

Visionary

高瞻遠矚

2021
interim
report
中期報告



ABOUT PROSPERITY REIT

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

Prosperity REIT is managed by ARA Asset Management (Prosperity) Limited (the “**REIT Manager**”).

ABOUT THE REIT MANAGER

ARA Assets Management (Prosperity) Limited is a wholly-owned subsidiary of ARA Asset Management Limited (“**ARA**”), the largest real assets manager in Asia Pacific. ARA Group operates a global platform with a focus on APAC, manages public and private investment funds that invest across traditional and New Economy real estate assets, as well as private real estate credit and infrastructure.

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

OUR MISSION

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



“Visionary”, the cover design so named, paints a vivid image of the REIT Manager’s far-sighted vision and wide horizon for our business operation, side by side with a firm foothold amid versatile landscape, supported by immense expertise.

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Performance Highlights

DISTRIBUTION PER UNIT¹

⤴ 0.2 %

1H2021

HK\$0.0901

1H2020

HK\$0.0899

PROPERTY VALUATION

⤵ 1.9 %

As at 30 Jun 2021

HK\$9,953 million

As at 31 Dec 2020

HK\$10,147 million

GEARING RATIO

⤴ 0.4 %²

As at 30 Jun 2021

22.7%

As at 31 Dec 2020

22.3%

OCCUPANCY RATE

⤵ 0.8 %²

As at 30 Jun 2021

96.0%

As at 30 Jun 2020

96.8%

Notes:

¹ For the six months ended 30 June.

² Absolute change.

Performance Highlights

Performance Highlights

| | Six months ended 30 June 2021 (unaudited) | Six months ended 30 June 2020 (unaudited) | Percentage change Increase/ (Decrease) |
|-----------------------------------|---|---|--|
| Income available for distribution | HK\$138.1 million | HK\$136.5 million | 1.2% |
| Distribution per unit ("DPU") | HK\$0.0901 | HK\$0.0899 | 0.2% |

Operation Data

| | Six months ended 30 June 2021 (unaudited) | Six months ended 30 June 2020 (unaudited) | Percentage change Increase/ (Decrease) |
|--------------------------------|---|---|--|
| Revenue | HK\$224.4 million | HK\$228.7 million | (1.9%) |
| Net property income | HK\$180.4 million | HK\$181.1 million | (0.4%) |
| Occupancy rate (as at 30 June) | 96.0% | 96.8% | (0.8%) ² |
| Cost-to-revenue ratio | 19.6% | 20.8% | (1.2%) ² |

Key Financial Figures

| | As at 30 June 2021 (unaudited) | As at 31 December 2020 (audited) | Percentage change Increase/ (Decrease) |
|----------------------------|--------------------------------------|--|--|
| Net asset value per unit | HK\$4.80 | HK\$4.95 | (3.0%) |
| Property valuation | HK\$9,953 million | HK\$10,147 million | (1.9%) |
| Gearing ratio ¹ | 22.7% | 22.3% | 0.4% ² |

Notes:

- 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.

Management Discussion and Analysis

OPERATIONS REVIEW

As at 30 June 2021, Prosperity REIT owned a diverse portfolio of seven properties in the decentralized business districts of Hong Kong, comprising all, or a portion of, three Grade A office buildings, one commercial building, two industrial/office buildings and one industrial building. As at 30 June 2021, the total gross rentable area was 1,275,153 sq. ft., with a total of 498 car park spaces.

Information about the properties in the portfolio, as at 30 June 2021, was as follows:

| | Location | Gross rentable area sq. ft. | No. of car park spaces | Valuation HK\$ million | Occupancy rate | |
|--------------------------|-------------------------------|---|-----------------------------------|----------------------------------|---------------------------|--------|
| Grade A Office | | | | | | |
| | The Metropolis Tower | Hung Hom | 271,418 | 98 | 2,993 | 89.5% |
| | Prosperity Millennia Plaza | North Point | 217,955 | 43 | 2,136 | 97.3% |
| | 9 Chong Yip Street | Kwun Tong | 136,595 | 68 | 1,003 | 97.6% |
| Commercial | | | | | | |
| | Prosperity Place | Kwun Tong | 240,000 | 83 | 1,645 | 97.8% |
| Industrial/Office | | | | | | |
| | Trendy Centre | Lai Chi Kok | 173,764 | 79 | 1,024 | 98.1% |
| | Prosperity Center (portion) | Kwun Tong | 149,253 | 105 | 824 | 97.0% |
| Industrial | | | | | | |
| | New Treasure Centre (portion) | San Po Kong | 86,168 | 22 | 328 | 100.0% |
| Total | | | 1,275,153 | 498 | 9,953 | 96.0% |

During the six months ended 30 June 2021 (the “Reporting Period”), global economic recovery has been picking up gradually as the COVID-19 pandemic situation got under control in most developed countries with the increasing vaccination rate. The recent surge of the more transmissible virus variant cases, however, resulted in intermittent city lockdown in some countries.

Management Discussion and Analysis

In US, GDP increased by 12.2% year-on-year (“YoY”) in 2Q 2021. Amidst the inflation risk, the Fed rate remains unchanged at 0.25% despite market hints were made that an interest rate hike might be seen in 2022 or 2023. In China, economic growth remains robust as the pandemic has been well contained since 2Q 2020. GDP of China recorded +7.9% YoY in 2Q 2021.

In Hong Kong, with social distancing measures in place and the roll-out of vaccination programme, the pandemic situation has improved. As most economic activities resumed normal, GDP recorded +7.5% YoY in 2Q 2021. The overall Grade A office vacancy still stood high as more companies underwent downsizing, business consolidation and layout re-configuration due to cost concerns and change of business operation mode. Despite the narrowing rental gap between core and non-core business districts, some MNCs committed to relocate to non-core business districts to capitalize on lower rent levels given more high specification office supply available in market.

Furthermore, under the flexible workspace trend, companies now demand higher flexibility in office layout when leasing new spaces. We offered custom solutions for prospective tenants with re-configuration needs. Besides, tenants have higher expectation on the standard of property management, the hygiene condition and the ventilation system, as well as the provision of wellness facilities.

Navigating in an uncertain economic environment, Prosperity REIT focuses on retaining tenants for achieving stable occupancy and income stream. Rental relief measures were offered to tenants on a case-by-case basis.

During the Reporting Period, while the occupancy rate was stable at 96.0%, the average effective unit rent of the portfolio dropped to HK\$23.98 per sq. ft. and a negative rental reversion was registered. Our proactive and flexible leasing strategies, premium quality of our properties, as well as our attentive property management services helped to mitigate the adverse impact brought by market adversity.

As at 30 June 2021, Prosperity REIT’s gearing ratio remained at a healthy level of 22.7% (31 December 2020: 22.3%), providing us with a strong balance sheet to meet with economic volatility and to take advantage of future growth opportunities.



Management Discussion and Analysis

INVESTMENT REVIEW

The REIT Manager will continue to seek out potential acquisition opportunities. We will assess every acquisition target prudently in accordance with our established investment criteria, including the enhancement potential of asset value, organic growth prospects and synergies with existing properties in the portfolio.

ASSET ENHANCEMENT

Asset enhancement is a key growth driver for Prosperity REIT. Apart from keeping up with keen competition, upgrading our properties is another way to ensure sustainable growth in rental level and capital appreciation. During the Reporting Period, a number of asset enhancement works are being carried out at Prosperity Millennia Plaza.

At Prosperity Millennia Plaza, two out of a total of three chiller sets have been replaced by more energy-efficient models in previous years. The electricity usage has enjoyed a double digit reduction after the replacement. To complete the work, we will replace the remaining chiller set to further streamline the cost. Furthermore, the existing Building Management System (BMS) will also be replaced with an advanced model for overall energy efficiency management. An Indoor Air Quality (IAQ) monitoring system will be installed in the new BMS in order to enhance the indoor air quality for the tenants.

OUTLOOK

Global economic recovery has been driven by the major developed countries with vaccination rates risen as well as the massive fiscal stimulus measures from US. The IMF World Economic Outlook released in July has maintained its projected 2021 global GDP growth unchanged at 6%. Global prospects are improving but performance diverged across countries, dependent on the effectiveness of vaccine rollout and public health strategies.

Hong Kong's GDP is forecasted to grow by 5.5% in 2021. Unemployment rate has been stabilized from 17-year high of 7.2% in February 2021 to 5.5% in June. Despite the signs of economic recovery, it is uneven in different sectors and the uncertainty lingered around the resurgence of virus variant cases and the time for re-opening the border to China. Other uncertain factors weighed on the recovery pace include China-US trade relations and US Fed's tapering plan. Hong Kong will continue to leverage on China's strong recovery momentum.

While the COVID-19 pandemic has prolonged effects on our business, we will continue to implement flexible asset management strategies under the diligent and professional support of Goodwell-Prosperity Property Services Limited, the property manager of Prosperity REIT. We will also capitalize on the opportunities brought by the office decentralization trend and the forthcoming full opening of Shatin-to-Central Link.

Management Discussion and Analysis

FINANCIAL REVIEW

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

| | Turnover HK\$'000 | Rental related income HK\$'000 | Revenue HK\$'000 | Net property income HK\$'000 |
|-------------------------------|-----------------------------|--|----------------------------|--|
| Grade A Office | | | | |
| The Metropolis Tower | 54,609 | 11,474 | 66,083 | 54,884 |
| Prosperity Millennia Plaza | 39,991 | 7,570 | 47,561 | 39,338 |
| 9 Chong Yip Street | 17,705 | 2,261 | 19,966 | 16,209 |
| Commercial | | | | |
| Prosperity Place | 33,625 | 3,455 | 37,080 | 29,636 |
| Industrial/Office | | | | |
| Trendy Centre | 22,584 | 3,552 | 26,136 | 20,222 |
| Prosperity Center (portion) | 16,970 | 1,797 | 18,767 | 13,543 |
| Industrial | | | | |
| New Treasure Centre (portion) | 7,578 | 1,218 | 8,796 | 6,595 |
| Total | 193,062 | 31,327 | 224,389 | 180,427 |

Management Discussion and Analysis

Revenue

During the Reporting Period, revenue decreased to HK\$224.4 million, being HK\$4.3 million or 1.9% lower than the last corresponding half year. The decrease was mainly due to the adverse market conditions and impact from COVID-19 since the 2Q 2020.

Net Property Income

For the Reporting Period, the net property income was HK\$180.4 million, being HK\$0.7 million or 0.4% lower than the last corresponding half year mainly as a result of the decrease in revenue. The cost-to-revenue ratio was 19.6%.

Distributable Income

For the Reporting Period, the unaudited distributable income of Prosperity REIT to unitholders of Prosperity REIT was HK\$138.1 million, representing a DPU of HK\$0.0901. This represents an annualized distribution yield of 6.1%³. The distributable income for the Reporting Period is calculated by the REIT Manager as representing the consolidated profit after tax of Prosperity REIT and its subsidiaries for the relevant financial period, as adjusted to eliminate the effects of certain Adjustments (as defined in the trust deed constituting Prosperity REIT (the “**Trust Deed**”)) including a finance cost of HK\$4.0 million (equivalent to HK\$0.0026 per unit), which have been recorded in the condensed consolidated statement of profit or loss and other comprehensive income for the Reporting Period.

Distribution

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

Note:

³ Based on Prosperity REIT’s closing unit price of HK\$2.97 as at 30 June 2021.



Management Discussion and Analysis

Liquidity and Financing

As at 30 June 2021, Prosperity REIT had facilities in aggregate of HK\$2,770 million, comprising:

- (i) A term loan and revolving credit facility of up to an aggregate principal amount of HK\$1,970 million (the **"HK\$1,970 Million Facilities"**) comprising a HK\$1,540 million unsecured term loan facility and a HK\$430 million unsecured revolving credit facility, which bear interest at a margin of 0.82% per annum over HIBOR. The term loan facility will mature and become repayable 5 years from 30 November 2017, and the revolving credit facility will be repaid on each maturity date and can be redrawn upon maturity; and
- (ii) A HK\$800 million unsecured term loan bears interest at floating interest rate of 1.05% per annum over HIBOR, and will mature and become repayable 5 years from 31 August 2016 (the **"HK\$800 Million Facility"**).

In relation to the HK\$1,970 Million Facilities, the term loan facility of HK\$1,540 million was fully drawn on 30 November 2017. None of the revolving credit facility was drawn as at 30 June 2021.

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

As all facilities bear interests at a variable rate, Prosperity REIT has entered into interest rate swap agreements to mitigate the impact of interest rate fluctuations. As at 30 June 2021, the interest costs for approximately 70% (31 December 2020: 70%) of Prosperity REIT's outstanding term loans have been hedged through interest rate swaps.

The total borrowings of Prosperity REIT, excluding the bank facility origination fees, as a percentage of Prosperity REIT's gross assets was 22.7% as at 30 June 2021 (31 December 2020: 22.3%), whereas the gross liability of Prosperity REIT as a percentage of Prosperity REIT's gross assets was 28.8 % as at 30 June 2021 (31 December 2020: 28.2%).

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

Management Discussion and Analysis

Subsequent to the end of the Reporting Period, in order to refinance the HK\$800 Million Facility, Prosperity REIT's wholly-owned subsidiary entered into an unsecured sustainability-linked term loan facility agreement with DBS Bank Ltd., Hong Kong Branch on 19 July 2021 in an aggregate principal amount of HK\$800 million (the "**New Facility**"). The New Facility, which bears interest at a margin of 1.05% per annum over HIBOR, will mature and become payable five years from the date of drawdown. The New Facility's interest margin is linked to the sustainability performance of Prosperity REIT, which may be reduced depending on the extent of pre-determined key performance indicators being met.

Investment Properties and Property Valuation

For the Reporting Period, Prosperity REIT's portfolio recorded an investment property revaluation loss of HK\$196.0 million, based on a professional valuation performed by an independent qualified external valuer, Jones Lang LaSalle Limited. The movements of fair values are tabulated below:

| | 30 June 2021 | 31 December 2020 |
|--|---------------------|------------------|
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (audited) |
| Fair value at the beginning of the period/year | 10,147,000 | 11,126,000 |
| Additional expenditure | 1,965 | 3,856 |
| Change in fair value of investment properties | (195,965) | (982,856) |
| Fair value at the end of the period/year | 9,953,000 | 10,147,000 |

Charges on Assets

As at 30 June 2021, all bank loan facilities of Prosperity REIT are unsecured. None of the investment properties of Prosperity REIT were pledged to secure bank loan facilities of Prosperity REIT's finance companies.

Prosperity REIT has provided guarantees for the HK\$1,970 Million Facilities and HK\$800 Million Facility.

EMPLOYEES

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



Corporate Governance

The REIT Manager was established for the purpose of managing Prosperity REIT. The REIT Manager is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the REIT Manager emphasize a quality board of directors, sound internal control, transparency and accountability to all unitholders. The REIT Manager has adopted its compliance manual (the “**Compliance Manual**”) for use in relation to the management and operation of Prosperity REIT, which sets out the key processes, systems and measures, and certain corporate governance policies and procedures to be applied for compliance with the applicable regulations and legislation. During the Reporting Period, both the REIT Manager and Prosperity REIT have in material terms complied with the provisions of the Compliance Manual.

During the Reporting Period, unitholders’ approval has been obtained to expand the scope of Prosperity REIT’s investment policy to include engaging in property development and related activities (as defined in the REIT Code). The Trust Deed has been amended to, among others, reflect such expansion of the scope of investment policy and the amendments of the REIT Code which came into effect on 4 December 2020. Corresponding changes have also been made to the Compliance Manual.

BOARD OF DIRECTORS OF THE REIT MANAGER

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

AUDIT COMMITTEE

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

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

DISCLOSURES COMMITTEE

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

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

DESIGNATED (FINANCE) COMMITTEE

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

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

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

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

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

The REIT Manager has also adopted procedures for monitoring disclosure of interests by the REIT Manager, the Directors and the chief executive of the REIT Manager. The provisions of Part XV of the 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 Hong Kong Exchanges and Clearing Limited and the REIT Manager of their holdings in Prosperity REIT. The REIT Manager shall then send copies of such notifications received by it to HSBC Institutional Trust Services (Asia) Limited as the trustee of Prosperity REIT (the “**Trustee**”). The REIT Manager keeps a register for the purposes of maintaining disclosure of interests in units of Prosperity REIT, which is available for inspection by the Trustee and any unitholder at any time during business hours upon reasonable notice to the REIT Manager.

CHANGE OF DIRECTORS' INFORMATION

Subsequent to publication of the Annual Report 2020 of Prosperity REIT, there were changes of Directors' information as follows:

1. Dr. Chiu Kwok Hung, Justin was awarded as Senior Departmental Fellow of the Department of Land Economy at University of Cambridge, the United Kingdom, and was appointed as a member of the School of Business Advisory Committee of Hong Kong Baptist University with effect from 1 September 2021.
2. Dr. Lan Hong Tsung, David ceased to be Supervisor of Nanyang Commercial Bank (China) Limited and was re-appointed as Senior Consultant with effect from October 2020.
3. Mr. Wong Kwai Lam ceased to be Chairman of The Chamber of Hong Kong Listed Companies with effect from 29 June 2021.

REVIEW OF INTERIM REPORT

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

CLOSURE OF REGISTER OF UNITHOLDERS

The register of unitholders will be closed from Monday, 30 August 2021 to Tuesday, 31 August 2021, both days inclusive, during which period no transfer of units will be effected. In order to qualify for the interim distribution, all unit certificates with completed transfer forms must be lodged with Prosperity REIT's unit registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-16, 17/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Friday, 27 August 2021. The payment date of interim distribution will be on Wednesday, 8 September 2021.

Connected Party Transactions

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

CONNECTED PARTY TRANSACTIONS — INCOME

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

| Name of Connected Person ¹ | Relationship with Prosperity REIT | Nature of the Connected Party Transaction | Rental and charge out collection (excluding rental deposit, if applicable) for the six months ended | Rental deposit received as at |
|---------------------------------------|---|---|---|-------------------------------|
| | | | 30 June 2021 HK\$ | 30 June 2021 HK\$ |
| E-Park Parking Management Limited | Subsidiary of a substantial holder ² | Tenancy of property of Prosperity REIT ³ | 331,728 | 175,464 |
| Goodwell Property Management Limited | Subsidiary of a substantial holder ² | Tenancy of property of Prosperity REIT ⁴ | 1,048,926 | 551,430 |
| Total | | | 1,380,654 | 726,894 |

Notes:

- The definition of connected persons in the REIT Code has been amended with effect from 4 December 2020. The disclosure in this Interim Report is in accordance with the definition in the amended REIT Code.
- Substantial holder being CK Asset Holdings Limited (“CK Asset”).
- For Unit 2805, Prosperity Place.
- For Whole of 2/F, Units 302–3 and 306–7, New Treasure Centre.

Connected Party Transactions

CONNECTED PARTY TRANSACTIONS — BUILDING MANAGEMENT SERVICES

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

| Name of Connected Person | Relationship with Prosperity REIT | Nature of the Connected Party Transaction | Payment received/ receivable for the six months ended 30 June 2021 HK\$ |
|---|---|---|---|
| Goodwell Property Management Limited ¹ | Subsidiary of a substantial holder ³ | Remuneration of DMC Manager | 299,878 |
| Goodwell Property Management Limited ² | Subsidiary of a substantial holder ³ | Remuneration of Carpark Manager | 26,880 |
| Citybase Property Management Limited ² | Subsidiary of a substantial holder ³ | Remuneration of Carpark Manager | 20,087 |
| Total | | | 346,845 |

Notes:

1. It is the manager 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. Substantial holder being CK Asset.

Connected Party Transactions

CONNECTED PARTY TRANSACTIONS — EXPENSES

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

| Name of Connected Person | Relationship with Prosperity REIT | Nature of the Connected Party Transaction | Expenses for the |
|---|---|--|--|
| | | | six months ended 30 June 2021 HK\$ |
| Goodwell-Prosperity Property Services Limited | Subsidiary of a substantial holder ¹ | Property management and lease management fee | 5,355,821 |
| Goodwell-Prosperity Property Services Limited | Subsidiary of a substantial holder ¹ | Marketing service fee | 5,443,583 |
| E-Park Parking Management Limited | Subsidiary of a substantial holder ¹ | Carpark lease agency fee | 1,645,414 |
| Total | | | 12,444,818 |

Note:

1. Substantial holder being CK Asset.



Connected Party Transactions

CONNECTED PARTY TRANSACTION WITH HSBC GROUP* FOR BANK DEPOSITS

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

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

OTHER CONNECTED PARTY TRANSACTIONS

The following companies had provided carpark management services and property management services to Prosperity REIT during the Reporting Period and hence amounts due from Prosperity REIT as at 30 June 2021 were as follows:

| Name of Connected Person | Amount payable HK\$ |
|---|-------------------------------|
| Goodwell-Prosperity Property Services Limited | 5,290,124 |
| Goodwell Property Management Limited | 3,752,272 |
| E-Park Parking Management Limited | 857,707 |
| Citybase Property Management Limited | 77,211 |
| Total | 9,977,314 |

Connected Party Transactions

OTHER TRANSACTIONS

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

| Name of Connected Person | Relationship with Prosperity REIT | Nature of the Connected Party Transaction | Expenses for the |
|--|-----------------------------------|---|--|
| | | | six months ended 30 June 2021 HK\$ |
| ARA Asset Management (Prosperity) Limited | REIT Manager | Base fee and variable fee | 25,346,532 |
| HSBC Institutional Trust Services (Asia) Limited | Trustee | Trustee fee | 1,504,756 |
| Total | | | 26,851,288 |

Connected Party Transactions

REPURCHASE, SALE OR REDEMPTION OF UNITS

Pursuant to the general mandate to buy back units granted by unitholders, the REIT Manager bought back a total of 5,386,000 units on behalf of Prosperity REIT on The Stock Exchange of Hong Kong Limited during the Reporting Period for an aggregate consideration of approximately HK\$15.8 million (excluding expenses). Details of units bought back are summarised as follows:

| Month of bought back | Number of Units bought back | Purchase price per unit | | Aggregate Consideration (excluding expenses) HK\$'000 |
|----------------------|-----------------------------------|-------------------------|----------------|---|
| | | Highest HK\$ | Lowest HK\$ | |
| 2021 | | | | |
| May | 684,000 | 2.75 | 2.73 | 1,875 |
| June | 4,702,000 | 3.00 | 2.86 | 13,906 |
| | 5,386,000 | | | 15,781 |

3,692,000 units bought back were cancelled prior to the Reporting Period end and 1,694,000 units bought back were cancelled subsequent to the Reporting Period end on 14 July 2021.

Save as disclosed above and other than the disposal of 16,116,000 units of Prosperity REIT by the REIT Manager which the REIT Manager had received as payment of its management fee, there was no other repurchase, sale or redemption of units by Prosperity REIT or its subsidiaries during the Reporting Period.

Connected Party Transactions

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 | As at | As at |
|--|-----------------|---|------------------|
| | 30 June 2021 | 30 June 2021 | 31 December 2020 |
| | Number of Units | Percentage of Unitholdings ⁶ | Number of Units |
| Total Win Group Limited ¹ | 176,328,129 | 11.52% | 176,328,129 |
| Wide Option Investments Limited ¹ | 98,883,559 | 6.46% | 98,883,559 |
| HKSCC Nominees Limited ² | 1,132,708,349 | 74.02% | 1,126,556,369 |
| HSBC ³ | — | — | 94,250 |
| ARA Asset Management (Prosperity) Limited ⁴ | 12,969,414 | 0.85% | 19,101,672 |
| Lan Hong Tsung, David ⁵ | 350,000 | 0.02% | 350,000 |

Notes:

- Total Win Group Limited ("**Total Win**") was a connected person of Prosperity REIT as it was a substantial holder (as defined under the REIT Code) of Prosperity REIT as at 30 June 2021. Total Win was an indirect wholly-owned subsidiary of CK Asset, which was therefore deemed to hold 176,328,129 units held by Total Win as at 30 June 2021.

Wide Option Investments Limited ("**Wide Option**") was a connected person of Prosperity REIT as it was an indirect wholly-owned subsidiary of CK Asset, which was therefore deemed to hold 98,883,559 units held by Wide Option as at 30 June 2021.

Therefore, CK Asset was deemed to hold 275,211,688 units as at 30 June 2021, of which 176,328,129 units were held by Total Win and 98,883,559 units were held by Wide Option.



Connected Party Transactions

2. HKSCC Nominees Limited was a connected person of Prosperity REIT as it was a substantial holder (as defined under the REIT Code) of Prosperity REIT as at 30 June 2021. So far as the REIT Manager is aware of, HKSCC Nominees Limited held such units as a nominee.
3. HSBC Holdings plc. and other members of its group ("**HSBC**") were connected persons of Prosperity REIT as HSBC Institutional Trust Services (Asia) Limited, the Trustee, was an indirect subsidiary of HSBC Holdings plc. So far as the REIT Manager is aware of, the Trustee had no beneficial interest in any units as at 30 June 2021 and 31 December 2020. The Trustee's directors, chief executive and their associates (as defined in the REIT Code) had no beneficial interest in any units as at 30 June 2021 and 31 December 2020. The Trustee's associates (as defined in the REIT Code) had no beneficial interest in any units as at 30 June 2021 and were beneficially interested in 94,250 units as at 31 December 2020.
4. ARA Asset Management (Prosperity) Limited was a connected person of Prosperity REIT as it was the management company (as defined under the REIT Code) of Prosperity REIT as at 30 June 2021.
5. Dr. Lan Hong Tsung, David was a connected person of Prosperity REIT as he was a director of the management company (as defined under the REIT Code) of Prosperity REIT as at 30 June 2021.
6. The total number of issued units as at 30 June 2021 was 1,530,359,776.

Save as disclosed above, the REIT Manager is not aware of any connected persons (as defined under the REIT Code) of Prosperity REIT holding any units of Prosperity REIT as at 30 June 2021.

Connected Party Transactions

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

As at 30 June 2021, 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 Unitholdings¹ |
|---|------------------------|---|
| ARA Asset Management (Prosperity) Limited | 12,969,414 | 0.85% |
| Lan Hong Tsung, David | 350,000 | 0.02% |

Note:

1. The total number of issued units as at 30 June 2021 was 1,530,359,776.

Save as disclosed above, none of the Directors and chief executive of the REIT Manager had any interest in the units of Prosperity REIT as at 30 June 2021.



Report on Review of Condensed Consolidated Financial Statements

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Prosperity Real Estate Investment Trust and its subsidiaries set out on pages 28 to 54, which comprises the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to unitholders, statement of cash flows and the distribution statement for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants. ARA Asset Management (Prosperity) Limited, as manager of Prosperity Real Estate Investment Trust, is responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Report on Review of Condensed Consolidated Financial Statements

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

12 August 2021

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

| | Notes | Six months ended 30 June | |
|--|-------|---------------------------------|---------------------------------|
| | | 2021 HK\$'000 (unaudited) | 2020 HK\$'000 (unaudited) |
| Revenue | 4 | 224,389 | 228,731 |
| Property management fees | | (5,356) | (5,575) |
| Property operating expenses | 6 | (38,606) | (42,066) |
| Total property operating expenses | | (43,962) | (47,641) |
| Net property income | | 180,427 | 181,090 |
| Interest income | | 510 | 3,470 |
| Manager's fee | | (25,347) | (27,070) |
| Trust and other expenses | 7 | (4,251) | (4,288) |
| Change in fair value of investment properties | | (195,965) | (557,439) |
| Finance costs | 8 | (8,109) | (112,858) |
| Loss before taxation and transactions with unitholders | | (52,735) | (517,095) |
| Taxation | 9 | (20,942) | (20,071) |
| Loss for the period, before transactions with unitholders | | (73,677) | (537,166) |
| Distribution to unitholders | | (138,110) | (136,513) |
| Loss for the period, after transactions with unitholders | | (211,787) | (673,679) |
| Total comprehensive expense for the period, after transactions with unitholders | | (211,787) | (673,679) |
| Income available for distribution to unitholders | | 138,110 | 136,513 |
| Basic loss per unit (HK\$) | 10 | (0.05) | (0.36) |

Distribution Statement

For the six months ended 30 June 2021

| | Six months ended 30 June | |
|--|---------------------------------|-------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Loss for the period, before transactions with unitholders | (73,677) | (537,166) |
| Adjustments: | | |
| Manager's fee | 24,807 | 26,487 |
| Change in fair value of investment properties | 195,965 | 557,439 |
| Change in fair value of derivative financial instruments | (18,480) | 80,228 |
| Finance costs | 3,964 | 3,985 |
| Deferred tax | 5,531 | 5,540 |
| Income available for distribution (note (i)) | 138,110 | 136,513 |
| Distribution to unitholders: | | |
| For the six months ended 30 June | 138,110 | 136,513 |
| Distribution per unit (HK\$) (note (ii)) | 0.0901 | 0.0899 |

Notes:

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

These adjustments for the half year comprise:

- (a) manager's fee paid and payable in units of HK\$24,807,000 (2020: HK\$26,487,000) out of the total manager's fee of HK\$25,347,000 (2020: HK\$27,070,000) (the difference of HK\$540,000 (2020: HK\$583,000) is paid in cash);
- (b) change in fair value of investment properties of HK\$195,965,000 (2020: HK\$557,439,000) and increase in fair value of derivative financial instruments of HK\$18,480,000 (2020: decrease in fair value of HK\$80,228,000);
- (c) adjustment in respect of the accounting finance costs of HK\$8,109,000 (2020: HK\$112,858,000), plus increase in fair value of derivative financial instruments of HK\$18,480,000 (2020: less decrease in fair value of HK\$80,228,000) and less the cash finance costs of HK\$22,625,000 (2020: HK\$28,645,000); and
- (d) deferred tax provision of HK\$5,531,000 (2020: HK\$5,540,000).
- (ii) The distribution per unit of HK\$0.0901 (2020: HK\$0.0899) is calculated based on Prosperity REIT's income available for distribution of HK\$138,110,000 (2020: HK\$136,513,000) over 1,532,773,868 units (2020: 1,518,303,244 units), representing units in issue as at 30 June 2021 plus the number of units to be issued after the distribution period to the REIT Manager as payment of base fee and variable fee in the second quarter of the relevant distribution period, and less 1,694,000 units (2020: nil) bought back and cancelled prior to the date of declaration of the distribution.

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

| | Notes | 30 June 2021 HK\$'000 (unaudited) | 31 December 2020 HK\$'000 (audited) |
|--|-------|--|--|
| ASSETS AND LIABILITIES | | | |
| Non-current asset | | | |
| Investment properties | 11 | 9,953,000 | 10,147,000 |
| Current assets | | | |
| Trade and other receivables | 12 | 12,388 | 13,029 |
| Bank balances and cash | | 348,622 | 351,788 |
| Total current assets | | 361,010 | 364,817 |
| Total assets | | 10,314,010 | 10,511,817 |
| Non-current liabilities, excluding net assets attributable to unitholders | | | |
| Derivative financial instruments | 13 | 25,724 | 46,001 |
| Borrowings | 14 | 1,532,345 | 1,529,669 |
| Deferred tax liabilities | | 225,578 | 220,047 |
| Total non-current liabilities, excluding net assets attributable to unitholders | | 1,783,647 | 1,795,717 |
| Current liabilities | | | |
| Derivative financial instruments | 13 | 22,828 | 21,031 |
| Trade and other payables | 15 | 188,948 | 187,685 |
| Amounts due to related companies | 16 | 9,977 | 6,980 |
| Borrowings | 14 | 799,559 | 798,271 |
| Provision for taxation | | 18,395 | 10,347 |
| Manager's fee payable | | 12,596 | 12,871 |
| Distribution payable | | 138,110 | 136,409 |
| Total current liabilities | | 1,190,413 | 1,173,594 |
| Total liabilities, excluding net assets attributable to unitholders | | 2,974,060 | 2,969,311 |
| Net assets attributable to unitholders | | 7,339,950 | 7,542,506 |
| Units in issue ('000) | 17 | 1,530,360 | 1,524,068 |
| Net asset value per unit (HK\$) attributable to unitholders | 18 | 4.80 | 4.95 |

Condensed Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the six months ended 30 June 2021

| | Issued units | Other reserve | Unit issue costs | Retained profits | Total |
|--|-------------------------|--------------------------|-----------------------------|-----------------------------|------------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Net assets attributable to unitholders as at 1 January 2021 (audited) | 3,301,594 | — | (91,278) | 4,332,190 | 7,542,506 |
| OPERATIONS | | | | | |
| Loss for the period, before transactions with unitholders | — | — | — | (73,677) | (73,677) |
| Distribution paid and payable | — | — | — | (138,110) | (138,110) |
| Total comprehensive expense for the period, after transaction with unitholders | — | — | — | (211,787) | (211,787) |
| UNITHOLDERS' TRANSACTIONS OTHER THAN DISTRIBUTIONS | | | | | |
| Units issued to REIT Manager | 25,077 | — | — | — | 25,077 |
| Units bought back (note (i)) | (10,765) | (5,081) | — | — | (15,846) |
| Net assets attributable to unitholders as at 30 June 2021 | 3,315,906 | (5,081) | (91,278) | 4,120,403 | 7,339,950 |

Note (i):

During the six months ended 30 June 2021, the REIT Manager bought back a total of 5,386,000 units of Prosperity REIT for an aggregate consideration of approximately HK\$15.8 million (excluding expenses), 3,692,000 units of which were cancelled prior to the reporting period end. The remaining 1,694,000 units bought back with a consideration of approximately HK\$5,081,000, which were not cancelled as at 30 June 2021, was recognised as other reserve. These units were cancelled subsequent to the reporting period end on 14 July 2021.

Condensed Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the six months ended 30 June 2020

| | Issued units | Unit issue costs | Retained profits | Total |
|--|-------------------------|-----------------------------|-----------------------------|--------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| Net assets attributable to unitholders as at 1 January 2020 (audited) | 3,248,419 | (91,278) | 5,479,613 | 8,636,754 |
| OPERATIONS | | | | |
| Loss for the period, before transactions with unitholders | — | — | (537,166) | (537,166) |
| Distribution paid and payable | — | — | (136,513) | (136,513) |
| Total comprehensive expense for the period, after transaction with unitholders | — | — | (673,679) | (673,679) |
| UNITHOLDERS' TRANSACTIONS OTHER THAN DISTRIBUTIONS | | | | |
| Units issued to REIT Manager | 27,247 | — | — | 27,247 |
| Net assets attributable to unitholders as at 30 June 2020 | 3,275,666 | (91,278) | 4,805,934 | 7,990,322 |

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

| | Six months ended 30 June | |
|--|---------------------------------|-------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Cash generated from operations | 175,451 | 165,389 |
| Income tax paid | (7,363) | (27,329) |
| Net cash from operating activities | 168,088 | 138,060 |
| Investing activities: | | |
| Interest received | 510 | 3,470 |
| Additional expenditure to investment properties | (1,965) | (2,439) |
| Net cash (used) inflow in investing activities | (1,455) | 1,031 |
| Financing activities: | | |
| Interest payments of term loans | (22,625) | (28,645) |
| Distribution to unitholders | (136,409) | (134,881) |
| Payments for units bought back | (10,765) | — |
| Cash used in financing activities | (169,799) | (163,526) |
| Net decrease in cash and cash equivalents | (3,166) | (24,435) |
| Cash and cash equivalents at beginning of the period | 351,788 | 387,084 |
| Cash and cash equivalents at end of period, represented by bank balances and cash | 348,622 | 362,649 |



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

1 GENERAL

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

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

2 BASIS OF PREPARATION

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

3 PRINCIPAL ACCOUNTING POLICIES

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

Other than additional in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standard (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

| | |
|---|--|
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform — Phase 2 |

Except as described below, the application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

3 PRINCIPAL ACCOUNTING POLICIES (Continued)

Impacts and accounting policies on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform — Phase 2”

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost. The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group's consolidated financial statements for the year ending 31 December 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

4 REVENUE

| | Six months ended 30 June | |
|---|--------------------------|-------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Gross rental from investment properties | | |
| Rental income | 178,111 | 184,449 |
| Car park income | 14,951 | 13,357 |
| | 193,062 | 197,806 |
| Rental related income | 31,327 | 30,925 |
| | 224,389 | 228,731 |

Note:

- (i) Car park income and rental related income (which mainly consists of management fee income and air conditioning income which are payable by the tenants) are recognised over time as income as time elapsed when the services and facilities are provided. The Group applied the practical expedient in HKFRS 15 by recognising revenue in the amount to which the Group has right to invoice an amount that corresponds directly with the value to customer of the entity's performance completed to date on a time basis. As permitted under HKFRS 15, the aggregate amount of the transaction price allocated to the unsatisfied contracts is not disclosed.
- (ii) For contracts that includes both lease and non-lease components (properties management services), the Group applies HKFRS 15 to allocate the consideration to separate lease and non-lease components on a relative stand-alone selling price basis.

Advance consideration allocated to the properties management services is recognised as a contract liability and is released over the period of services.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

5 SEGMENT INFORMATION

During the reporting period, Prosperity REIT invested in seven (2020: seven) office, commercial, industrial/office and industrial buildings located in Hong Kong, namely The Metropolis Tower, Prosperity Millennia Plaza, 9 Chong Yip Street, 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.

Six months ended 30 June 2021 (unaudited)

| | The Prosperity | | Prosperity | | | New Treasure | | Consolidated |
|--|------------------|-----------------|--------------------|------------------|---------------|-----------------------------|---------------------------|--------------|
| | Metropolis Tower | Millennia Plaza | 9 Chong Yip Street | Prosperity Place | Trendy Centre | Prosperity Center (portion) | Treasure Centre (portion) | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Rental income | 54,609 | 39,991 | 17,705 | 33,625 | 22,584 | 16,970 | 7,578 | 193,062 |
| Rental related income | 11,474 | 7,570 | 2,261 | 3,455 | 3,552 | 1,797 | 1,218 | 31,327 |
| Segment revenue in Hong Kong | 66,083 | 47,561 | 19,966 | 37,080 | 26,136 | 18,767 | 8,796 | 224,389 |
| Segment profit | 54,884 | 39,338 | 16,209 | 29,636 | 20,222 | 13,543 | 6,595 | 180,427 |
| Interest income | | | | | | | | 510 |
| Manager's fee | | | | | | | | (25,347) |
| Trust and other expenses | | | | | | | | (4,251) |
| Change in fair value of investment properties | | | | | | | | (195,965) |
| Finance costs | | | | | | | | (8,109) |
| Loss before taxation and transactions with unitholders | | | | | | | | (52,735) |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

5 SEGMENT INFORMATION (Continued)

Six months ended 30 June 2020 (unaudited)

| | The Metropolis Tower HK\$'000 | Prosperity Millennia Plaza HK\$'000 | 9 Chong Yip Street HK\$'000 | Prosperity Place HK\$'000 | Trendy Centre HK\$'000 | Prosperity Center (portion) HK\$'000 | New Treasure Centre (portion) HK\$'000 | Consolidated HK\$'000 |
|---|--|--|-----------------------------------|---------------------------------|------------------------------|---|--|--------------------------|
| Rental income | 57,286 | 41,011 | 17,629 | 33,828 | 22,465 | 17,978 | 7,609 | 197,806 |
| Rental related income | 12,013 | 7,881 | 2,382 | 1,820 | 3,933 | 1,771 | 1,125 | 30,925 |
| Segment revenue in Hong Kong | 69,299 | 48,892 | 20,011 | 35,648 | 26,398 | 19,749 | 8,734 | 228,731 |
| Segment profit | 57,008 | 40,782 | 15,589 | 26,311 | 19,946 | 14,956 | 6,498 | 181,090 |
| Interest income | | | | | | | | 3,470 |
| Manager's fee | | | | | | | | (27,070) |
| Trust and other expenses | | | | | | | | (4,288) |
| Change in fair value of investment properties | | | | | | | | (557,439) |
| Finance costs | | | | | | | | (112,858) |
| Loss before taxation and transactions with unitholders | | | | | | | | (517,095) |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

6 PROPERTY OPERATING EXPENSES

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2021 HK\$'000 (unaudited) | 2020 HK\$'000 (unaudited) |
| Building management expenses | 18,528 | 19,822 |
| Utilities | 2,571 | 2,624 |
| Car park operating expenses | 4,033 | 3,831 |
| Marketing service fee | 5,444 | 5,766 |
| Lease commission | 2,279 | 2,940 |
| Repairs and maintenance | 3,622 | 3,736 |
| Valuation fees (paid to principal valuer) | 96 | 107 |
| Audit fee | 644 | 644 |
| Other charges | 1,389 | 2,596 |
| | 38,606 | 42,066 |

7 TRUST AND OTHER EXPENSES

| | Six months ended 30 June | |
|---------------------------------------|---------------------------------|---------------------------------|
| | 2021 HK\$'000 (unaudited) | 2020 HK\$'000 (unaudited) |
| Audit fee | 96 | 119 |
| Bank charges | 710 | 714 |
| Legal and professional fees | 256 | 365 |
| Public relations and related expenses | 74 | 83 |
| Registrar fee | 300 | 300 |
| Trust administrative expenses | 1,310 | 1,066 |
| Trustee's fee | 1,505 | 1,641 |
| | 4,251 | 4,288 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

8 FINANCE COSTS

| | Six months ended 30 June | |
|--|--------------------------|-------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Interest expense on: | | |
| — bank borrowings | 15,849 | 35,206 |
| — Interest rate swaps expenses (income) realised | 10,740 | (2,576) |
| | 26,589 | 32,630 |
| Change in fair value of derivative financial instruments | (18,480) | 80,228 |
| | 8,109 | 112,858 |

9 TAXATION

| | Six months ended 30 June | |
|--------------|--------------------------|-------------|
| | 2021 | 2020 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Current tax | 15,411 | 14,531 |
| Deferred tax | 5,531 | 5,540 |
| | 20,942 | 20,071 |

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

Deferred tax is provided on temporary differences relating to accelerated tax depreciation and tax losses using the estimated tax rate.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

10 BASIC LOSS PER UNIT

The basic loss per unit is calculated by dividing the loss for the period, before transactions with unitholders of HK\$73,677,000 (2020: HK\$537,166,000) by the weighted average of 1,533,427,608 (2020: 1,512,713,129) units in issue during the period, taking into account the units issuable as manager's fee for its service in the last quarter of the relevant distribution period.

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

11 INVESTMENT PROPERTIES

| | 30 June 2021 HK\$'000 (unaudited) | 31 December 2020 HK\$'000 (audited) |
|--|--|--|
| Fair value at the beginning of the period/year | 10,147,000 | 11,126,000 |
| Additional expenditure | 1,965 | 3,856 |
| Change in fair value of investment properties | (195,965) | (982,856) |
| Fair value at end of the period/year | 9,953,000 | 10,147,000 |

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

The Group leases out various offices, commercial, industrial/office and industrial buildings and carparks under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 4 years. All leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain lessee's option to purchase the property at the end of lease term.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

11 INVESTMENT PROPERTIES (Continued)

(i) (Continued)

On 30 June 2021 and 31 December 2020, an independent valuation on the investment properties was undertaken by Jones Lang LaSalle Limited. The firm is an independent qualified external valuer not connected to the Group and has appropriate professional qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation of the properties, falls under level 3 of the fair value hierarchy, was arrived at using the income capitalisation method cross-checked with the direct comparison method. Income capitalisation method is based on the capitalisation of the current passing rental income and potential reversionary income over the remaining tenure of the investment properties from the date of valuation at appropriate investment yields to arrive at the capital value. Direct comparison method 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.

The adopted capitalisation rates in the valuation range from 3.7% to 4.3% (2020: 3.7% to 4.3%). The capitalisation rates is one of the key parameters in the income capitalisation method and they involve professional judgment in relation to the adjustments made by the independent qualified external valuer.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

12 TRADE AND OTHER RECEIVABLES

| | 30 June 2021 HK\$'000 (unaudited) | 31 December 2020 HK\$'000 (audited) |
|---|--|--|
| Trade receivables | 3,897 | 5,774 |
| Less: allowance for credit losses | (419) | (1,414) |
| | 3,478 | 4,360 |
| Deposits, prepayments and other receivables | 8,910 | 8,669 |
| | 12,388 | 13,029 |

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

| | 30 June 2021 HK\$'000 (unaudited) | 31 December 2020 HK\$'000 (audited) |
|-------------------|--|--|
| Current – 1 month | 101 | 153 |
| 2 – 3 months | 543 | 4,207 |
| Over 3 months | 2,834 | — |
| | 3,478 | 4,360 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

13 DERIVATIVE FINANCIAL INSTRUMENTS

| | 30 June 2021 HK\$'000 (unaudited) | 31 December 2020 HK\$'000 (audited) |
|---|--|--|
| Reflected on condensed consolidated statement of financial position based on discounted cash flow as: | | |
| Non-current liabilities | 25,724 | 46,001 |
| Current liabilities | 22,828 | 21,031 |
| | 48,552 | 67,032 |

The Group uses interest rate swaps 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.

Derivatives:

Contracts with total notional amount of HK\$1,640,000,000 (31 December 2020: HK\$1,640,000,000) as at 30 June 2021 will mature from September 2022 to September 2026 (31 December 2020: September 2022 to September 2026). These contracts have fixed interest payments at rates ranging from 1.254% to 1.918% (31 December 2020: 1.254% to 1.918%) per annum and have floating interest receipts at three months Hong Kong Inter-bank Offered Rate ("**HIBOR**") with HIBOR being repriced every three months.

The total increase in fair value of the derivative financial instruments amounting to HK\$18,480,000 is recognised in the profit or loss for the six months ended 30 June 2021 (six months ended 30 June 2020: decrease in fair value of HK\$80,228,000).

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

14 BORROWINGS

| | 30 June 2021 HK\$'000 (unaudited) | 31 December 2020 HK\$'000 (audited) |
|--|--|--|
| Unsecured term loans | 2,340,000 | 2,340,000 |
| Bank facility origination fees | (8,096) | (12,060) |
| | 2,331,904 | 2,327,940 |
| Carrying amount repayable: | | |
| Within one year | 799,559 | 798,271 |
| Within a period of more than one year but not exceeding five years | 1,532,345 | 1,529,669 |
| | 2,331,904 | 2,327,940 |
| Less: Amount due within one year shown under current liabilities | (799,559) | (798,271) |
| | 1,532,345 | 1,529,669 |

Details of the terms and conditions of the Group's facilities (including the unutilised facilities as stipulated in paragraph (ii) below) as at 30 June 2021 and 31 December 2020 are as follows:

- (i) HK\$1,540,000,000 unsecured term loan bears interest at floating interest rate of HIBOR+0.82% per annum and is repayable in full on 30 November 2022;
- (ii) HK\$430,000,000 unsecured revolving loan bears interest at floating interest rate of HIBOR+0.82% per annum and is repayable on demand; and
- (iii) HK\$800,000,000 unsecured term loan bears interest at floating interest rate of HIBOR+1.05% per annum and is repayable in full on 31 August 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

14 BORROWINGS (Continued)

Prosperity REIT has provided guarantees for all the facilities.

The bank facility origination fees consist of advisory fee and front-end fee with respect to the banking facilities and are included in measuring the borrowings at amortised cost. The bank facility origination fees are amortised over the respective loan periods and the movement is as follows:

| | 30 June 2021 HK\$'000 (unaudited) | 31 December 2020 HK\$'000 (audited) |
|---|--|--|
| Balance at beginning of the period/year | 12,060 | 20,073 |
| Amortised during the period/year | (3,964) | (8,013) |
| Balance at the end of the period/year | 8,096 | 12,060 |

Subsequent to the end of the reporting period, in order to refinance the HK\$800 Million Facility, Prosperity REIT's wholly-owned subsidiary entered into an unsecured sustainability-linked term loan facility agreement with DBS Bank Ltd., Hong Kong Branch on 19 July 2021 in an aggregate principal amount of HK\$800 million.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

15 TRADE AND OTHER PAYABLES

| | 30 June 2021 HK\$'000 (unaudited) | 31 December 2020 HK\$'000 (audited) |
|----------------------------|--|--|
| Trade payables | 1,727 | 1,960 |
| Tenants' deposits | | |
| — Outside parties | 137,310 | 137,077 |
| — Related parties | 727 | 3,596 |
| Rental received in advance | | |
| — Outside parties | 6,192 | 5,869 |
| Other payables | 42,992 | 39,183 |
| | 188,948 | 187,685 |

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

| | 30 June 2021 HK\$'000 (unaudited) | 31 December 2020 HK\$'000 (audited) |
|-------------------|--|--|
| Current – 1 month | 677 | 715 |
| 1 – 3 months | 508 | 607 |
| Over 3 months | 542 | 638 |
| | 1,727 | 1,960 |

Tenants' deposits represent the deposits refundable to tenants upon termination or cancellation of operating lease arrangements. The tenants' deposits are refundable to tenants within 45 days upon the termination of the tenancy agreement. The tenants' deposits to be settled after twelve months from the end of the reporting period based on the lease terms amounted to HK\$74,380,000 as at 30 June 2021 (31 December 2020: HK\$82,205,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

16 AMOUNTS DUE TO RELATED COMPANIES

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

17 UNITS IN ISSUE

| | Number of units | HK\$'000 |
|--|-----------------|-----------|
| Balance as at 1 January 2020 | 1,502,622,001 | 3,248,419 |
| Payment of Manager's base fee and variable fee through issuance of new units during the year | 21,446,033 | 53,175 |
| Balance as at 31 December 2020 | 1,524,068,034 | 3,301,594 |
| Payment of Manager's base fee and variable fee through issuance of new units during the period | 9,983,742 | 25,077 |
| Units bought back and cancelled | (3,692,000) | (10,765) |
| Balance as at 30 June 2021 | 1,530,359,776 | 3,315,906 |

Subsequent to the end of the reporting period, 4,108,092 units (31 December 2020: 5,220,577 units) at HK\$3.0015 (31 December 2020: HK\$2.4137) 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 period. The unitholders' fund per unit, based on the closing market price of Prosperity REIT as at 30 June 2021 was HK\$2.97 (31 December 2020: HK\$2.42).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

17 UNITS IN ISSUE (Continued)

Details of the units bought back were as follows:

| Month of bought back | Number of units bought back | Purchase price per unit | | Aggregate consideration paid HK\$'000 |
|----------------------|-----------------------------|-------------------------|--------|--|
| | | Highest | Lowest | |
| | | HK\$ | HK\$ | |
| 2021 | | | | |
| May | 684,000 | 2.75 | 2.73 | 1,875 |
| June | 4,702,000 | 3.00 | 2.86 | 13,906 |
| | 5,386,000 | | | 15,781 |
| Total expenses | | | | 65 |
| | | | | 15,846 |

Pursuant to the general mandate to buy back units granted by unitholders, the REIT Manager bought back a total of 5,386,000 units on behalf of Prosperity REIT on The Stock Exchange of Hong Kong Limited during the reporting period for an aggregate consideration of approximately HK\$15.8 million (excluding expenses). 3,692,000 units bought back were cancelled prior to the reporting period end and 1,694,000 units bought back were cancelled subsequent to the reporting period end on 14 July 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

18 NET ASSET VALUE PER UNIT ATTRIBUTABLE TO UNITHOLDERS

The net asset value per unit is calculated based on the net assets attributable to unitholders and the total number of 1,530,359,776 units in issue as at 30 June 2021 (31 December 2020: 1,524,068,034 units).

19 MAJOR NON-CASH TRANSACTION

During the period, the REIT Manager earned manager's fee of HK\$25,347,000 (2020: manager's fee of HK\$27,070,000) of which HK\$24,807,000 (2020: HK\$26,487,000) was paid or payable through the issuance of units to the REIT Manager. An amount of HK\$12,476,000 (2020: HK\$13,593,000) had been settled through the issuance of units to the REIT Manager while the balance of HK\$12,331,000 (31 December 2020: HK\$12,602,000) included in manager's fee payable would be paid in units subsequent to the period end.

20 NET CURRENT LIABILITIES

At the end of the reporting period, the Group's net current liabilities, defined as current assets less current liabilities, amounted to HK\$829,403,000 (31 December 2020: HK\$808,777,000).

21 TOTAL ASSETS LESS CURRENT LIABILITIES

At the end of the reporting period, the Group's total assets less current liabilities amounted to HK\$9,123,597,000 (31 December 2020: HK\$9,338,223,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

22 CONNECTED AND RELATED PARTY TRANSACTIONS

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

| | | Six months ended 30 June | |
|--|-------|--|---------------------------------|
| | Notes | 2021 HK\$'000 (unaudited) | 2020 HK\$'000 (unaudited) |
| Rent and rental related income from | | | |
| E-Park Parking Management Limited | (a) | 332 | 332 |
| Goodwell Property Management Limited | (a) | 1,049 | 1,012 |
| Gama Aviation (HK) Limited | (b) | — | 667 |
| Hutchison Telephone Company Limited | (b) | — | 95 |
| Hutchison Whampoa (China) Limited | (b) | — | 4,389 |
| Carpark lease agency fee for the operations of the Group's carpark | | | |
| E-Park Parking Management Limited | (a) | 1,645 | 1,470 |
| Property management fee | | | |
| Goodwell-Prosperity Property Services Limited | (a) | 5,356 | 5,575 |
| Marketing service fee | | | |
| Goodwell-Prosperity Property Services Limited | (a) | 5,444 | 5,766 |
| Lease commission and consultancy service fee | | | |
| Colliers | (c) | — | 128 |
| Valuation fee | | | |
| Colliers International (Hong Kong) Limited | (c) | — | 107 |
| Trustee's fee | | | |
| HSBC Institutional Trust Services (Asia) Limited | (d) | 1,505 | 1,641 |
| Manager's fee | | | |
| ARA Asset Management (Prosperity) Limited | (e) | 25,347 | 27,070 |
| Building manager's remuneration | | | |
| Goodwell Property Management Limited | (a) | 300 | 291 |
| Carpark manager's remuneration | | | |
| Goodwell Property Management Limited | (a) | 27 | 26 |
| Citybase Property Management Limited | (a) | 20 | 19 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

22 CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

Balances with connected and related parties are as follows:

| | Notes | 30 June 2021 HK\$'000 (unaudited) | 31 December 2020 HK\$'000 (audited) |
|--|-------|--|--|
| Amount due to | | | |
| Citybase Property Management Limited | (a) | 77 | 486 |
| E-Park Parking Management Limited | (a) | 858 | 259 |
| Goodwell-Prosperity Property Services Limited | (a) | 5,290 | 2,624 |
| Goodwell Property Management Limited | (a) | 3,752 | 3,611 |
| Deposits placed with the Group for the lease of the Group's properties | | | |
| E-Park Parking Management Limited | (a) | 176 | 175 |
| Goodwell Property Management Limited | (a) | 551 | 551 |
| Gama Aviation (HK) Limited | (b) | — | 354 |
| Hutchison Telephone Company Limited | (b) | — | 167 |
| Hutchison Whampoa (China) Limited | (b) | — | 2,349 |

Notes:

- (a) These companies are subsidiaries of CK Asset Holdings Limited ("**CK Asset**"), a substantial holder (defined in the REIT Code as a holder of 10% or more of the outstanding units) of Prosperity REIT.
- (b) These companies cease to be connected persons of Prosperity REIT in the reporting period due to the change of definition of connected persons in the REIT Code with effect from 4 December 2020.
- (c) Colliers include Colliers International (Hong Kong) Limited and Colliers International Agency Limited. Colliers International (Hong Kong) Limited was the principal valuer of investment properties up to 30 November 2020.

Principal valuer ceases to be a connected person of Prosperity REIT in the reporting period due to the change of definition of connected persons in the REIT code with effect from 4 December 2020.
- (d) HSBC Institutional Trust Services (Asia) Limited is the trustee of Prosperity REIT.
- (e) ARA Asset Management (Prosperity) Limited is the management company of Prosperity REIT.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

22 CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

Under the REIT Code, the deed of mutual covenant which binds the REIT Manager and all the owners of a development and their successors-in-title which include members of CK Asset group technically constitutes a contract between the Group and CK Asset group. Remuneration to the building managers, which are the wholly-owned subsidiaries of CK Asset, for the building management services provided constitutes a connected party transaction. During the reporting period, remuneration paid from the funds of the buildings, attributable to the properties owned by the Group, to the building managers amounted to HK\$347,000 (2020: HK\$336,000).

Performance Table

RESULTS ANALYSIS

| | Six months ended 30 June | |
|---|---------------------------------|---------------------------------|
| | 2021 HK\$'000 (unaudited) | 2020 HK\$'000 (unaudited) |
| Revenue | 224,389 | 228,731 |
| Net property income | 180,427 | 181,090 |
| Loss for the period, before transactions with unitholders | (73,677) | (537,166) |
| Income available for distribution | 138,110 | 136,513 |
| Basic loss per unit (HK\$) | (0.05) | (0.36) |
| Distribution per unit (HK\$) | 0.0901 | 0.0899 |

MAJOR ASSETS AND LIABILITIES

| | 30 June | 31 December |
|--|---------------------------------|-------------------------------|
| | 2021 HK\$'000 (unaudited) | 2020 HK\$'000 (audited) |
| Investment properties | 9,953,000 | 10,147,000 |
| Borrowings, excluding bank facility origination fees | (2,340,000) | (2,340,000) |
| Net assets attributable to unitholders | 7,339,950 | 7,542,506 |
| Net asset value per unit (HK\$) | 4.80 | 4.95 |



Performance Table

OTHER INFORMATION

| | 30 June 2021 | 31 December 2020 |
|--|-------------------------|---------------------|
| The highest traded price during the period/year (HK\$) | 3.02 | 3.07 |
| The discount of the highest traded price to net asset value | (37.1%) | (38.0%) |
| The lowest traded price during the period/year (HK\$) | 2.38 | 2.15 |
| The discount of the lowest traded price to net asset value | (50.4%) | (56.6%) |
| The net yield per unit based on market price at the end of period/year ¹ | 6.1% | 7.4% |

Note:

1. Annualised yield for the six months ended 30 June 2021 is based on the distribution per unit of HK\$0.0901 and the closing unit price of HK\$2.97 as at 30 June 2021. For the year ended 31 December 2020, the yield is based on the distribution per unit of HK\$0.1791 and the closing unit price of HK\$2.42 as at 31 December 2020.

Investment Properties Portfolio

As at 30 June 2021

| Property | Type | Lease term | Lease expiry date | Location | Valuation |
|-------------------------------|------|-------------------|-------------------|--|------------------------------|
| | | | | | 30 June 2021 HK\$ Million |
| The Metropolis Tower | O | Medium-term lease | 30 June 2047 | 10 Metropolis Drive Hung Hom Kowloon Hong Kong | 2,993 |
| Prosperity Millennia Plaza | O | Medium-term lease | 30 June 2047 | 663 King's Road North Point Hong Kong | 2,136 |
| 9 Chong Yip Street | O | Medium-term lease | 30 June 2047 | 9 Chong Yip Street Kwun Tong Kowloon Hong Kong | 1,003 |
| Prosperity Place | C | Medium-term lease | 30 June 2047 | 6 Shing Yip Street Kwun Tong Kowloon Hong Kong | 1,645 |
| Trendy Centre | I/O | Medium-term lease | 30 June 2047 | 682 Castle Peak Road Lai Chi Kok Kowloon Hong Kong | 1,024 |
| Prosperity Center (portion) | I/O | Medium-term lease | 30 June 2047 | 25 Chong Yip Street Kwun Tong Kowloon Hong Kong | 824 |
| New Treasure Centre (portion) | I | Medium-term lease | 30 June 2047 | 10 Ng Fong Street San Po Kong Kowloon Hong Kong | 328 |
| Total | | | | | 9,953 |

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



Corporate Information

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

Tricor Corporate Secretary Limited

TRUSTEE

HSBC Institutional Trust Services (Asia) Limited

AUDITOR OF PROSPERITY REIT

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

PRINCIPAL VALUER

Jones Lang LaSalle Limited

PRINCIPAL BANKERS

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

LEGAL ADVISER

Baker & McKenzie

REGISTERED OFFICE

Unit 901, Level 9, Fortune Metropolis
6 The Metropolis Drive, Hung Hom, Kowloon
Hong Kong

UNIT REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 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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WEBSITE

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KEY DATES

Interim Results Announcement
12 August 2021

Closure of Register of Unitholders
for interim distribution
30 August 2021 to
31 August 2021 (both days inclusive)

Payment of interim distribution
8 September 2021

*The interim report 2021 (in both English and Chinese versions) ("**Interim Report**") has been posted on Prosperity REIT's website at www.prosperityreit.com and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. Unitholders who have chosen (or are deemed to have consented) to receive Prosperity REIT's Corporate Communication (including but not limited to annual report, interim report, notice of meeting, listing documents, circular and proxy form) by electronic means through Prosperity REIT's website and who for any reason have difficulty in receiving or gaining access to the Interim Report posted on Prosperity REIT's website may request a printed copy of the Interim Report free of charge.*

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

本二零二一年中期報告(「**中期報告**」)中英文版本均已於泓富產業信託網站www.prosperityreit.com及香港交易及結算所有限公司網站www.hkexnews.hk登載。選擇(或被視為同意)透過泓富產業信託網站收取電子版本之企業通訊(包括但不限於年報、中期報告、會議通告、上市文件、通函及代表委任表格)之基金單位持有人，及因任何理由於收取或接收登載於泓富產業信託網站之中期報告時遇有困難之基金單位持有人，可要求免費索取中期報告之印刷本。

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

Portfolio Map

物業分佈圖



GRADE A OFFICE 甲級寫字樓



1
The Metropolis Tower
都會大廈

2
Prosperity Millennia Plaza
泓富產業千禧廣場

3
9 Chong Yip Street
創業街9號

COMMERCIAL 商用物業



4
Prosperity Place
泓富廣場

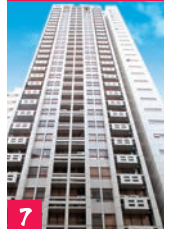
INDUSTRIAL / OFFICE 工商綜合物業



5
Trendy Centre
潮流工貿中心

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

INDUSTRIAL 工業物業



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



www.prosperityreit.com



Stock Code 股份代號 : 808

Manager 管理人



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

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



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