties		515,702	332,101
Change in fair value of derivative financial instruments		(295)	(6,567)
Finance costs	8	(72,415)	(69,281)
Profit before taxation and transactions with unitholders		728,766	498,117
Taxation	9	(36,175)	(31,624)
Profit for the year, before transactions with unitholders		692,591	466,493
Distribution to unitholders		(254,083)	(231,364)
Profit for the year, after transactions with unitholders		438,508	235,129
Other comprehensive income — Item that may be reclassified subsequently to profit or loss:			
Change in fair value of cashflow hedge		(701)	3,665
Reclassification of hedging reserve to profit or loss		—	12,799
Other comprehensive income for the year		(701)	16,464
Total comprehensive income for the year, after transactions with unitholders		437,807	251,593
Income available for distribution to unitholders		254,083	231,364
Basic earnings per unit (HK\$)	10	0.48	0.33

Distribution Statement

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
Profit for the year, before transactions with unitholders	692,591	466,493
Adjustments:		
Manager's fee	50,070	46,973
Acquisition fee	–	10,100
Change in fair value of investment properties	(515,702)	(332,101)
Change in fair value of derivative financial instruments	295	6,567
Finance costs	12,700	21,222
Deferred tax	14,129	12,110
Income available for distribution (note (i))	254,083	231,364
Distributions to unitholders:		
HK\$0.0871 (2014: HK\$0.0815) per unit for the six months ended 30 June (note (ii))	124,771	115,302
HK\$0.0897 (2014: HK\$0.0815) per unit for the six months ended 31 December (note (iii))	129,312	116,062
	254,083	231,364
Total distribution per unit (HK\$)	0.1768	0.1630

Notes:

- (i) In accordance with 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 REIT Manager's stated policy 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 for the relevant financial year, as adjusted to eliminate the effects of certain Adjustments (as defined in the Trust Deed) which have been recorded in the consolidated statement of profit or loss and other comprehensive income for the relevant financial year.

These adjustments for the current year comprise:

- (a) manager's fees paid/payable in units of HK\$50,070,000 (2014: HK\$46,973,000) out of the total manager's fee of HK\$51,196,000 (2014: HK\$48,054,000) (the differences of HK\$1,126,000 (2014: HK\$1,081,000) are paid in cash), and no acquisition fee paid during the year (2014: HK\$10,100,000);
- (b) change in fair value of investment properties of HK\$515,702,000 (2014: HK\$332,101,000), and change in fair value of derivative financial instruments of HK\$295,000 (2014: HK\$6,567,000);
- (c) adjustment in respect of the difference between the accounting finance cost of HK\$72,415,000 (2014: HK\$69,281,000) less cash finance cost of HK\$59,715,000 (2014: HK\$48,059,000); and
- (d) deferred tax provision of HK\$14,129,000 (2014: HK\$12,110,000).
- (ii) The distribution per unit of HK\$0.0871 for the six months ended 30 June 2015 (six months ended 30 June 2014: HK\$0.0815) is calculated based on Prosperity REIT's income available for distribution of HK\$124,771,000 (six months ended 30 June 2014: HK\$115,302,000) over 1,432,382,505 units (30 June 2014: 1,414,948,774 units), representing units in issue as at 30 June 2015 plus the number of units issued after the distribution period to the REIT Manager as payment of base fee and variable fee in the second quarter of 2015. The distribution was paid to unitholders on 7 September 2015.
- (iii) The distribution per unit of HK\$0.0897 for the six months ended 31 December 2015 (six months ended 31 December 2014: HK\$0.0815) is calculated based on Prosperity REIT's income available for distribution of HK\$129,312,000 (six months ended 31 December 2014: HK\$116,062,000) over 1,441,694,696 units (31 December 2014: 1,423,889,157 units), representing units in issue as at 31 December 2015 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 last quarter of the relevant distribution year.

Consolidated Statement of Financial Position

As at 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	11	10,419,000	9,890,000
Current assets			
Trade and other receivables	12	8,803	10,016
Bank balances and cash	13	64,911	65,184
Total current assets		73,714	75,200
Total assets		10,492,714	9,965,200
Non-current liabilities, excluding net assets attributable to unitholders			
Derivative financial instruments	14	8,123	560
Term loans	15	2,813,311	2,800,611
Deferred tax liabilities	16	171,471	157,342
Total non-current liabilities, excluding net assets attributable to unitholders		2,992,905	2,958,513
Current liabilities			
Trade and other payables	17	188,531	187,920
Amount due to related companies	18	10,821	12,253
Derivative financial instruments	14	–	6,567
Provision for taxation		2,293	2,910
Manager's fee payable		13,117	12,289
Distribution payable		129,312	116,062
Total current liabilities		344,074	338,001
Total liabilities, excluding net assets attributable to unitholders		3,336,979	3,296,514
Net assets attributable to unitholders		7,155,735	6,668,686
Units in issue ('000)	19	1,436,854	1,419,635
Net asset value per unit (HK\$) attributable to unitholders	20	4.98	4.70

The consolidated financial statements on pages 97 to 132 were approved and authorised for issue by ARA Asset Management (Prosperity) Limited on 3 March 2016 and were signed on its behalf by:

Chiu Kwok Hung, Justin

Wong Lai Hung, Mavis

Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the year ended 31 December 2015

	Issued units HK\$'000	Unit issue costs HK\$'000	Hedging reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Net assets attributable to unitholders as at 1 January 2015	2,990,328	(91,278)	(560)	3,770,196	6,668,686
OPERATIONS					
Profit for the year, before transactions with unitholders	-	-	-	692,591	692,591
Distribution paid and payable	-	-	-	(254,083)	(254,083)
	-	-	-	438,508	438,508
Other comprehensive income for the year	-	-	(701)	-	(701)
Total comprehensive income for the year	-	-	(701)	438,508	437,807
UNITHOLDERS' TRANSACTIONS OTHER THAN DISTRIBUTIONS					
Units issued to REIT Manager (<i>note 19</i>)	49,242	-	-	-	49,242
Net assets attributable to unitholders as at 31 December 2015	3,039,570	(91,278)	(1,261)	4,208,704	7,155,735

Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the year ended 31 December 2014

	Issued units HK\$'000	Unit issue costs HK\$'000	Hedging reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Net assets attributable to unitholders as at 1 January 2014	2,934,637	(91,278)	(17,024)	3,535,067	6,361,402
OPERATIONS					
Profit for the year, before transactions with unitholders	–	–	–	466,493	466,493
Distribution paid and payable	–	–	–	(231,364)	(231,364)
	–	–	–	235,129	235,129
Other comprehensive income for the year	–	–	16,464	–	16,464
Total comprehensive income for the year	–	–	16,464	235,129	251,593
UNITHOLDERS' TRANSACTIONS OTHER THAN DISTRIBUTIONS					
Units issued to REIT Manager (<i>note 19</i>)	55,691	–	–	–	55,691
Net assets attributable to unitholders as at 31 December 2014	2,990,328	(91,278)	(560)	3,770,196	6,668,686

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
Operating activities		
Profit before taxation and transactions with unitholders	728,766	498,117
Adjustments for:		
Reversal of allowance for doubtful debts	(26)	(56)
Manager's fees paid/payable in units	50,070	46,973
Acquisition fee paid in units	–	10,100
Change in fair value of investment properties	(515,702)	(332,101)
Change in fair value of derivative financial instruments	295	6,567
Interest income	(68)	(1)
Finance costs	72,415	69,281
Operating cashflow before working capital changes	335,750	298,880
(Decrease) Increase in amount due to related companies	(1,432)	3,475
Decrease in trade and other receivables	1,239	3,060
Increase in trade and other payables	611	22,087
Increase in Manager's fee payable	–	261
Cash generated from operations	336,168	327,763
Income tax paid	(22,663)	(20,195)
Net cash from operating activities	313,505	307,568
Investing activities		
Interest received	68	1
Acquisition	–	(222,627)
Additional expenditure to investment properties	(13,298)	(25,845)
Net cash used in investing activities	(13,230)	(248,471)
Financing activities		
Drawdown of secured revolving loan	95,000	405,000
Repayment of secured revolving loan	(95,000)	(160,000)
Bank facility origination fees	–	(28,160)
Interest payment of term loans and revolving loan	(59,715)	(48,059)
Distribution to unitholders	(240,833)	(220,790)
Net cash used in financing activities	(300,548)	(52,009)
Net (decrease) increase in cash and cash equivalents	(273)	7,088
Cash and cash equivalents at beginning of the year	65,184	58,096
Cash and cash equivalents at end of year, represented by bank balances and cash	64,911	65,184

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 (the "HKSE") 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.

The principal activity of Prosperity REIT and its subsidiaries 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.

The addresses of the registered office of the REIT Manager and the Trustee are Units 5508-5509, 55th Floor, The Center, 99 Queen's Road Central, Hong Kong and 1 Queen's Road Central, Hong Kong, respectively.

The Group has entered into various service agreements in relation to the management of Prosperity REIT and its property operations. The fee structures of these services are as follows:

(a) Property management fees

Under the Property Management Agreement, the Property Manager, Goodwell-Prosperity Property Services Limited, will receive from each of the property holding subsidiaries a fee of 3% per annum of gross property revenue for the provision of property management services and lease management services.

Gross property revenue means the amount equivalent to the gross revenue less rental related income and car park income.

(b) Marketing services

For the marketing services, the property holding subsidiaries will pay the Property Manager the following commissions:

- one month's base rent for securing a tenancy of three years or more;
- one-half month's base rent for securing a tenancy of less than three years;
- one-half month's base rent for securing a renewal of tenancy irrespective of duration of the renewal term; and
- 10% of the total licence fee for securing a licence for duration of less than 12 months.

(c) Trustee's fees

The Trustee is entitled to receive a trustee's fee not exceeding 0.05% per annum on the value of the real estate properties (subject to a minimum of HK\$50,000 per month), the fee is currently charged at 0.03% per annum.

1 General *(continued)*

(d) Manager's fees

Under the Trust Deed, the REIT Manager is entitled to receive the following remuneration for the provision of asset management services:

Base fee

The REIT Manager will receive a base fee from Prosperity REIT at 0.4% per annum on the value of the properties on a quarterly basis. The base fee will be paid quarterly in arrears and in the form of units in Prosperity REIT during the first five years after the units are listed on the HKSE. Thereafter, the REIT Manager may elect whether the base fee is to be paid in cash or in units.

Variable fee

The REIT Manager will receive from each of the property holding subsidiaries a variable fee of 3% of its net property income (before deduction therefrom the base fee and variable fee) on a quarterly basis. The variable fee will be paid in units during the first five years after the units are listed on the HKSE, and thereafter, may elect whether the variable fee is to be paid in cash or in units at the election of the REIT Manager.

2 Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

Amendments to HKAS 19
Amendments to HKFRSs
Amendments to HKFRSs

Defined Benefit Plans: Employee Contributions
Annual Improvements to HKFRSs 2010 – 2012 Cycle
Annual Improvements to HKFRSs 2011 – 2013 Cycle

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

2 Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) *(continued)*

New and revised HKFRSs issued but not effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial Instruments ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ³
Amendments to HKAS 1	Disclosure Initiative ³
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle ³
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ³
Amendments to HKAS 27	Equity Method in Separate Financial Statements ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ³

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

2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

3 Effective for annual periods beginning on or after 1 January 2016

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described as follow:

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement 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 FVTOCI. 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.

2 Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) *(continued)*

HKFRS 9 Financial Instruments *(continued)*

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 attributable to a 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 is presented 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 new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, 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 retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The REIT Manager anticipates that the application of HKFRS 9 will not have significant impact on amounts reported in respect of the financial assets and financial liabilities.

The REIT Manager anticipates that the application of these new and revised HKFRSs in the future will not have a material effect on the Group’s consolidated financial statements.

3 Significant Accounting Policies

(a) Basis of preparation of financial statements

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

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements are drawn up in accordance with the relevant provisions of the Trust Deed and include the relevant disclosure requirements set out in Appendix C of the Code.

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments that are measured at revalued amount or fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3 Significant Accounting Policies *(continued)*

(a) Basis of preparation of financial statements *(continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKFRS 17, and the measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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 the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Prosperity REIT and entities controlled by Prosperity REIT and its subsidiaries. Control is achieved when Prosperity REIT:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Prosperity REIT reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when Prosperity REIT obtains control over the subsidiary and ceases when Prosperity REIT loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date Prosperity REIT gains control until the date when Prosperity REIT ceases to control the subsidiary.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. Income and expenses of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

3 Significant Accounting Policies *(continued)*

(b) Basis of consolidation *(continued)*

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those used by Prosperity REIT.

All intra-group assets and liabilities, income, expenses and cashflow are eliminated in full on consolidation.

(c) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

(d) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs (which include bank facility origination fees) that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables, which includes trade and other receivables and bank balances and cash, are carried at amortised cost using the effective interest method, less any identified impairment losses.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) or payment through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest income is recognized on an effective interest basis.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

3 Significant Accounting Policies *(continued)*

(d) Financial instruments *(continued)*

Impairment of financial assets *(continued)*

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio and observable changes in economic conditions that correlate with default on receivables.

The carrying amount of the trade receivables is reduced by the impairment loss through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities

Debt is classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

In accordance with the Trust Deed, Prosperity REIT has a limited life of 80 years less one day from the date of commencement of Prosperity REIT. The units contain a contractual obligation to its unitholders, upon the termination of Prosperity REIT to distribute a share of all net cash proceeds derived from the sale or realisation of the assets of Prosperity REIT less any liabilities, in accordance with their proportionate interests in Prosperity REIT at the date of its termination.

In accordance with the Trust Deed, Prosperity REIT is required to distribute to unitholders not less than 90% of its distributable income for each financial period. This provision in the Trust Deed provides the unitholders with a right to receive distribution which Prosperity REIT has a contractual obligation to pay or declare at least 90% of its distributable income.

Accordingly, the unitholders' funds are compound instruments in accordance with Hong Kong Accounting Standard 32: Financial Instruments: Presentation. Unitholders' fund presented on the consolidated statement of financial position as net assets attributable to unitholders is classified as financial liabilities because the equity component is considered insignificant.

The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities.

Other than the net assets attributable to unitholders of Prosperity REIT, non-derivative financial liabilities include trade and other payables, amount due to related companies, term loans, manager's fee payable and distribution payable. They are subsequently measured at amortised cost, using the effective interest method.

3 Significant Accounting Policies *(continued)*

(d) Financial instruments *(continued)*

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group uses interest rate swaps to hedge its exposure against changes in interest rates. Hedging relationships are classified as cash flow hedges when such relationships are used to hedge against exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability and such variability could affect profit or loss.

At the inception of the hedge relationship the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as hedging instruments for cash flow hedges are recognised in other comprehensive income and accumulated in hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as other gains or losses.

Amounts accumulated in hedging reserve are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated statement of profit or loss and other comprehensive income as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in the hedging reserve at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was accumulated in the hedging reserve is recognised immediately in profit or loss. The hedging reserve is presented as a separate item in the consolidated statement of changes in net assets attributable to unitholders.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3 Significant Accounting Policies *(continued)*

(d) Financial instruments *(continued)*

Derecognition *(continued)*

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly and accumulated in hedging reserve is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(e) Unit issue costs

The transaction costs relating to the initial public offering and listing of units of Prosperity REIT are accounted for as a deduction from the proceeds raised to the extent they are incremental costs directly attributable to the transaction that otherwise would have been avoided. Other transaction costs are recognised as an expense.

(f) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(g) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Rental income from operating leases, including rent payable by licensee, is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Rental related income, representing mainly air conditioning fee, management fee and promotion fee are recognised when the services and facilities are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

3 Significant Accounting Policies *(continued)*

(h) Borrowings cost

Borrowing costs directly attributable to the acquisition of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as an expense in the consolidated statement of profit or loss and other comprehensive income in the year in which they are incurred.

(i) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from "profit before taxation and transactions with unitholders" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

3 Significant Accounting Policies *(continued)*

(i) Taxation *(continued)*

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4 Financial Instruments

(a) Categories of financial instruments

	2015 HK\$'000	2014 HK\$'000
Loans and receivables		
Trade receivables	311	375
Bank balances and cash	64,911	65,184
	65,222	65,559
Financial liabilities		
<i>Derivative instruments</i>		
Interest rate swaps	8,123	7,127
Financial liabilities at amortised costs		
Trade payables	1,357	2,874
Amount due to related companies	10,821	12,253
Secured term loans	2,435,945	2,425,775
Unsecured term loan	377,366	374,836
Manager's fee payable	13,117	12,289
Distribution payable	129,312	116,062
	2,967,918	2,944,089
Unitholders' funds	7,155,735	6,668,686

Details of the financial instruments are disclosed in respective notes.

(b) Financial risks management objectives and policies

The risks associated with the Group's financial instruments include interest rate risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Interest rate risk

The Group is primarily exposed to cash flow interest rate risk in relation to variable-rate secured term loans (see note 15 for details of these borrowings). The Group manages its exposure to interest rate movements on its bank borrowings by swapping a majority proportion of these borrowings from floating rates to fixed rates. In order to achieve this result, the Group entered into interest rate swaps to hedge against its exposures to changes in interest rate on its secured term loans. These interest rate swaps are designated as effective hedging instruments and hedge accounting is used (see note 14 for details).

4 Financial Instruments *(continued)*

(b) Financial risks management objectives and policies *(continued)*

(i) Interest rate risk *(continued)*

If the interest rates have been higher by 50 basis points and all other variables were held constant, the profit for the year and other comprehensive income recognised in equity would increase (decrease) as follows.

	Term loans (excluding effective hedge portion) HK\$'000	Fair value of interest rate swaps	
		Effective portion HK\$'000	Ineffective portion HK\$'000
2015			
Profit for the year	(13,520)	–	12,967
Other comprehensive income recognised in equity	–	2,250	–
2014			
Profit for the year	(13,520)	–	1,780
Other comprehensive income recognised in equity	–	2,887	–

If the interest rates have been lower by 50 basis points and all other variable were held constant, there would be an equal and opposite impact on the profit and other comprehensive income.

The above sensitivity analysis has been determined based on the exposure to interest rates for variable rate secured term loans and derivative instruments at the end of the reporting period. For variable rate secured term loans, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the effect from reasonably possible change in interest rates.

(ii) Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

To mitigate the risk of financial loss from default, tenants of the rental properties are required to pay three months deposits upon entering the lease. The Group has the right to offset the deposits against the outstanding receivables. There is no credit period given to the tenants of the rental properties. Rental is payable in advance and interest is charged on receivables overdue for more than 10 days at the rate of 12% per annum. In addition, the Manager has delegated the Property Manager responsible for follow up action to recover the overdue debt. The REIT Manager also reviews the recoverable amount of each individual trade debtor regularly to ensure that adequate impairment losses are recognised for irrecoverable debts.

The credit risk on liquid funds is limited because cash and fixed deposits are placed with reputable financial institutions which are banks with high credit ratings assigned by international credit-rating agencies.

4 Financial Instruments *(continued)*

(b) Financial risks management objectives and policies *(continued)*

(ii) Credit risk *(continued)*

The credit risk on derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(iii) Liquidity risk management

The REIT Manager monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations. In addition, the REIT Manager observes the Code concerning limits on total borrowings and monitors the level of borrowing to be within the permitted limit.

As at 31 December 2014 and 31 December 2015, the Group has three bank loan facilities of HK\$3,284,000,000, comprising three term loans with total of HK\$2,854,000,000 and a revolving credit facility of HK\$430,000,000. None of the revolving credit facility was drawn as at the end of the reporting years. Details of the borrowing are set out in note 15.

Certain investment properties, with aggregate carrying value of HK\$6,526,900,000 (2014: HK\$6,280,000,000) have been pledged to secure the banking credit facilities granted to the Group. The Group, with a cash balance of HK\$64,911,000 (2014: HK\$65,184,000) and available unutilised revolving credit facility of approximately HK\$430,000,000 (2014: HK\$430,000,000) as at 31 December 2015, has sufficient financial resources and facilities to satisfy its commitments and working capital requirements.

Liquidity risk

The following table details the Group's remaining contractual maturity for its financial liabilities except for the unitholders' funds which will be distributed to unitholders upon termination of Prosperity REIT in accordance with the Trust Deed. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

For derivative financial instruments settled on a net basis, undiscounted net cash outflows are presented based on the expected interest payment. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

As at 31 December 2014 and 31 December 2015, the Group has the following outstanding term loans.

- (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\$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; and
- (iii) HK\$380,000,000 unsecured term loan bears interest at floating interest rate of HIBOR+1.50% per annum and is repayable in full on 16 January 2017.

4 Financial Instruments *(continued)*

(b) Financial risks management objectives and policies *(continued)*

(iii) Liquidity risk management *(continued)*

Liquidity risk *(continued)*

	Weighted average interest rate %	Less than 1 month or on demand HK\$'000	1 to 3 months HK\$'000	3 months to 1 year HK\$'000	2 to 5 years HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amount at 31/12/2015 HK\$'000
2015							
Non-derivative							
Trade payables	-	475	551	331	-	1,357	1,357
Tenants' deposits	-	3,593	3,446	36,101	94,173	137,313	137,313
Amount due to related companies	-	10,821	-	-	-	10,821	10,821
Term loans	1.61%	3,891	7,531	34,516	2,961,461	3,007,399	2,813,311
Manager's fee payable	-	13,117	-	-	-	13,117	13,117
Distribution payable	-	-	-	129,312	-	129,312	129,312
Cash outflow		31,897	11,528	200,260	3,055,634	3,299,319	3,105,231
Derivatives – net settlement							
Interest rate swaps, cash outflow		-	3,207	8,165	15,299	26,671	8,123
2014							
Non-derivative							
Trade payables	-	1,751	932	191	-	2,874	2,874
Tenants' deposits	-	8,757	2,061	39,010	85,776	135,604	135,604
Amount due to related companies	-	12,253	-	-	-	12,253	12,253
Term loans	1.62%	3,835	7,561	34,821	3,009,098	3,055,315	2,800,611
Manager's fee payable	-	12,289	-	-	-	12,289	12,289
Distribution payable	-	-	-	116,062	-	116,062	116,062
Cash outflow		38,885	10,554	190,084	3,094,874	3,334,397	3,079,693
Derivatives – net settlement							
Interest rate swaps, cash outflow		-	3,717	4,946	2,190	10,853	7,127

4 Financial Instruments *(continued)*

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input;
- the fair value of derivative instruments is determined based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments; and
- the fair value of unitholders' funds with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices.

The REIT Manager considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

5 Revenue

	2015 HK\$'000	2014 HK\$'000
Gross rental from investment properties		
Rental income	357,181	326,229
Car park income	25,510	24,011
	382,691	350,240
Rental related income	56,032	53,173
	438,723	403,413

6 Property Operating Expenses

	2015 HK\$'000	2014 HK\$'000
Audit fee	1,328	1,303
Building management fees	38,152	35,994
Car park operating expenses	6,496	6,151
Government rent and rates	833	552
Lease commission	4,775	6,962
Legal cost and stamp duty	1,523	1,459
Marketing service fee	11,022	10,281
Others	1,326	1,373
Repairs and maintenance	8,476	8,660
Secretarial fee	731	608
Tax fees	266	229
Utilities	7,674	8,056
Valuation fees (paid to principal valuer)	195	269
	82,797	81,897

7 Trust and Other Expenses

	2015 HK\$'000	2014 HK\$'000
Acquisition expenses	–	3,900
Acquisition fee (paid in units)	–	10,100
Audit fee	208	262
Back-office support service fee	45	59
Bank charges	1,811	1,277
Legal and professional fees	511	764
Public relations-related expenses	412	286
Registrar fee	600	602
Trust administrative expenses	1,947	2,028
Trustee's fee	3,043	2,861
	8,577	22,139

8 Finance Costs

	2015 HK\$'000	2014 HK\$'000
Interest expense on:		
Secured term loans	49,756	44,753
Unsecured term loan	9,118	8,581
Equalisation of interest expense through interest rate swaps	13,322	13,655
	72,196	66,989
Secured revolving loan	219	2,292
	72,415	69,281

9 Taxation

	2015 HK\$'000	2014 HK\$'000
Current tax	22,214	19,752
Over-provision in prior year	(168)	(238)
Deferred tax (note 16)	14,129	12,110
	36,175	31,624

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

9 Taxation *(continued)*

No provision for Hong Kong Profits Tax are required for certain subsidiaries as these subsidiaries did not have any assessable profits or have tax losses brought forward to set off their assessable profits for the year. Deferred tax is provided on temporary differences using the current applicable rates. The taxation for the year can be reconciled to the profit before taxation and transactions with unitholders as per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015 HK\$'000	2014 HK\$'000
Income tax expense at statutory rate of 16.5%	120,246	82,189
Over-provision in prior year	(168)	(238)
Tax effect of non-taxable income	(85,091)	(54,797)
Tax effect of non-deductible expenses	2,457	7,191
Tax effect of utilisation of tax losses previously not recognised	(277)	(700)
Tax effect of tax loss not recognised	1,515	634
Tax effect of utilisation of deductible temporary differences previously not recognised	(2,324)	(2,169)
Others	(183)	(486)
Taxation for the year	36,175	31,624

10 Earnings per Unit

The basic earnings per unit is calculated by dividing the profit for the year, before transactions with unitholders of HK\$692,591,000 (2014: HK\$466,493,000) by the weighted average of 1,432,538,133 (2014: 1,413,401,652) units in issue during the year, taking into account the units issuable as manager's fee for its service in the last quarter of the relevant distribution year.

No diluted earnings per unit has been presented as there were no potential units in issue.

11 Investment Properties

	2015 HK\$'000	2014 HK\$'000
FAIR VALUE		
At beginning of the year	9,890,000	8,518,000
Additional expenditure	13,298	25,845
Acquisition	–	1,014,054
Increase in fair value of investment properties	515,702	332,101
At end of the year	10,419,000	9,890,000

On 22 January 2014, Prosperity REIT completed the acquisition of 9 Chong Yip Street from Cactus Holdings Limited, a subsidiary of Hutchison Whampoa Limited on that day, through the acquisition of the entire equity interest in Clifton Properties Limited. Details of the acquisition are set out in note 28.

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.

11 Investment Properties *(continued)*

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.

On 31 December 2015, an independent valuation on the investment properties was undertaken by Jones Lang LaSalle Limited (2014: Jones Lang LaSalle 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, which falls under level 3 of the fair value hierarchy, 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 adopted capitalisation rates in the valuation range from 3.7% to 4.2% (2014: 3.7% to 4.2%) for capitalisation of the current passing rental income over the existing lease term and 3.7% to 4.2% (2014: 3.7% to 4.2%) for potential future reversionary rental income. 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 31 December 2015, with aggregate carrying value of HK\$6,526,900,000 (2014: HK\$6,280,000,000), have been pledged to secure banking facilities granted to the Group.

12 Trade and Other Receivables

	2015 HK\$'000	2014 HK\$'000
Trade receivables	348	438
Less: allowance for doubtful debts	(37)	(63)
	311	375
Deposit and prepayments	8,492	9,641
	8,803	10,016

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

	2015 HK\$'000	2014 HK\$'000
Current-1 month	62	374
2- 3 months	249	1
	311	375

12 Trade and Other Receivables *(continued)*

The trade receivable balance are past due but not impaired at the reporting date and for which the Group has not provided for impairment loss.

The Group has provided in full all receivables overdue for 120 days after netting off the deposits received from tenant because historical experience is such that receivables that are past due beyond 120 days are generally not recoverable.

Movement in the allowance for doubtful debt:

	2015 HK\$'000	2014 HK\$'000
Balance at beginning of the year	63	119
Reversal of impairment losses recognised on receivables	(26)	(56)
Balance at the end of the year	37	63

13 Bank Balances and Cash

	2015 HK\$'000	2014 HK\$'000
Cash at bank	64,911	65,184

Cash at bank, with aggregate value of HK\$64,911,000 (2014: HK\$65,184,000) are placed with The Hongkong and Shanghai Banking Corporation Limited, a related company of the Trustee.

14 Derivative Financial Instruments

	2015 HK\$'000	2014 HK\$'000
Derivative financial instruments are analysed as:		
Derivatives under hedge accounting:		
Cash flow hedges — interest rate swaps	1,261	560
Derivatives not under hedge accounting:		
Interest rate swaps	6,862	6,567
	8,123	7,127
Reflected on consolidated statement of financial position based on remaining contractual maturity as:		
Non-current liabilities	8,123	560
Current liabilities	—	6,567
	8,123	7,127

The Group uses interest rate swaps as hedging instruments 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.

14 Derivative Financial Instruments *(continued)*

Derivatives under hedge accounting:

Contracts with notional amount of HK\$150,000,000 entered in December 2014 will mature on 18 December 2018. These contracts have fixed interest payments at 1.483% per annum and have floating interest receipts at Three-Month HIBOR for periods until 18 December 2018. The REIT Manager designated that the interest rate swaps are effective hedging instruments.

Derivatives not under hedge accounting:

During the year ended 31 December 2014, in relation to the renewal of the banking facilities as set out in note 15, the interest rate swap contract entered in 2010, previously designated under hedge accounting, was no longer effective under hedge accounting. Accordingly, the cumulative loss in the hedging reserve amounting to HK\$12,799,000 was recognised in the profit or loss during the year ended 31 December 2014. In June 2015, the contract has matured and the change in fair value of such derivative financial instruments of HK\$6,567,000 is recognised to profit or loss during the year ended 31 December 2015 (2014: HK\$6,567,000).

During the year, the Group has newly entered into three interest rate swap contracts. Two of which carrying fixed interest payments at 1.299% and 1.475% per annum, and have floating interest receipts at Three-Month HIBOR with total notional amount of HK\$796,000,000 will mature in December 2018. The remaining one with notional amount of HK\$620,000,000 will mature in June 2019. It has fixed interest payment at 0.455% per annum, and floating interest receipts at Three-Month 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 not under hedge accounting amounting to a loss of HK\$295,000, is recognised in the profit or loss during the year ended 31 December 2015 (2014: HK\$6,567,000).

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

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.

15 Borrowings

	2015 HK\$'000	2014 HK\$'000
Secured term loans	2,474,000	2,474,000
Unsecured term loan	380,000	380,000
Bank facility origination fees	(40,689)	(53,389)
	2,813,311	2,800,611
Carrying amount repayable:		
Within a period of more than one year but not exceeding two years	377,366	–
Within a period of more than two years but not exceeding five years	2,435,945	2,800,611
	2,813,311	2,800,611

15 Borrowings *(continued)*

On 22 January 2014, the Group has been granted two new facilities of \$404,000,000 secured term loan and \$380,000,000 unsecured term loan respectively, which have been fully utilised by the Group for the acquisition as set out in note 28.

On 14 November 2014, the Group has been granted a new facility of HK\$2,500,000,000, comprising a HK\$2,070,000,000 secured term loan and a HK\$430,000,000 revolving credit facility to repay its existing banking facility of HK\$2,200,000,000, comprising a HK\$1,770,000,000 term loan and a HK\$430,000,000 revolving credit facility which was entered in 2010.

Details of the terms and conditions of the Group's facilities as at 31 December 2014 and 31 December 2015 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 rate of HIBOR+1.35% 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; and
- (iv) HK\$380,000,000 unsecured term loan bears interest at floating interest rate of HIBOR+1.50% per annum and is repayable in full on 16 January 2017.

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 fair value of the Group's borrowings, which approximates to the carrying amount, was estimated by discounting their future cash flows at market rate.

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. The bank facility origination fees are amortised over the respective loan periods and the movement is as follows:

	2015 HK\$'000	2014 HK\$'000
Balance at beginning of the year	53,389	16,451
Addition	–	58,160
Amortised during the year	(12,700)	(21,222)
Balance at the end of the year	40,689	53,389

16 Deferred Tax Liabilities

The followings are the major component of deferred tax liabilities and assets recognised and movements thereon during the year:

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
As at 1 January 2014	150,498	(5,266)	145,232
Charge (credit) to profit or loss	22,340	(10,230)	12,110
As at 31 December 2014	172,838	(15,496)	157,342
Charge to profit or loss	12,186	1,943	14,129
As at 31 December 2015	185,024	(13,553)	171,471

At the end of the reporting period, tax loss amounting to approximately HK\$29,246,000 (31 December 2014: HK\$21,745,000) were not recognised, due to unpredictability of future profits stream.

At the end of the reporting period, tax losses of approximately HK\$56,000,000 pertaining to a property holding company acquired in prior year has yet to be agreed by the Inland Revenue Department. In the event that the Inland Revenue Department disallows deductions of the tax losses which were claimed in the previous years, which results in taxable profits for the respective years of assessment, any potential penalties and tax liabilities arising from the above, prior to the acquisition, will be borne by the vendor under the deed of tax covenant.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK\$30,719,000 (2014: HK\$33,576,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

17 Trade and Other Payables

	2015 HK\$'000	2014 HK\$'000
Trade payables	1,357	2,874
Tenants' deposits		
— Outside parties	136,545	135,014
— Related parties	768	590
Rental received in advance		
— Outside parties	3,359	3,117
Other payables	46,502	46,325
	188,531	187,920

17 Trade and Other Payables *(continued)*

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

	2015 HK\$'000	2014 HK\$'000
Current-1 month	475	1,751
2-3 months	551	932
Over 3 months	331	191
	1,357	2,874

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\$94,173,000 (2014: HK\$85,776,000).

18 Amount Due to Related Companies

The amount 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 amount is unsecured, interest-free and repayable on demand.

19 Units in Issue

	Number of units	HK\$'000
Balance as at 1 January 2014	1,396,178,197	2,934,637
Payment of acquisition fee through issuance of new units during the year	4,431,768	10,100
Payment of manager's base fee and variable fee through issuance of new units during the year	19,025,109	45,591
Balance as at 31 December 2014	1,419,635,074	2,990,328
Payment of manager's base fee and variable fee through issuance of new units during the year	17,218,841	49,242
Balance as at 31 December 2015	1,436,853,915	3,039,570

Subsequent to the end of the reporting period, 4,840,781 units (2014: 4,254,083 units) at HK\$2.6522 (2014: HK\$2.8237) per unit were issued to the REIT Manager as partial settlement of base fee and variable fee in the last quarter of the relevant distribution year. The unitholders' fund per unit, based on the closing market price of Prosperity REIT as at 31 December 2015 was HK\$2.79 (31 December 2014: HK\$2.64).

20 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\$1,261,000 (2014: HK\$560,000), and the total number of 1,436,853,915 units in issue as at 31 December 2015 (1,419,635,074 units in issue as at 31 December 2014).

21 Major Non-Cash Transaction

During the year, the REIT Manager earned manager's fee of HK\$51,196,000 (2014: manager's fee and acquisition fee of HK\$58,154,000) of which HK\$50,070,000 (2014: HK\$57,073,000) was paid or payable through the issuance of units to the REIT Manager. An amount of HK\$37,231,000 (2014: HK\$45,062,000) had been settled through the issuance of units to the REIT Manager while the balance of HK\$12,839,000 (2014: HK\$12,011,000) were paid in units subsequent to the year end.

22 Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies, which are described in note 3, management has considered the following key sources of estimation uncertainty at the end of the reporting period, that would have significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

As described in notes 3(c) and 11, investment properties are stated at fair value based on the valuation performed by an independent professional valuer. In determining the fair value, the valuer has based on a method of valuation which involves certain estimates. In relying on the valuation report, the REIT Manager has exercised its judgment and is satisfied that the method of valuation is reflective of the current market conditions.

As described in note 14, the fair value of derivative financial instruments that are not quoted in active markets are determined by using certain valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel. All models are calibrated to ensure that outputs reflect actual data and comparative market prices.

23 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\$270,360,000 (2014: HK\$262,801,000). Other than certain investment properties, with aggregate carrying value of HK\$6,526,900,000 (2014: HK\$6,280,000,000), which have been pledged to secure banking facilities granted to the Group (as disclosed in note 11), the Group has in place a revolving credit facility (as disclosed in note 15) to meet its liabilities as they fall due.

24 Total Assets Less Current Liabilities

At the end of the reporting period, the Group's total assets less current liabilities amounted to HK\$10,148,640,000 (2014: HK\$9,627,199,000).

25 Segmental Reporting

During the year, Prosperity REIT invested in eight (2014: eight) office, commercial, industrial/office and industrial buildings located in Hong Kong, namely The Metropolis Tower, Prosperity Millennia Plaza, 9 Chong Yip Street, a portion of Harbourfront Landmark, Prosperity Place, Trendy Centre, a portion of Prosperity Center and a 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.

Segment revenue and results

For the year ended 31 December 2015

	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	125,332	86,762	38,369	28,418	61,683	47,202	36,453	14,504	438,723
Segment profit	101,501	71,127	29,442	23,044	46,726	35,348	27,596	10,695	345,479
Interest income									68
Manager's fee									(51,196)
Trust and other expenses									(8,577)
Change in fair value of investment properties									515,702
Change in fair value of derivative financial instruments									(295)
Finance costs									(72,415)
Profit before taxation and transactions with unitholders									728,766

For the year ended 31 December 2014

	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	121,851	79,310	33,586	21,983	56,135	43,082	33,795	13,671	403,413
Segment profit	100,990	62,728	25,019	14,813	41,998	30,602	25,602	10,304	312,056
Interest income									1
Manager's fee									(48,054)
Trust and other expenses									(22,139)
Change in fair value of investment properties									332,101
Change in fair value of derivative financial instruments									(6,567)
Finance costs									(69,281)
Profit before taxation and transactions with unitholders									498,117

The accounting policies of the operating segments are the same as Prosperity REIT's accounting policies described in note 3. Segment profit represents the net property income which is the measure reported to the REIT Manager.

25 Segmental Reporting *(continued)*

Segment assets

The following is an analysis of Prosperity REIT's assets by operating segment:

	2015 HK\$'000	2014 HK\$'000
The Metropolis Tower	3,122,000	3,042,000
Prosperity Millennia Plaza	1,971,000	1,824,000
9 Chong Yip Street	1,088,000	1,079,000
Portion of Harbourfront Landmark	514,000	461,000
Prosperity Place	1,544,000	1,436,000
Trendy Centre	1,010,000	955,000
Portion of Prosperity Center	854,000	800,000
Portion of New Treasure Centre	316,000	293,000
Total segment assets	10,419,000	9,890,000
Other assets	73,714	75,200
Consolidated assets	10,492,714	9,965,200

For the purposes of monitoring segment performances and allocating resources, all investment properties are allocated to operating segments. Other assets and all liabilities, including the bank balances and cash, and borrowings and financial instruments, are unallocated.

26 Operating Lease Commitments

	2015 HK\$'000	2014 HK\$'000
Minimum lease income under operating leases included in the consolidated statement of profit or loss and other comprehensive income	357,181	326,229

	2015 HK\$'000	2014 HK\$'000
Commitments in respect of non-cancellable operating leases for the rental of investment properties were as follows:		
Future minimum lease payments receivable:		
Within one year	305,191	279,792
In the second to fifth year inclusive	242,127	215,493
Total	547,318	495,285

The Group rents out its investment properties in Hong Kong under operating leases. Operating lease income represents rentals receivable by the Group for its investment properties. Leases are negotiated for term ranging from one to three years with monthly fixed rental.

27 Connected and Related Party Transactions

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

	Note	2015 HK\$'000	2014 HK\$'000
Rent and rental related income from			
Goodwell Property Management Limited	(a)	1,547	1,523
Hutchison Telephone Company Limited	(b)	92	91
Hutchison China MediTech (HK) Limited	(c)	–	485
Hutchison Hain Organic (Hong Kong) Limited	(b)	607	100
Carpark lease agency fee for the operations of the Group's carpark			
E-Park Parking Management Limited	(a)	2,427	2,285
Property management fee			
Goodwell-Prosperity Property Services Limited	(a)	10,447	9,460
Marketing service fee			
Goodwell-Prosperity Property Services Limited	(a)	11,022	10,281
Trustee's fee			
HSBC Institutional Trust Services (Asia) Limited		3,043	2,861
Manager's fee			
ARA Asset Management (Prosperity) Limited		51,196	48,054
Acquisition fee			
ARA Asset Management (Prosperity) Limited		–	10,100
Back-office support service fee			
Cheung Kong Companies	(d)	45	59
Balances as at year end with connected and related parties are as follows:			
Amount due to			
Citybase Property Management Limited	(a)	910	205
Goodwell-Prosperity Property Services Limited	(a)	4,048	4,816
Goodwell Property Management Limited	(a)	4,669	6,328
Harbourfront Landmark Premium Services Limited	(d)	782	511
E-Park Parking Management Limited	(a)	412	393
Deposits placed with the Group for the lease of the Group's properties			
Goodwell Property Management Limited	(a)	493	404
Hutchison Telephone Company Limited	(b)	24	24
Hutchison Hain Organic (Hong Kong) Limited	(b)	251	162

Notes:

- (a) These companies were the subsidiaries of Cheung Kong (Holdings) Limited ("CKH"), a significant unitholder (defined in the Code as a holder of 10% or more of the outstanding units) of Prosperity REIT up to 2 June 2015, and are subsidiaries of Cheung Kong Property Holdings Limited ("CKPH"), a significant unitholder of Prosperity REIT since 3 June 2015.
- (b) These companies were associates of CKH up to 2 June 2015, and are associated companies (as defined in the REIT Code) of CKPH since 3 June 2015.
- (c) This company was an associate of CKH during the year ended 31 December 2014.
- (d) These companies were associates of CKH up to 2 June 2015, and are subsidiaries of CKPH since 3 June 2015.

27 Connected and Related Party Transactions *(continued)*

Under the 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/CKPH group technically constitutes a contract between the Group and CKH group/CKPH group. Remuneration to the building managers, wholly-owned subsidiaries of CKH/CKPH, for the building management services provided constitutes a connected party transaction. During the year, remuneration paid from the funds of the buildings, attributable to the properties owned by the Group, to the building managers amounted to HK\$885,000 (2014: HK\$877,000).

28 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 on that day, through the acquisition of the entire equity interest in Clifton Properties Limited for a cash consideration of approximately HK\$1,006,600,000.

Acquisition fee and acquisition expenses amounting to HK\$14,000,000 have been recognised as expenses, and included in the "trust and other expenses" in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 December 2014.

Details of the acquisition are as follows:

	HK\$'000
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 term loan	380,000
Secured revolving loan	222,627
	1,006,627

As at 31 December 2015 and 31 December 2014

Name of company	Place of incorporation	Effective equity interest held by Prosperity REIT		Share capital	Principal activities in Hong Kong
		Directly %	Indirectly %		
Bandick Limited	Hong Kong	100	–	HK\$2	Property investment
Clifton Properties Limited	Hong Kong	–	100	HK\$10,000	Property investment
Conestoga Limited	Hong Kong	–	100	HK\$10,000	Property investment
Haskins Investments Limited	Hong Kong	100	–	HK\$2	Property investment
Harbour Champ Limited	British Virgin Islands	100	–	US\$1	Property investment
Jade Arch Investment Limited	British Virgin Islands	100	–	HK\$15,053	Investment holding
Prodes Company Limited	Hong Kong	–	100	HK\$10	Property owner
Progain Group Limited	British Virgin Islands	100	–	US\$1	Financing
Top Easy Profits Limited	British Virgin Islands	100	–	US\$1	Property investment
Unicenter Limited	British Virgin Islands	100	–	US\$1	Investment holding
Unique Champ Investments Limited	British Virgin Islands	100	–	US\$1	Investment holding
Vital Vision Enterprises Limited	British Virgin Islands	100	–	US\$1	Financing
Winrise Champion Limited	British Virgin Islands	–	100	US\$1	Property investment
Wisdom Champion Limited	British Virgin Islands	100	–	US\$1	Property investment
Wisdom Champion (12) Limited	British Virgin Islands	100	–	US\$1	Property investment

List of Subsidiaries

As at 31 December 2015 and 31 December 2014

Name of company	Place of incorporation	Effective equity interest held by Prosperity REIT		Share capital	Principal activities in Hong Kong
		Directly %	Indirectly %		
Wisdom Champion (15) Limited	British Virgin Islands	100	–	US\$1	Property investment
Wisdom Champion (16) Limited	British Virgin Islands	100	–	US\$1	Property investment
Wisdom Champion (17) Limited	British Virgin Islands	100	–	US\$1	Property investment
Wisdom Champion (18) Limited	British Virgin Islands	100	–	US\$1	Property investment
Wisdom Champion (19) Limited	British Virgin Islands	100	–	US\$1	Property investment
Wisdom Champion (20) Limited	British Virgin Islands	100	–	US\$1	Property investment
Wisdom Champion (21) Limited	British Virgin Islands	100	–	US\$1	Property investment
Wisdom Champion (22) Limited	British Virgin Islands	100	–	US\$1	Property investment
Wisdom Champion (23) Limited	British Virgin Islands	100	–	US\$1	Property investment
Wisdom Champion (25) Limited	British Virgin Islands	100	–	US\$1	Property investment
Wisdom Champion (26) Limited	British Virgin Islands	100	–	US\$1	Property investment
Wisdom Champion (27) Limited	British Virgin Islands	100	–	US\$1	Property investment
Wisdom Champion (28) Limited	British Virgin Islands	100	–	US\$1	Property investment

None of the subsidiaries had issued debt securities at the end of the year.

Results Analysis for the year ended 31 December

	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Gross rental from investment properties	382,691	350,240	292,240	261,120	232,517
Net property income	345,479	312,056	266,931	239,471	211,512
Profit for the year, before transactions with unitholders ⁽¹⁾	692,591	466,493	695,729	1,074,715	1,151,491
Distribution to unitholders	254,083	231,364	209,056	186,868	163,518
Earnings per unit (HK\$) ⁽¹⁾	0.48	0.33	0.50	0.78	0.85
Distribution per unit (HK\$)	0.1768	0.1630	0.1495	0.1354	0.1202

Major assets and liabilities of Prosperity REIT as at 31 December

	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Investment properties	10,419,000	9,890,000	8,518,000	7,952,000	6,991,000
Bank loans, excluding bank facility origination fees	(2,854,000)	(2,854,000)	(1,795,000)	(1,790,000)	(1,805,000)
Net asset value ⁽¹⁾	7,155,735	6,668,686	6,361,402	5,819,182	4,906,675
Net asset value per unit (HK\$) ^(1 and 2)	4.98	4.70	4.57	4.24	3.62
Other Information					
The highest traded price during the year (HK\$)	3.05	2.74	3.09	2.42	2.00
The highest (discount)/ premium of the traded price to net asset value ⁽¹⁾	(38.8%)	(41.7%)	(32.4%)	(42.9%)	(44.8%)
The lowest traded price during the year (HK\$)	2.59	2.18	2.19	1.52	1.33
The lowest discount of the traded price to net asset value ⁽¹⁾	(48.0%)	(53.6%)	(52.1%)	(64.2%)	(63.3%)
The net yield per unit based on market price at the end of year	6.3% ⁽³⁾	6.2%	6.6%	5.8%	8.0%

¹ The financial information for the year ended 31 December 2011 has been restated due to the amendments to Hong Kong Accounting Standard 12.

² The net asset value per unit is calculated based on the net assets attributable to unitholders excluding hedging reserve and the total number of units in issue as at year ended date.

³ Based on the distribution per unit of HK\$0.1768 for the year ended 31 December 2015 and the closing market price of HK\$2.79 as at 31 December 2015.

Investment Properties Portfolio

As at 31 December 2015

Property	Type	Lease term	Lease expiry date	Location	Valuation 2015 HK\$ Million
The Metropolis Tower	O	Medium-term lease	30 June 2047	10 Metropolis Drive Hung Hom Kowloon Hong Kong	3,122
Prosperity Millennia Plaza	O	Medium-term lease	30 June 2047	663 King's Road North Point Hong Kong	1,971
9 Chong Yip Street	O	Medium-term lease	30 June 2047	9 Chong Yip Street Kwun Tong Kowloon Hong Kong	1,088
Harbourfront Landmark (portion)	C	Medium-term lease	30 June 2047	11 Wan Hoi Street Hung Hom Kowloon Hong Kong	514
Prosperity Place	C	Medium-term lease	30 June 2047	6 Shing Yip Street Kwun Tong Kowloon Hong Kong	1,544
Trendy Centre	I/O	Medium-term lease	30 June 2047	682 Castle Peak Road Lai Chi Kok Kowloon Hong Kong	1,010
Prosperity Center (portion)	I/O	Medium-term lease	30 June 2047	25 Chong Yip Street Kwun Tong Kowloon Hong Kong	854
New Treasure Centre (portion)	I	Medium-term lease	30 June 2047	10 Ng Fong Street San Po Kong Kowloon Hong Kong	316
Total					10,419

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

Summary Financial Information

Following is a summary of the consolidated statements of profit or loss and other comprehensive income and the consolidated statements of financial position of Prosperity REIT for the past financial years prepared on a basis as consistent to the financial year ended 31 December 2015:

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended 31 Dec 2015 HK\$'000	Year ended 31 Dec 2014 HK\$'000	Year ended 31 Dec 2013 HK\$'000	Year ended 31 Dec 2012 HK\$'000	Year ended 31 Dec 2011 HK\$'000
Revenue	438,723	403,413	341,883	308,366	275,627
Profit before taxation and transactions with unitholders	728,766	498,117	724,393	1,099,788	1,172,849
Taxation ⁽¹⁾	(36,175)	(31,624)	(28,664)	(25,073)	(21,358)
Profit for the years, before transactions with unitholders ⁽¹⁾	692,591	466,493	695,729	1,074,715	1,151,491
Distribution to unitholders	254,083	231,364	209,056	186,868	163,518
Distribution per unit (HK\$)	0.1768	0.1630	0.1495	0.1354	0.1202

Consolidated Statement of Financial Positions

	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Non-current assets	10,419,000	9,890,000	8,518,000	7,952,000	6,991,000
Current assets	73,714	75,200	66,772	51,977	61,254
Current liabilities	344,074	338,001	307,565	276,590	271,354
Net assets attributable to unitholders ⁽¹⁾	7,155,735	6,668,686	6,361,402	5,819,182	4,906,675

¹ The financial information for the year ended 31 December 2011 has been restated due to the amendments to Hong Kong Accounting Standard 12.

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
The Hongkong and Shanghai Banking Corporation Limited

Legal Adviser

Baker & McKenzie

Registered Office

Units 5508–09, 55/F, The Center
99 Queen's Road Central
Hong Kong

Unit Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712–16, 17/F, Hopewell Centre
183 Queen's Road East, Wan Chai
Hong Kong

Stock Code

The Stock Exchange of Hong Kong Limited: 808

Investor Relations

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Email: prosperityenquiry@ara.com.hk

Website

www.prosperityreit.com

Key Dates

Annual Results Announcement	3 March 2016
Closure of Register of Unitholders for Final Distribution	22 to 24 March 2016 (both days inclusive)
Payment of Final Distribution	5 April 2016
Closure of Register of Unitholders for Annual General Meeting	30 April to 6 May 2016 (both days inclusive)
Annual General Meeting	6 May 2016

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that an Annual General Meeting of unitholders of Prosperity Real Estate Investment Trust ("**Prosperity REIT**") will be held at Exhibition Venue A on Level 7, Fortune Metropolis, 6 Metropolis Drive, Hung Hom, Kowloon, Hong Kong on Friday, 6 May 2016 at 2:30 p.m. for the following purposes:

- (1) To note the audited financial statements of Prosperity REIT together with the Auditors' Report for the year ended 31 December 2015; and
- (2) To note the appointment of Auditors of Prosperity REIT and the fixing of their remuneration.

By Order of the Board
ARA Asset Management (Prosperity) Limited
as manager of Prosperity Real Estate Investment Trust
Seng Sze Ka Mee, Natalia
Company Secretary

Hong Kong, 5 April 2016

Notes:

- (a) *The Register of Unitholders of Prosperity REIT will be closed from Saturday, 30 April 2016 to Friday, 6 May 2016, both days inclusive, during which period no transfer of units will be effected. In order to qualify for attending the Annual General Meeting, all unit certificates with completed transfer forms must be lodged with Prosperity REIT's Unit Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 29 April 2016.*
- (b) *Any unitholder entitled to attend the Annual General Meeting is entitled to appoint a proxy to attend in his/her stead.*
- (c) *In order to be valid, an instrument of proxy, together with any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, if any, must be deposited at Prosperity REIT's Unit Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Annual General Meeting.*

This annual report 2015 (“Annual Report”) is available in both English and Chinese versions. Unitholders who have received either the English or the Chinese version of the Annual Report may request a copy on the other language by writing to Prosperity REIT’s unit registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, or email to prosperityreit.ecom@computershare.com.hk.

The Annual Report (in both English and Chinese versions) 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 Annual Report posted on Prosperity REIT’s website may request a printed copy of the Annual 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.



Stock Code: 808



www.prosperityreit.com

Manager



ARA Asset Management (Prosperity) Limited

Prosperity REIT is managed by
ARA Asset Management (Prosperity) Limited

