



Stock Code: 808



STABILITY FUELS ADVANCEMENT

Annual Report
2024

**THE
METROPOLIS
TOWER**



**PROSPERITY
MILLENNIA
PLAZA**



**9 CHONG YIP
STREET**



**PROSPERITY
PLACE**





TRENDY
CENTRE

A tall, modern skyscraper with a glass facade and a distinctive curved top, set against a bright yellow background.

PROSPERITY
CENTER
PROPERTY
(PORTION)

A tall, modern skyscraper with a glass facade and a distinctive curved top, set against a bright blue background.

NEW
TREASURE
CENTRE
PROPERTY
(PORTION)

A tall, modern skyscraper with a glass facade and a distinctive curved top, set against a bright blue background.

7 PROSPERITY REIT PORTFOLIO

TOTAL GROSS
RENTABLE AREA OF
ABOUT **1.28**
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 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 ESR Asset Management (Prosperity) Limited (the "REIT Manager").

ABOUT THE REIT MANAGER

ESR Asset Management (Prosperity) Limited, the REIT Manager of Prosperity REIT, is a wholly-owned subsidiary of ESR Group Limited ("ESR"). ESR is Asia-Pacific's leading New Economy real asset owner and manager. With a core focus in logistics real estate, data centres, and infrastructure, ESR powers the supply chain for investors, customers, and communities. Through its fully integrated real asset fund management and development platform, ESR strives to create value and growth opportunities for its global portfolio of investors.

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

OUR MISSION

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



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Chairman's Statement

Dear Unitholders,

On behalf of the Board of Directors (the “Board”) of ESR Asset Management (Prosperity) Limited, the manager of Prosperity Real Estate Investment Trust (“Prosperity REIT”), I would like to present the annual report of Prosperity REIT for the financial year ended 31 December 2024 (the “Reporting Year”).

RESULTS AND DISTRIBUTION

Despite the challenging business environment in Hong Kong, Prosperity REIT delivered stable revenue of \$425.4 million and net property income of \$323.3 million for the Reporting Year. Distributable income and distribution per unit (“DPU”) declined mainly due to the rise in finance costs, given that Hong Kong Interbank Offered Rate (“HIBOR”) stayed above 4% for most of the year. Property valuation decreased slightly by 1.6% year-on-year (“YoY”) to HK\$9,547 million.

Our Unitholders will receive a DPU of HK\$0.0560 for the second half of the year, representing a total DPU of HK\$0.1198 for the full year ended 31 December 2024.

MARKET REVIEW

During the year, global economies continued to contend with high interest rates, geopolitical tensions and trade conflicts.

In US, the Fed lowered rates by a cumulative 100bps to the range of 4.25%–4.50% but signalled that there will be fewer cuts ahead. Inflation has mostly receded. GDP grew by 2.8% in 2024.

The Mainland recorded an annual economic growth of 5.0%. A series of fiscal and monetary stimulus measures were launched to stabilize property market, boost consumption and restore market sentiment.

Hong Kong economy expanded by 2.5% annually, supported by a recovery in exports and rebound in tourist visits. However, economic recovery is hindered by the uncertain external environment, heightened finance cost, change in consumer behaviour and tepid property market.

Chairman's Statement

OPERATIONS REVIEW

Hong Kong office market continued to be under pressure due to subdued leasing demand and surge in supply of vacant office space. Corporates remain cautious amid prevailing economic uncertainties.

The relentless drive to upgrade our buildings with more green and energy-efficient facilities raises the marketing competitiveness. Leveraging on the geographic proximity to key public transport links and the diversified mix of property types, Prosperity REIT recorded a solid overall occupancy rate of 94.2%.

SUSTAINABILITY

In 2024, we completed a strategic review of our sustainability roadmap through 2030 and committed to Science Based Targets initiative ("SBTi") near-term and net-zero emissions reduction targets. As the first Hong Kong REIT to achieve 100% sustainability-linked financing, we have taken a step further by securing the first Green and Transition Loan in Hong Kong's real estate industry.

Our whole portfolio is green-certified, with Prosperity Place being the second building in our portfolio, following The Metropolis Tower, to attain the highest "Platinum" rating under the BEAM Plus Comprehensive Scheme. Additionally, we have achieved the highest 5-Star rating in the 2024 Global Real Estate Sustainability Benchmark ("GRESB") assessment for the third consecutive year and garnered two prestigious awards at the HKQAA Hong Kong Green and Sustainable Finance Awards 2024.

PROSPECTS

The International Monetary Fund has projected steady global economic growth of 3.3% in 2025. Meanwhile, Hong Kong's 2025 GDP is expected to grow in the range of 2.0% to 3.0%. Although the Mainland's supportive measures will help Hong Kong's economy, the escalation of tariffs under the US government casts uncertainty. While the Fed has commenced its rate cut cycle, interest rates could stay high for longer.

Despite the ongoing challenges, Prosperity REIT is well-positioned to capitalize on its unique portfolio strategically located along Tuen Ma Line, with our flagship asset, The Metropolis Tower, adjacent to Hung Hom interchange station. We will maintain flexible leasing strategies to cope with different market conditions.

Chairman's Statement

ACKNOWLEDGEMENTS

I would like to express my heartfelt gratitude to our staff, tenants, service providers and business partners, all of whom have been instrumental in helping us build resilience and navigate through uncertain times.

I am especially thankful to my fellow Board members and the management team for their unwavering commitment and exceptional contributions.

Finally, I would like to extend my deepest appreciation to all our Unitholders. Your steadfast support and trust in Prosperity REIT are vital.

Dr. Chiu Kwok Hung, Justin

Chairman

ESR Asset Management (Prosperity) Limited

as manager of Prosperity REIT

Hong Kong, 21 March 2025





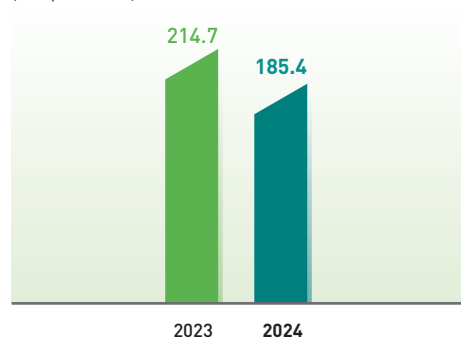
Performance Highlights & Trust Review



Performance Highlights in 2024

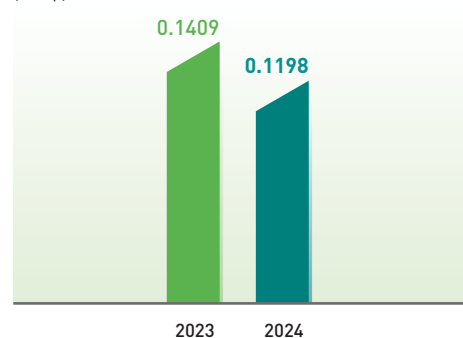
Income available for distribution¹

(HK\$ million)



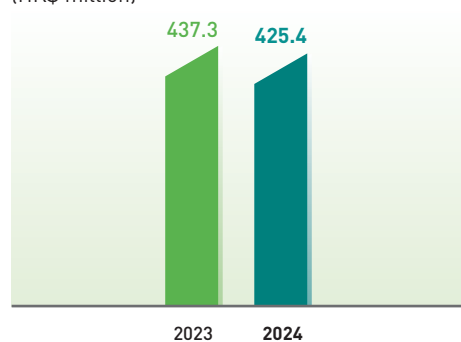
Distribution per unit ("DPU")¹

(HK\$)



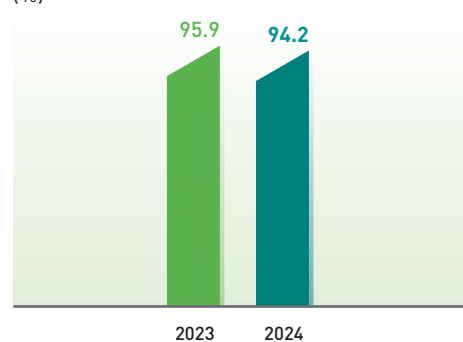
Revenue¹

(HK\$ million)



Occupancy rate (as at 31 Dec)

(%)



Notes:

1. For the year ended 31 December
2. Absolute change

Trust Review

DIVERSIFIED PROPERTY PORTFOLIO

As at 31 December 2024, Prosperity REIT had a diversified portfolio comprising seven high-quality properties in the decentralized business districts of Hong Kong. The portfolio comprised all, or a portion of, three Grade A office buildings, one commercial building, two industrial/office buildings and one industrial building, with total gross rentable area of about 1.28 million sq. ft.. All properties in Prosperity REIT's portfolio are well served by multiple transportation networks.

These seven properties were completed during the period from 1995 to 2004. As at 31 December 2024, the appraised value of the portfolio was HK\$9,547 million. Grade A office buildings, commercial building, industrial/office buildings and industrial building accounted for 58.0%, 17.8%, 20.5% and 3.7% of the total appraised value respectively.

	Valuation HK\$ million as at 31 December 2024	Valuation HK\$ million as at 31 December 2023	Percentage change Increase/(Decrease)
Grade A Office			
The Metropolis Tower	2,622	2,701	(2.9%)
Prosperity Millennia Plaza	1,996	2,055	(2.9%)
9 Chong Yip Street	917	940	(2.4%)
Commercial			
Prosperity Place	1,700	1,698	0.1%
Industrial/Office			
Trendy Centre	1,105	1,106	(0.1%)
Prosperity Center (portion)	851	850	0.1%
Industrial			
New Treasure Centre (portion)	356	353	0.8%
Total	9,547	9,703	(1.6%)

EFFECTIVE LEASE MANAGEMENT

As a result of proactive tenant recruitment efforts by the REIT Manager, the portfolio's occupancy rate was maintained stable at 94.2% as at 31 December 2024. The portfolio's average effective unit rent decreased by 2.0% year-on-year ("YoY") to HK\$21.76 per sq. ft., with a rental reversion rate of -6.4% for the leases renewed in 2024.

As at 31 December 2024, leases expiring on 31 December 2024 & 2025 accounted for 45.3% of the portfolio's gross rental income. Proactive leasing strategies will be continued in 2025 to deliver stable distribution to unitholders.

Trust Review

LEASE EXPIRY PROFILE BY GROSS RENTAL INCOME (AS AT 31 DECEMBER 2024)

	31 December 2024 & 2025	2026	2027 and Beyond
The Metropolis Tower	35.3%	38.9%	25.8%
Prosperity Millennia Plaza	36.5%	35.6%	27.9%
9 Chong Yip Street	52.2%	37.7%	10.1%
Prosperity Place	50.2%	38.2%	11.6%
Trendy Centre	60.2%	30.6%	9.2%
Prosperity Center (portion)	62.5%	17.9%	19.6%
New Treasure Centre (portion)	39.2%	44.8%	16.0%
Portfolio	45.3%	35.4%	19.3%

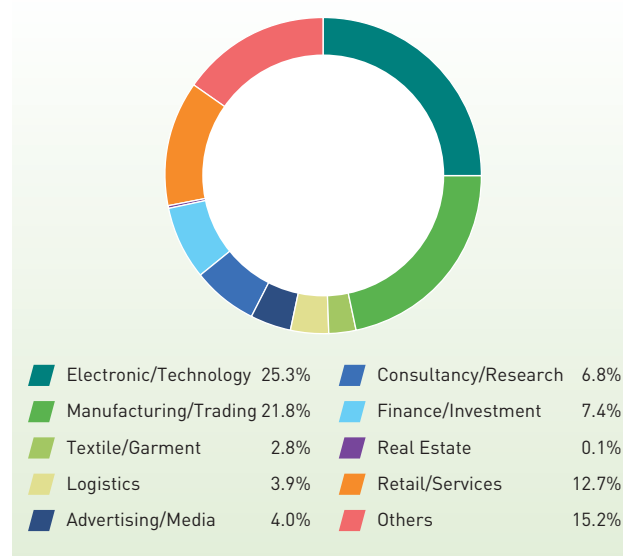
WELL-BALANCED TENANT MIX

As at 31 December 2024, Prosperity REIT had a total of 649 tenancies. Most of these tenants were from business sectors such as electronic, technology, manufacturing, trading, as well as services trade. 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.

Approximately 55.0% (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 with credible financial standing to ensure a stable stream of rental income.

Trade Mix by Gross Rentable Area

(as at 31 December 2024)



Size of Tenant Premises on Gross Rentable Area (as at 31 December 2024)

	Percentage
Above 10,000 sq.ft.	8.2%
5,001 sq.ft.–10,000 sq.ft.	19.2%
2,001 sq.ft.–5,000 sq.ft.	27.6%
1,001 sq.ft.–2,000 sq.ft.	29.4%
1,000 sq.ft. and below	15.6%
Total	100.0%

Trust Review

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

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 have been carried out at The Metropolis Tower and Prosperity Millennia Plaza.



Renovation of passenger lift lobby and corridor on typical floor



THE METROPOLIS TOWER

The renovation of passenger lift lobby and corridor on typical floors at The Metropolis Tower has been completed. This facelifting has incorporated prestigious design which created a warm and hospitable indoor environment for our tenants. Moreover, there are a total of 3 chiller sets in the building. After the replacement of 1 chiller set in 2023, we continue to replace another set with energy-efficient model in 2024 and achieved notable energy cost savings. Considering higher maintenance costs for the remaining aging chiller set and the upcoming increment of electricity tariff, we shall further replace the last set of chiller in 2025 in order to upkeep a reliable and efficient air-conditioning provision.



Replacement of chiller

Trust Review

PROSPERITY MILLENNIA PLAZA

The renovation of passenger lift lobby and corridor on typical floors at Prosperity Millennia Plaza has been continued. This facelifting has brought the environment of the common areas in line with the G/F lobby design and to stay competitive with the high standard new office buildings in close vicinity.



OUTLOOK

Since its listing on 16 December 2005 (the “Listing Date”), Prosperity REIT has met challenges posed by various economic uncertainties, and has achieved resilient 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 2025.

Portfolio Map



GRADE A OFFICE



1
The Metropolis Tower



2
Prosperity Millennium Plaza



3
9 Chong Yip Street

COMMERCIAL



4
Prosperity Place

INDUSTRIAL / OFFICE



5
Trendy Centre



6
Prosperity Center Property (portion)

INDUSTRIAL



7
New Treasure Centre Property (portion)



Prosperity REIT Portfolio



Prosperity REIT Portfolio

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) : 2,622

Number of Tenancies : 117



THE METROPOLIS TOWER

TOP 5 TENANTS¹

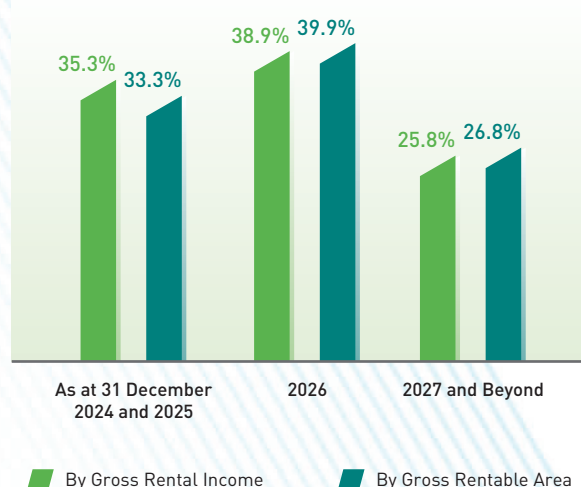
Tenants	Trade	GRA* (sq. ft.)	% of GRA*	% of GRI**
Sumitomo Mitsui Banking Corporation	Finance/Investment	18,161	6.7%	6.7%
Hutchison Whampoa (China) Limited	Others	18,161	6.7%	6.5%
NEC Hong Kong Limited	Electronic/Technology	18,161	6.7%	6.5%
Hong Kong Taiyo Yuden Company Limited	Electronic/Technology	7,768	2.9%	3.3%
Nintendo (Hong Kong) Limited	Manufacturing/Trading	8,352	3.1%	3.1%

* Gross rentable area

** Gross rental income

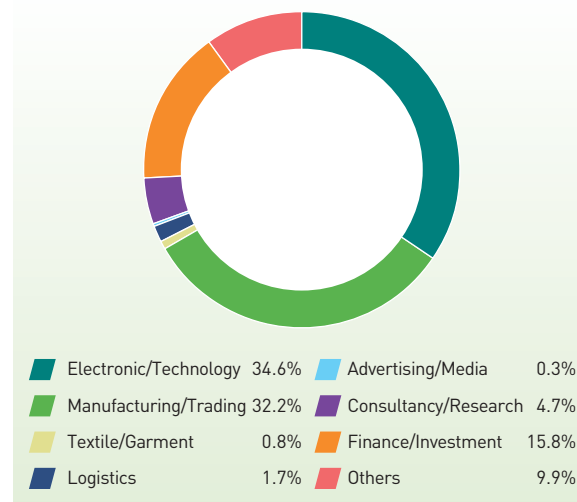
Lease Expiry Profile

(as at 31 December 2024)



Trade Mix by Gross Rentable Area

(as at 31 December 2024)



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 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 has a competitive advantage from the full opening of Tuen Ma Line, as well as the cross-harbour section of East Rail Line from Hung Hom to Admiralty.

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.

The building main lobby enjoys a 180 degree wide glass frontage with heat insulation and auto lighting sensors.

To provide a human-centric and green environment, apart from the green wall in main lobby, a rooftop urban farm is set up. Solar panels and energy-efficient chiller plant are installed at The Metropolis Tower.

The Metropolis Tower has attained the highest level "Platinum" award under BEAM Plus Comprehensive Scheme.

As at 31 December 2024, the occupancy rate of the property was 99.3%.

¹ Top 5 tenants are measured based on tenant's contribution to the rental income of the property in December 2024

Prosperity REIT Portfolio

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) : 1,996

Number of Tenancies : 82



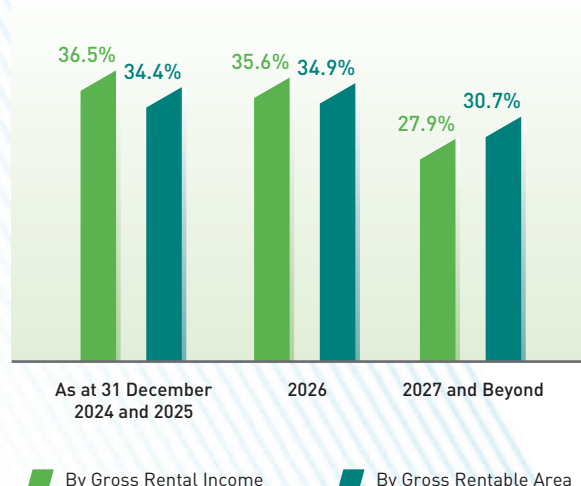
PROSPERITY MILLENNIA PLAZA

TOP 5 TENANTS

Tenants	Trade	GRA (sq. ft.)	% of GRA	% of GRI
JDB Holdings Limited	Consultancy/Research	8,867	4.1%	5.5%
iClick Interactive Asia Limited and other	Advertising/Media	7,818	3.6%	4.7%
Openrice Limited	Electronic/Technology	8,314	3.8%	4.5%
Hakuhodo Hong Kong Limited	Advertising/Media	8,314	3.8%	4.5%
Excel Technology International (HK) Limited	Electronic/Technology	7,861	3.6%	4.4%

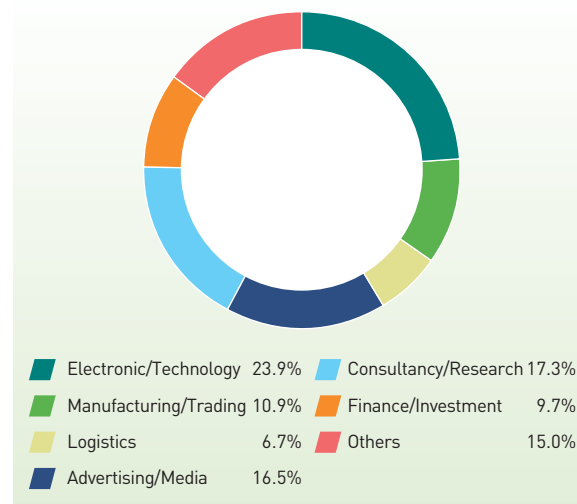
Lease Expiry Profile

(as at 31 December 2024)



Trade Mix by Gross Rentable Area

(as at 31 December 2024)



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 being an upscale business district, features a blend of premium office properties and sophisticated retail outlets. There is an increasing number of international tenants who have moved 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.

Prosperity Millennium Plaza has been awarded the highest level of WELL Certification — Platinum by the International WELL Building Institute and BEAM Plus (Energy Use) — Excellent.

These accreditations are testament to our sustainability efforts being recognized, including smart building management system for indoor air quality, lighting, thermal comfort and energy consumption monitoring. Also, the entire chiller system has been replaced with energy efficient model.

As at 31 December 2024, the occupancy rate of the property was 88.9%.

Prosperity REIT Portfolio

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) : 917

Number of Tenancies : 42



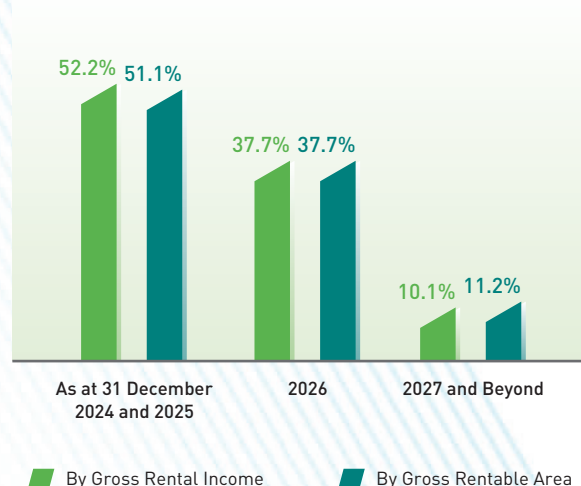
9 CHONG YIP STREET

TOP 5 TENANTS

Tenants	Trade	GRA (sq. ft.)	% of GRA	% of GRI
Motive Force Technology Limited	Electronic/Technology	7,679	5.6%	5.9%
Televoice Technology Asia Limited	Electronic/Technology	6,580	4.8%	5.5%
Atze Project Consulting Company Limited	Consultancy/Research	6,580	4.8%	5.4%
The Financial Secretary Incorporated	Others	6,580	4.8%	5.3%
Plan International Hong Kong Limited	Others	6,580	4.8%	5.1%

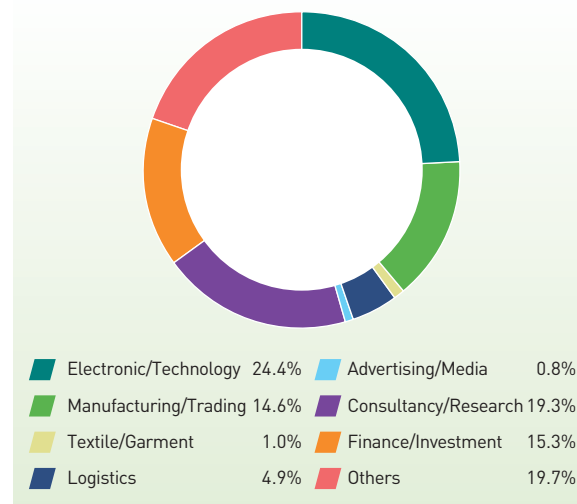
Lease Expiry Profile

(as at 31 December 2024)



Trade Mix by Gross Rentable Area

(as at 31 December 2024)



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 Kai Tak Development, Kwun Tong Town Centre Renewal Projects and transportation infrastructure being Tuen Ma Line, Kowloon East is poised to further leverage on and benefit from these 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 on environmental protections, green facilities have become one of the main features in commercial properties. In 9 Chong Yip Street, solar panels have been installed, providing tenants with a more sustainable working environment and environmentally friendly workplace. The building is equipped with 5G communication to get in-line with the latest design of office buildings in the vicinity.

As at 31 December 2024, the occupancy rate of the property was 98.0%.

Prosperity REIT Portfolio

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) : 1,700

Number of Tenancies : 127



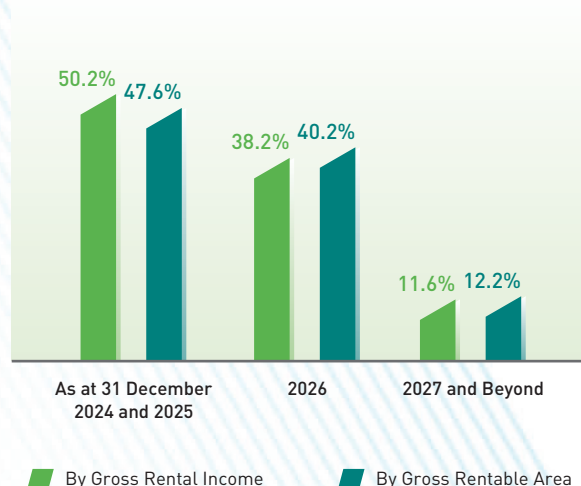
PROSPERITY PLACE

TOP 5 TENANTS

Tenants	Trade	GRA (sq. ft.)	% of GRA	% of GRI
I Dance Enterprise Limited	Retail/Services	10,000	4.2%	4.3%
Evlite Electronics Company Limited	Electronic/Technology	10,000	4.2%	3.7%
Integrated Silicon Solution Inc (Hong Kong) Limited	Electronic/Technology	7,316	3.0%	3.6%
Boldyn Networks HK Limited	Electronic/Technology	8,179	3.4%	3.5%
Gain Long Group Limited	Retail/Services	5,402	2.3%	3.2%

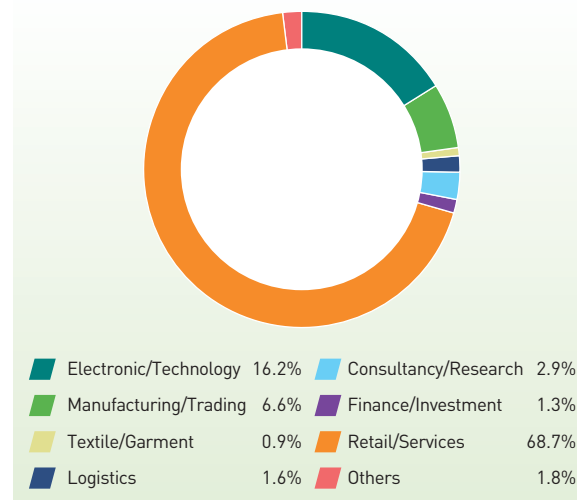
Lease Expiry Profile

(as at 31 December 2024)



Trade Mix by Gross Rentable Area

(as at 31 December 2024)



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.

New Grade A office buildings were newly developed in the district in the past few years. Kowloon East has seen significant urban improvements on a number of fronts, including prominent architecture and modern shopping malls, along with leisure and public spaces. With the Kai Tak Development and Kwun Tong Town Centre Renewal Projects, the district is undergoing significant change along with an uplift of transport network. More 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 to commercial use at the end of 2012, we have fostered a commercial atmosphere, widened our tenant base and continuously recruited retail and service trade tenants to the property.

Recognizing the importance of sustainable development, we have installed solar panels and a rainwater collection system, and also set up an aesthetically pleasing green wall and a rooftop urban farm at Prosperity Place to groom an environmentally friendly ecosystem. The building is equipped with 5G communication to keep up with the high office standard in the vicinity.

Prosperity Place has attained the highest level "Platinum" award under BEAM Plus Comprehensive Scheme.

As at 31 December 2024, the occupancy rate of the property was 92.7%.

Prosperity REIT Portfolio

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) : 1,105

Number of Tenancies : 153



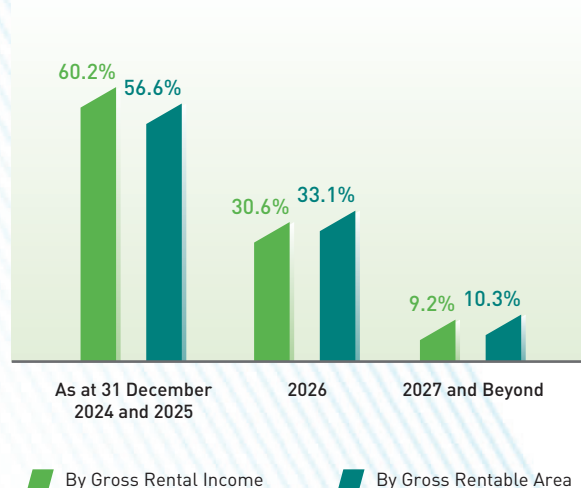
TRENDY CENTRE

TOP 5 TENANTS

Tenants	Trade	GRA (sq. ft.)	% of GRA	% of GRI
The Financial Secretary Incorporated	Others	8,761	5.0%	5.1%
Lush Asia Limited	Manufacturing/Trading	1,718	1.0%	4.2%
Madrid Group Limited	Others	708	0.4%	3.1%
Health Gene Limited and other	Others	3,268	1.9%	2.2%
Lisat Limited	Textile/Garment	3,118	1.8%	2.1%

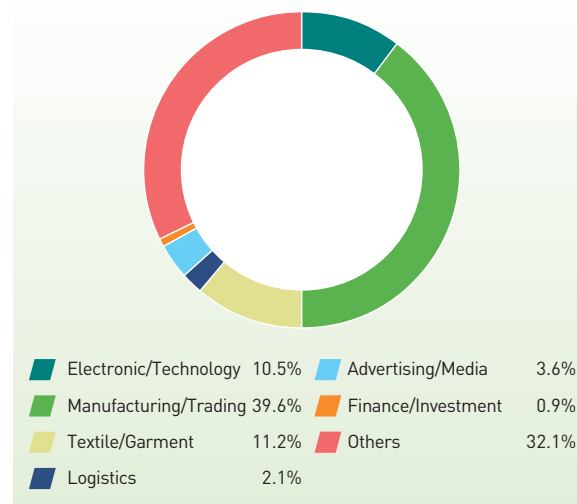
Lease Expiry Profile

(as at 31 December 2024)



Trade Mix by Gross Rentable Area

(as at 31 December 2024)



Located on Castle Peak Road, Trendy Centre is just a five-minute walk from the Lai Chi Kok MTR station, and sits at the heart of the bustling Kowloon West commercial hub. The building is conveniently close to major transportation routes, including the Route 3 expressway, which connects to Central and the Northern Metropolis, and the Route 8 expressway, which links to the Hong Kong-Zhuhai-Macao Bridge and Hong Kong International Airport. This provides seamless access to the vibrant Greater Bay Area and other key business districts in Hong Kong.

Trendy Centre features passenger and cargo lifts, ample parking spaces, and a variety of ground-floor food and beverage outlets. These amenities create a vibrant and efficient working environment, making it an ideal choice for enterprises seeking a dynamic and well-connected working space in Hong Kong. Additionally, the property is equipped with solar panels and a rainwater collection system to promote environmental sustainability.

As at 31 December 2024, the occupancy rate of the property was 88.0%.

Prosperity REIT Portfolio

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) : 851

Number of Tenancies : 75



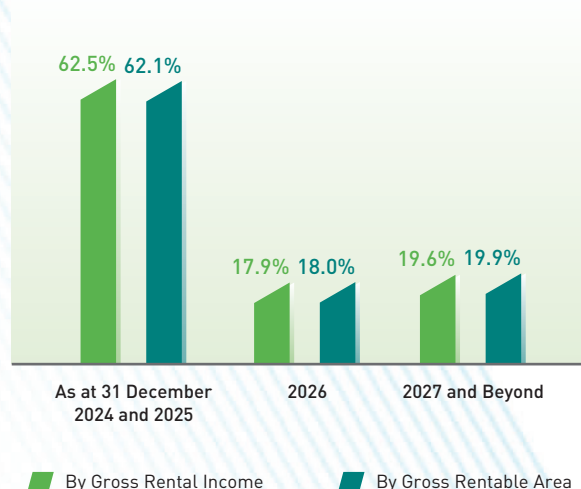
**PROSPERITY CENTER
PROPERTY**
(Portion)

TOP 5 TENANTS

Tenants	Trade	GRA (sq. ft.)	% of GRA	% of GRI
Senko Advanced Components (Hong Kong) Limited	Electronic/Technology	11,733	7.9%	7.7%
Edvance Technology (Hong Kong) Limited	Electronic/Technology	10,528	7.1%	7.5%
OpSec Delta (HK) Limited	Others	10,528	7.1%	7.3%
Taiseimusen (H.K.) Company Limited	Manufacturing/Trading	3,714	2.5%	2.7%
Jihengfeng Trading Co., Limited	Manufacturing/Trading	3,371	2.3%	2.5%

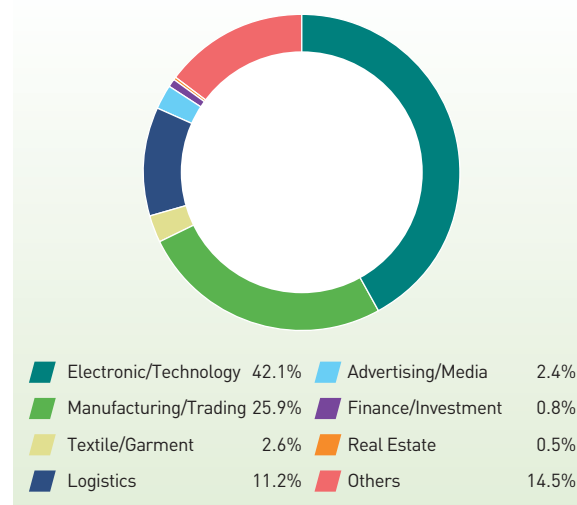
Lease Expiry Profile

(as at 31 December 2024)



Trade Mix by Gross Rentable Area

(as at 31 December 2024)



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. The building is equipped with 5G communication.

As at 31 December 2024, the occupancy rate of the property was 96.6%.

Prosperity REIT Portfolio

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) : 356

Number of Tenancies : 53



**NEW TREASURE
CENTRE PROPERTY**
(Portion)

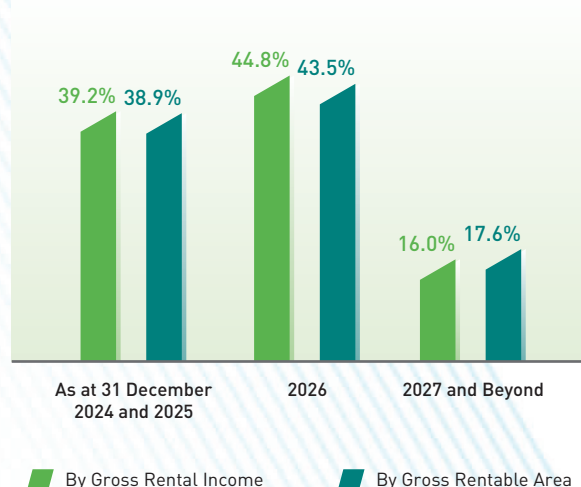
TOP 5 TENANTS

Tenants	Trade	GRA (sq. ft.)	% of GRA	% of GRI
Goodwell Property Management Limited*	Others	12,404	14.4%	12.9%
Reich Pharm Limited	Others	6,522	7.6%	7.5%
Realtech Semiconductor Technology Limited	Electronic/Technology	3,505	4.1%	4.2%
Esco Technologies (Hong Kong) Limited	Manufacturing/Trading	2,496	2.9%	3.4%
Menkin Industrial (China) Limited	Manufacturing/Trading	2,496	2.9%	2.9%

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

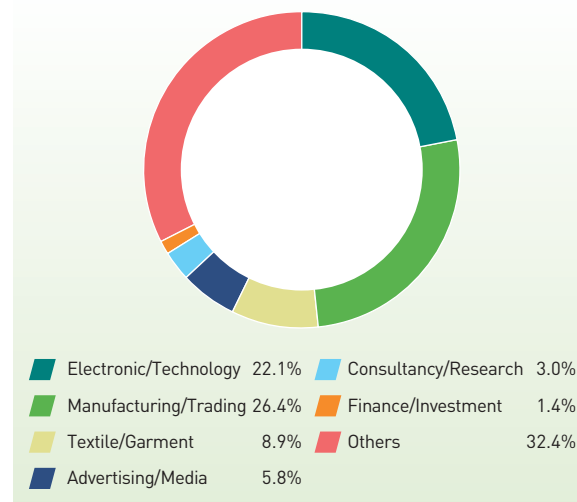
Lease Expiry Profile

(as at 31 December 2024)



Trade Mix by Gross Rentable Area

(as at 31 December 2024)



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 building has solid industrial building features including 7.5 kPa floor loading, split-type air conditioning systems for every unit, sub-divisible floor plates, high load capacity 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 2024, the occupancy rate of the property was 98.5%.



Management Discussion and Analysis



Management Discussion and Analysis

PERFORMANCE HIGHLIGHTS

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

	Year ended 31 December 2024	Year ended 31 December 2023	Percentage change Increase/(Decrease)
Income available for distribution	HK\$185.4 million	HK\$214.7 million	(13.6%)
Distribution per unit	HK\$0.1198	HK\$0.1409	(15.0%)
Operation data	Year ended 31 December 2024	Year ended 31 December 2023	Percentage change Increase/(Decrease)
Revenue	HK\$425.4 million	HK\$437.3 million	(2.7%)
Net property income	HK\$323.3 million	HK\$336.4 million	(3.9%)
Occupancy rate (as at 31 December)	94.2%	95.9%	(1.7%) ²
Tenant retention rate	71.8%	73.1%	(1.3%) ²
Cost-to-revenue ratio	24.0%	23.1%	0.9% ²
Key financial figures	As at 31 December 2024	As at 31 December 2023	Percentage change Increase/(Decrease)
Net asset value per unit	HK\$4.31	HK\$4.56	(5.5%)
Property valuation	HK\$9,547 million	HK\$9,703 million	(1.6%)
Gearing ratio ¹	25.1%	24.2%	0.9% 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.

Management Discussion and Analysis

OPERATIONS REVIEW

As at 31 December 2024, 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 31 December 2024, 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 31 December 2024, 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	2,622	99.3%
Prosperity Millennia Plaza	North Point	217,955	43	1,996	88.9%
9 Chong Yip Street	Kwun Tong	136,595	68	917	98.0%
Commercial					
Prosperity Place	Kwun Tong	240,000	83	1,700	92.7%
Industrial/Office					
Trendy Centre	Lai Chi Kok	173,764	79	1,105	88.0%
Prosperity Center (portion)	Kwun Tong	149,253	105	851	96.6%
Industrial					
New Treasure Centre (portion)	San Po Kong	86,168	22	356	98.5%
Total		1,275,153	498	9,547	94.2%

With the REIT Manager's professional management expertise, Prosperity REIT was able to attain a stable occupancy rate of 94.2% as at 31 December 2024, reflecting the effectiveness of the leasing strategies deployed. With efficient streamlining of operations, the cost-to-revenue ratio was maintained at a steady level of 24.0%.

Management Discussion and Analysis

INVESTMENT REVIEW

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

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 HK\$'000	Rental related income HK\$'000	Revenue HK\$'000	Net property income HK\$'000
Grade A Office				
The Metropolis Tower	91,276	30,231	121,507	94,387
Prosperity Millennia Plaza	63,956	17,120	81,076	61,793
9 Chong Yip Street	33,007	5,495	38,502	29,256
Commercial				
Prosperity Place	64,484	10,177	74,661	56,713
Industrial/Office				
Trendy Centre	43,955	7,865	51,820	38,081
Prosperity Center (portion)	34,931	4,430	39,361	29,507
Industrial				
New Treasure Centre (portion)	15,837	2,604	18,441	13,570
Total	347,446	77,922	425,368	323,307

Management Discussion and Analysis

Revenue

During the Reporting Year, revenue decreased to HK\$425.4 million, being HK\$11.9 million or 2.7% lower than that of 2023. The decrease was mainly due to the pressure from the vacancy and rental levels at Prosperity Millennia Plaza and Trendy Centre. Part of the negative impact was mitigated by the increase in rental related income, as well as improved occupancy in The Metropolis Tower, and positive rental reversion registered in certain properties.

Net Property Income

For the Reporting Year, net property income was HK\$323.3 million, being HK\$13.1 million or 3.9% lower than that of 2023 as a result of the decrease in revenue. The cost-to-revenue ratio was 24.0%.

Distributable Income

The annual distributable income of Prosperity REIT to unitholders for the Reporting Year, amounted to HK\$185.4 million, representing a total DPU of HK\$0.1198. The distributable income for the Reporting Year is calculated by the REIT Manager representing the consolidated profit or loss 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\$9.1 million (equivalent to HK\$0.0059 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 2024. 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 2024 to 31 December 2024 is HK\$87.2 million, equivalent to a DPU of HK\$0.0560. The interim DPU from 1 January 2024 to 30 June 2024 paid on 16 September 2024 was HK\$0.0638. The total DPU for the Reporting Year is HK\$0.1198, which represents a distribution yield of 9.7%³. The total DPU decreased by 15.0% year-on-year.

The distribution for the half year from 1 July 2024 to 31 December 2024 will be paid on 23 April 2025 (Wednesday).

Liquidity and Financing

As at 31 December 2024, Prosperity REIT had facilities in aggregate of HK\$2,830 million, comprising:

- (i) A HK\$800 million 5-year unsecured sustainability-linked term loan, which will mature in August 2026 (the "HK\$800 Million Facility");
- (ii) A HK\$1,970 million unsecured sustainability-linked loan (the "HK\$1,970 Million Facilities"), comprising of (a) HK\$1,200 million 3-year term loan facility and revolving credit facility and (b) HK\$770 million 5-year term loan facility and revolving credit facility, which will mature in November 2025 and November 2027 respectively; and
- (iii) A HK\$60 million unsecured Green and Transition Loan (the "HK\$60 Million Green and Transition Loan"), which will mature in September 2029;

As at 31 December 2024, total facilities drawn was HK\$2,400 million and the revolving credit facilities of HK\$20 million were drawn. Total facilities bear interest at Hong Kong Interbank Offered Rate ("HIBOR") plus a margin ranging from 1.04% to 1.35% (31 December 2023: HIBOR plus a margin ranging from 1.04% to 1.28%) per annum. Interest margins for (i) and (ii) above are linked to the sustainability performance of Prosperity REIT, which may be reduced depending on the extent of pre-determined key performance indicators being met.

As all facilities bear interests at a variable rate, Prosperity REIT has entered into interest rate swap to mitigate the impact of interest rate fluctuations. As at 31 December 2024, the interest costs for approximately 39% (31 December 2023: 55%) of Prosperity REIT's outstanding term loans have been hedged through interest rate swaps.

The total borrowings of Prosperity REIT, excluding the bank facilities origination fees, as a percentage of Prosperity REIT's total assets was 25.1% as at 31 December 2024 (31 December 2023: 24.2%), whereas the total liabilities of Prosperity REIT as a percentage of Prosperity REIT's total assets was 30.7% as at 31 December 2024 (31 December 2023: 29.8%).

³ Based on Prosperity REIT's closing unit price of HK\$1.24 as at 31 December 2024.

Management Discussion and Analysis

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 loss of HK\$177.9 million, based on a professional valuation performed by an independent qualified external valuer, Knight Frank Petty Limited. The movements of fair values are tabulated below:

	31 December 2024 HK\$'000	31 December 2023 HK\$'000
Fair value at the beginning of the year	9,703,000	9,801,000
Additional expenditure	21,858	22,951
Change in fair value of investment properties	(177,858)	(120,951)
Fair value at the end of the year	9,547,000	9,703,000

Charges on Assets

As at 31 December 2024, 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, the HK\$800 Million Facility and the HK\$60 Million Green and Transition Loan.

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 9 April 2025 (Wednesday) to 10 April 2025 (Thursday), 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 Rooms 1712-16, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 8 April 2025 (Tuesday). The payment date of the final distribution will be on 23 April 2025 (Wednesday).

Management Discussion and Analysis

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\$4,714,000. The commission paid to the top five real estate agents, summarized as follows, was HK\$2,404,000 and accounted for 51.0% of the total commission paid:

Real Estate Agents	Nature of Services	Commission Paid HK\$'000	Percentage of Total Commission Paid
Centaline Property Agency Limited	Leasing	765	16.2%
Savills (HK) Limited	Leasing	603	12.8%
Midland Realty	Leasing	470	10.0%
Realplus Property Company Limited	Leasing	349	7.4%
Flourish Property Agency (C.I.) Limited	Leasing	217	4.6%
		2,404	51.0%

Top Five Contractors

The total value of service contracts of contractors engaged by Prosperity REIT during the Reporting Year was HK\$72,634,000. The value of contracts of the top five contractors, summarized as follows, was HK\$66,212,000 and accounted for 91.2% of the total value of contracts:

Contractors	Nature of Services	Value of Contract HK\$'000	Percentage of Total Value of Contracts
Goodwell Property Management Limited	Building management	45,882	63.2%
Goodwell-Prosperity Property Services Limited	Building management	9,562	13.2%
Citybase Property Management Limited	Building management	6,050	8.3%
E-Park Parking Management Limited	Carpark operation	3,440	4.7%
Winner Air Conditioning Limited	Repair and maintenance	1,278	1.8%
		66,212	91.2%



Sustainability Report Summary



Sustainability Report Summary

VISION AND MISSION

VISION AND MISSION

Our core values: Excellence, Entrepreneurship, Inclusion and Sustainability, are established based on ESR's mission. They are the foundation of our vision and mission on sustainability and guide our business decisions.

VISION STATEMENT

Committed to be a responsible corporate citizen by building a sustainable environment and enhancing the well-being of our stakeholders through our core values.

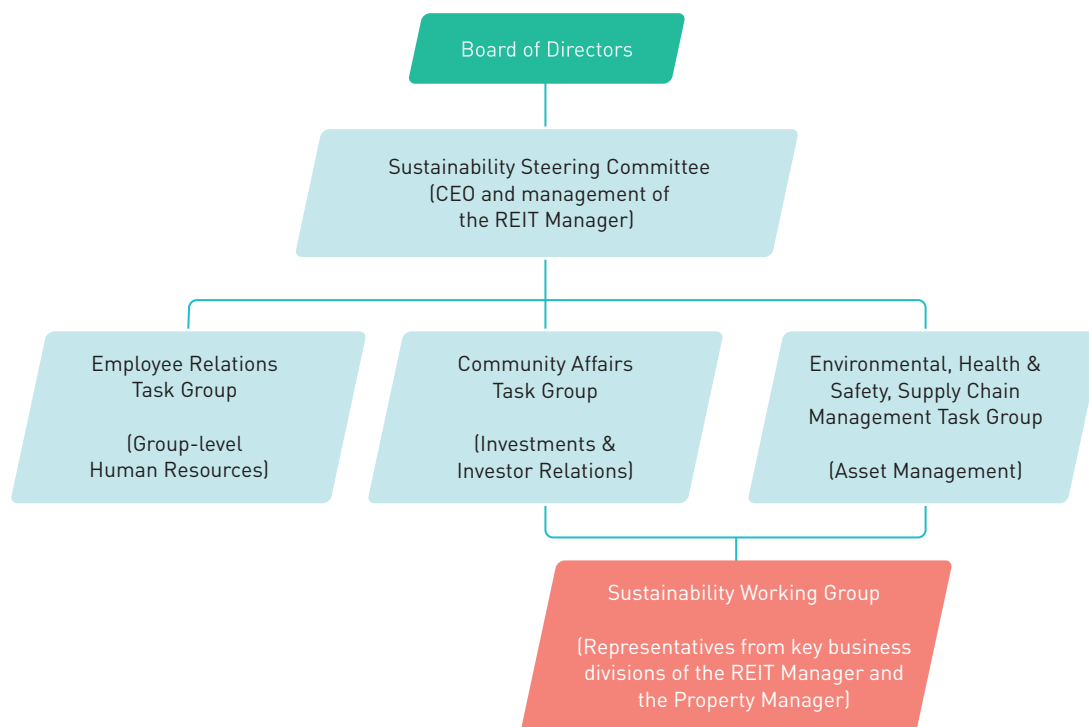
MISSION STATEMENT

Prosperity REIT will spare no effort to embed environmental and social friendly measures in our day-to-day operations through:

- Reducing our impact on environment and society
- Ensuring our business operates and grows responsibly and sustainably
- Bringing value to the community

Sustainability Report Summary

SUSTAINABILITY GOVERNANCE STRUCTURE



The Board of the REIT Manager provides strategic guidance and identification on the overall sustainability and climate-related matters and risks annually. In 2020, the Board endorsed a set of sustainability targets during the formulation of the “Vision 2030” which is reviewed annually. A Sustainability Steering Committee has been set up to help the Board in defining long-term targets and annual priorities in our sustainability performance. The Committee consists of senior executives from several departments and three taskforces that are specifically focused on overseeing the supply chain, community affairs, and employee relations. A Sustainability Working Group was also established by the key business divisions of the REIT Manager and the Property Manager. To ensure our sustainability visions are integrated into our business operations, different sub-groups were formed to oversee various topics, such as green and recycling, urban farm, wellness, and digitisation.

Sustainability Report Summary

2024 PERFORMANCE REVIEW

We continue to prioritise the integration of sustainability within our operations, while upholding the highest standards of service excellence. In 2024, we demonstrated strong performance in our sustainability efforts, achieving the highest 5-star performance rating, Green Star accreditation, and an A grade public disclosure rating in GRESB for the third consecutive year. Our ongoing dedication to sustainability is reflected in our rating improvement from “Low Risk” to “Negligible Risk” by Sustainalytics in the Reporting Year, as well as in our two accolades at the HKQAA Hong Kong Green and Sustainable Finance Awards 2024. As the first Hong Kong REIT to secure 100% sustainability-linked financing, we further enhanced our commitment by completing Hong Kong’s first Green And Transition Loan in the real estate industry with OCBC Hong Kong in 2024.

This year marks a significant milestone for Prosperity REIT as we have committed to the SBTi to establish ambitious near-term and net-zero GHG emission reduction targets. By setting science-based targets, we are building a robust framework for climate resilience that supports our decarbonisation efforts.

Over the past decade, we have undertaken a range of green asset enhancement initiatives across our portfolio, including the replacement of chillers and pump sets, as well as the installation of solar panels. Through these initiatives, we have successfully reduced our electricity consumption and Scope 2 GHG emissions intensity by 19% and 40% respectively, compared to the 2017 baseline. Our commitment to sustainability has resulted in a number of awards in the Reporting Year, reflecting our dedication to operational excellence. A notable achievement includes Prosperity Place becoming the second building in our portfolio to attain the highest BEAM Plus Platinum rating under the Existing Building Comprehensive Scheme.

Our objective is to create a sustainable environment across all our managed properties, supporting both tenants and employees. To this end, we have continued our “WeCycle” events from the previous year, where tenants across Prosperity REIT’s portfolio contributed recyclable waste. Through this effort, we have successfully diverted 7,029 kg of paper, cans, plastic & glass bottles and fluorescent tubes for recycling.

Our commitment to sustainability is also closely linked to our dedication to community needs, as demonstrated by our recognition as a Caring Company — 10 Year+ for the 5th consecutive year by the Hong Kong Council of Social Service. This also marks the 10th year of corporate partnership with our nominating organisation, Evangelical Lutheran Church Social Service Hong Kong (“ELCSSHK”). In 2024, we collaborated with ELCSSHK to develop the “Think SOFT” YouTube channel to promote soft food culture, particularly for those with swallowing difficulties. We continued to organise soft meal workshops for the elderly, which are succession of similar activities held in previous year. We, in making all these growing efforts, aim to create a positive and lasting impact on society.

Employees are our most valuable asset and we strive to cultivate a workplace rooted in fairness, equality and respect for social and cultural diversity. During this Reporting Year, we have provided 349 hours of training to our employees and achieved a 90% employee satisfaction rate and a 92% net promoter score. We remain committed to ensure female representation exceeding 40% of our total workforce, while promoting diversity and inclusiveness.

For details of the sustainability performance and progress of Prosperity REIT in the Reporting Year, please refer to our Sustainability Report 2024.

Directors and Senior Management Biographical Information

DIRECTORS



**Chiu Kwok Hung,
Justin**

Chairman and
Non-executive
Director

Dr. CHIU Kwok Hung, Justin, aged 74, has been the Chairman and a Non-executive Director of the REIT Manager since 2005. He is a member of each of the Disclosures Committee and Nomination Committee. Dr. Chiu joined the CK Group in 1997 and is an Executive Director and an Executive Committee Member of CK Asset Holdings Limited (listed in Hong Kong), heading the real estate sales, marketing and property management teams. He is a Non-executive Director of ESR Asset Management (Fortune) Limited as the manager of Fortune REIT (listed in Hong Kong) and an Independent Non-executive Director of Star Shine Holdings Group Limited (listed in Hong Kong). He was previously a Non-executive Director of ESR Group Limited (listed in Hong Kong), which indirectly owns 100% of the REIT Manager.

Dr. Chiu has more than 40 years of international experience in real estate in Hong Kong and overseas and is one of the most respected professionals in the property industry in Asia. He is a Fellow of The Royal Institution of Chartered Surveyors, a Member of the Advisory Board and a Fellow of The Hong Kong Institute of Directors, a Fellow of Hong Kong Institute of Real Estate Administrators, the Vice-Chairman of the Board of Governors of Hong Kong Baptist University Foundation, an Honorary Associate Member of Business of Trent University, Canada, a member of the Singapore Management University International Advisory Council in China, the Chairman of the Advisory Committee and an Adjunct Professor of the School of Business of Hong Kong Baptist University, a Senior Departmental Fellow of the Department of Land Economy at University of Cambridge, the United Kingdom and an Adjunct Professor of Changzhou University. Dr. Chiu was previously an Honorary Professor of School of Pharmaceutical Sciences of Sun Yat-Sen University and 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.

Dr. Chiu holds a Bachelor of Arts degree in Sociology and Economics from Trent University, Canada and a degree of Doctor of Business Administration from Hong Kong Baptist University, 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, Canada.



Lim Hwee Chiang

Non-executive
Director

Mr. LIM Hwee Chiang, aged 68, has been a Non-executive Director of the REIT Manager since 2005. He is the Chairman of JL Family Office. He also serves as a Non-executive Director of Hui Xian Asset Management Limited as the manager of Hui Xian REIT (listed in Hong Kong) and ESR Asset Management (Fortune) Limited as the manager of Fortune REIT (listed in Hong Kong).

Mr. Lim is Chairman of the Asia Pacific Real Assets Association (APREA) and the Consultative Committee to the Department of Real Estate, National University of Singapore. He is also a Council Member of Singapore Chinese Chamber of Commerce and Industry.

Directors and Senior Management Biographical Information

Mr. Lim co-founded ESR Asset Management Limited (formerly known as ARA Asset Management Limited) in 2002 and was its Group CEO for 18 years and Deputy Chairman from February 2021 to January 2022.

Mr. Lim has over 41 years of experience in the real estate industry and has received many notable corporate awards. These include the PERE Global Awards 2020 and 2016 Industry Figure of the Year: Asia, Ernst & Young Entrepreneur of the Year Singapore 2012 and the Outstanding CEO of the Year 2011 at the Singapore Business Awards 2012. Mr. Lim, along with the Board of Directors of ESR Asset Management Limited, was a recipient of the prestigious Best Managed Board (Gold) Award at the Singapore Corporate Awards 2012. In 2017, he was conferred the Public Service Medal (PBM) by the President of Singapore in recognition of his contributions to the community.

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 52, has been an Executive Director and the Chief Executive Officer of the REIT Manager since 2011 and 2013 respectively. She is also a Responsible Officer, 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. Prior to her appointment as Acting Chief Executive Officer and subsequently Chief Executive Officer on 1 January 2013, 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 was responsible for investment strategy and policy.

Ms. Wong has over 25 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 Fellow 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.

Directors and Senior Management Biographical Information



**Ma Lai Chee,
Gerald**

Non-executive
Director

Mr. MA Lai Chee, Gerald, aged 57, has been a Non-executive Director of the REIT Manager since 2005. He is a member of the Designated (Finance) Committee. He is also a Non-executive Director of ESR Asset Management (Fortune) Limited as the manager of Fortune REIT (listed in Hong Kong) and an Alternate Director to Mr. Lai Kai Ming, Dominic, Non-executive Director of Hutchison Telecommunications Hong Kong Holdings Limited (listed in Hong Kong). Mr. Ma joined the CK Group in 1996 and is currently an Executive Committee Member and General Manager, Corporate Business Development Department of CK Asset Holdings Limited (listed in Hong Kong).

Mr. Ma has over 30 years of management experience in different industries. He is a member of the Faculty Advisory Board of 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 84, has been an Independent Non-executive Director of the REIT Manager since 2005. He is the Chairman of the Audit Committee and a member of each of the Disclosures Committee, Designated (Finance) Committee and Nomination Committee. He is also an Independent Non-executive Director of CK Infrastructure Holdings Limited (listed in Hong Kong). Dr. Lan is currently an Independent Non-executive Director of Cinda Financial Holdings Co., Limited, and holds directorships with Nanyang Commercial Bank Ltd. and International Pro Bono Legal Services Association Limited. He acted as Supervisor of Nanyang Commercial Bank (China), Limited for 12 years and 9 months since December 2007 until his reappointment as Senior Consultant from October 2020. Dr. Lan is also a Chartered Secretary and a Fellow Member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.

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 as the 10th and 11th National Committee Member of the Chinese People's Political Consultative Conference of the People's Republic of China. Dr. Lan previously held directorship with certain Hong Kong-listed companies, including Independent Non-executive Director of SJM Holdings Limited (for 11 years), ESR Asset Management (Fortune) Limited as the manager of Fortune REIT and Hutchison Telecommunications Hong Kong Holdings Limited. He was a Senior Advisor of Mitsui & Company (Hong Kong) Limited for 19 years until March 2019 and also the President of the International Institute of Management for 7 years until his retirement in June 2019.

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 a Fellow of Queen Elizabeth House (Oxford). Dr. Lan was conferred with Honorary Degree of Doctor of Business Administration by University of the West of England (UWE Bristol), 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.

Directors and Senior Management Biographical Information



Sng Sow-Mei
(alias Poon Sow Mei)

Independent
Non-executive
Director

Mrs. SNG Sow-Mei (alias Poon Sow Mei), aged 83, has been an Independent Non-executive Director of the REIT Manager since 2005. She is a member of each of the Audit Committee and Nomination Committee. She is also an Independent Non-executive Director of CK Asset Holdings Limited and CK Infrastructure Holdings Limited (both listed in Hong Kong).

Mrs. Sng was previously an Independent Non-executive Director of ESR Asset Management (Fortune) Limited as the manager of Fortune REIT (listed in Hong Kong), an Independent Director of ESR Trust Management (Suntec) Limited as the manager of Suntec REIT (listed in Singapore), and 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 (listed in Singapore). She was also previously a Director of INFA Systems Ltd. and Senior Consultant (International Business) of Singapore Technologies Electronics Limited. Prior to her appointment with Singapore Technologies Pte. Ltd. where she was the Director, Special Projects (North East Asia) in 2000 and a Consultant in 2001, Mrs. Sng was the Managing Director of CapitaLand Hong Kong Ltd. for investment in Hong Kong and the region including Japan and Taiwan. In Hong Kong from 1983 to 1997, Mrs. Sng was the Centre Director and then as Regional Director of the Singapore Economic Development Board and Trade Development Board respectively. Mrs. Sng 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 in Singapore and has wide experience in various fields of industrial investment, business development, strategic and financial management, especially in property investment and management, as well as real estate industry. In 1996, Mrs. Sng was conferred the title of PPA (P) — Pingat Pentadbiran Awam (Perak), the Singapore Public Administration Medal (Silver) by the Republic of Singapore.



Wong Kwai Lam

Independent
Non-executive
Director

Mr. WONG Kwai Lam, aged 75, has been an Independent Non-executive Director of the REIT Manager since 2011. He is the Chairman of the Nomination Committee and a member of each of the Audit Committee and Designated (Finance) Committee. He is also an Independent Non-executive Director of CK Hutchison Holdings Limited (listed in Hong Kong), 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. Mr. Wong is currently the Chairman of Hong Kong Grand Opera Company Limited and an Advisor to The Chamber of Hong Kong Listed Companies, Vice Chairman of the Board of Trustees and a member of the Investment Sub-committee of the Board of Trustees of New Asia College of the Chinese University of Hong Kong, a Director of CUHK Medical Centre Ltd and a member of the Advisory Board of Continuing and Professional Studies of The Chinese University of Hong Kong. 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. He was an Independent Non-executive Director of China Merchants Bank Co., Ltd. (listed in Hong Kong and Shanghai) from 2011 to 2018.

Directors and Senior Management Biographical Information

Mr. Wong has over 30 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 1 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 a Bachelor of Arts degree from the Chinese University of Hong Kong and a PhD from Leicester University, England. He was conferred with honorary fellowship by the Chinese University of Hong Kong.



**Ng Shieu Yeing,
Christina**

Independent
Non-executive
Director

Ms. NG Shieu Yeing, Christina, aged 52, has been an Independent Non-executive Director of the REIT Manager since 2023.

Ms. Ng has extensive experience in the investment banking and private equity industry. After spending over 21 years in the financial industry, Ms. Ng has devoted her time in sustainable development and is currently Managing Director of Hong Kong Battery Recycling Centre Limited ("HKBR") which recycles and processes waste lead acid batteries into reusable raw materials locally in Ecopark, Tuen Mun, Hong Kong.

Prior to joining HKBR in 2016, Ms. Ng worked with Carlyle Asia Buyout Fund ("Carlyle", or the "Fund") from 1998 to 2015 where she last served as a director. Her responsibilities at Carlyle included, among others, advising the Fund on leverage buyout and significant minority investment opportunities in Greater China in a variety of industries. She played a crucial role in the pre and post investment phases of the Fund's portfolio investments and held board positions at various investee companies.

Ms. Ng also previously held positions with Exor Asia and Merrill Lynch (Asia Pacific) Ltd.

Ms. Ng received her Bachelor of Science degree in Management Science from Massachusetts Institute of Technology in the United States.

Directors and Senior Management Biographical Information

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 Chief Financial Officer of the REIT Manager. He is responsible for the financial management of Prosperity REIT. He has over 25 years of experience in audit and finance areas.

From 2000 to 2006, Mr. Cheung was the Chief Financial Controller and Company Secretary of Joynn Holdings Limited (“Joynn”) (subsequently named as Chinasing Investment Holdings Limited), a company previously listed on the Main Board of SGX-ST (delisted from 5 December 2016). 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 Joynn’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 Joynn, 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 an associate of the Hong Kong Institute of Certified Public Accountants, and of the Taxation Institute of Hong Kong. He is also a Certified ESG Planner (CEP)[®], and a Certified Tax Advisor (non-practising).

Ms. LEE Lok Yi, Sonia is the 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. Lee was admitted as a solicitor of the Hong Kong Special Administrative Region. Prior to joining the REIT Manager in 2024, Ms. Lee had been an in-house lawyer for a securities firm and was responsible for overseeing the compliance issues arising from operation of the securities trading business.

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, Chartered Engineer and BEAM Professional. 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.

Directors and Senior Management Biographical Information

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, and is a Certified ESG Planner (CEP)[®].

Mr. SIU Kit Fu, Jeff is the Manager, Asset Management & Investments of the REIT Manager. He is responsible for overseeing and supervising the asset management and operating performance of the Prosperity REIT's portfolio including directing the leasing and marketing strategy, property management and carpark operation. He is also responsible for identifying and evaluating potential acquisition opportunities, performing financial analysis and modeling in feasibility studies of acquisition target and conducting market study and research.

Mr. Siu has over 10 years of real estate asset management experience including marketing, leasing and property management. Prior to joining the REIT Manager, Mr. Siu was the Leasing Manager and Assistant Leasing Manager of ATL Logistics Centre Hong Kong Limited and Henderson Sunlight Property Management Limited respectively. He also served as an asset management associate of Sniper Capital which was a fund manager of a real estate investment fund listed on London Stock Exchange and worked in Sino Group which is one of the major developers in Hong Kong. Mr. Siu is a CFA charterholder. He is also a professional member of the Royal Institution of Chartered Surveyors (MRICS), a Certified ESG Planner (CEP)[®] and holds Bachelor of Business Administration degree from The Chinese University of Hong Kong.

Ms. LEE Pui Yan, Yan 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. Lee worked for CK Asset Holdings 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 the CK Group. Prior to that, Ms. Lee served as an internal auditor with Goodwell Property Management Limited and Sino Land Company Limited. She holds a Master's degree in Business Administration from the University of Leicester, UK. She is also a fellow member of The Association of Chartered Certified Accountants and a Certified ESG Planner (CEP)[®].

Directors and Senior Management Biographical Information

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”.

Corporate Governance

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

Embracing the core values of the ESR Group — Excellence, Inclusion, Entrepreneurship and Sustainability, which form the basis for Prosperity REIT’s business conduct and stakeholders engagement, the REIT Manager is committed to:

1. **Excellence** — We strive for excellence in every aspect of our business. We maintain high standards of performance and accountability, and we seek to learn, explore and improve continuously.
2. **Inclusion** — We embrace diversity, equity and inclusion in the workplace. We believe trust and mutual respect among colleagues, partners and stakeholders are cornerstones of growth and success.
3. **Entrepreneurship** — Our entrepreneurship spirit reflects our passion, courage and desire to succeed and ultimately drives the creation of opportunities and the delivery of superior outcomes in a competitive marketplace.
4. **Sustainability** — Sustainability is central to our mission because we aspire to improve the environmental prospects of our planet. Our responsibilities to stakeholders, local communities and the world at large grow in tandem with our business. Accordingly, we commit to lead and embrace the highest standards of governance in forging a path to become a carbon neutral business.

It is the firm belief of the Board of Directors of the REIT Manager that good corporate governance practices and procedures with 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.

The REIT Manager abides by the group-level “Code of Conduct and Business Ethics Policy” and other compliance-related policies, such as “Anti-Bribery, Anti-Corruption and Handling of Gifts, Travel & Entertainment Policy” and “Whistleblowing Policy”. All forms of misconduct including bribery, anti-competition, money laundering, fraud and corruption are strictly prohibited. During the Reporting Year, all employees of the REIT Manager are required to fully comply with the code of conduct which aligns with the core values of the Group. To minimize incidence of improprieties in relation to business ethics, all employees of the REIT Manager and external parties may raise concerns with reassurance that they will be protected from retaliations or victimization for whistleblowing in good faith and without malice.

Corporate Governance

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) and licensed by the SFC to conduct the regulated activity of providing depository services for SFC-authorised collective investment schemes. 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 Listing Rules, the Trust Deed, all other relevant legislation and all relevant contracts; and
- (4) attending to all regular communications with unitholders.

Corporate Governance

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 (including ESG risks) 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. For the purpose of enhancing board effectiveness and corporate governance, a number of factors to achieve board diversity, including but not limited to gender, age, ethnicity, cultural and educational background and professional experience, will be considered in designing Board composition.

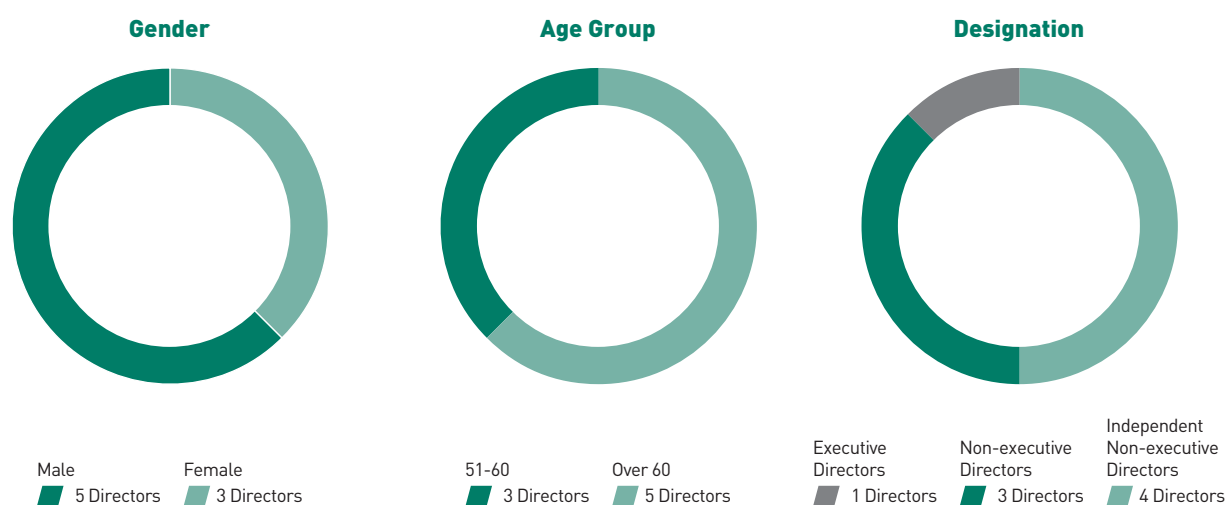
The composition of the Board is determined using the following principles/objectives:

- (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 Board presently comprises eight members with five male and three female (37.5% female Directors), and four of them are Independent Non-executive Directors ("INED(s)").

Corporate Governance

An analysis of the Board's current composition is set out below:



The composition is reviewed regularly through the Nomination Committee 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 Nomination Committee and the Board are of the view that the current composition of the Board has achieved the principles/objectives set in the Board Composition and Diversity Policy. For information regarding diversity of the REIT Manager's workforce, please refer to the Sustainability Report for details.

According to the articles of association of the REIT Manager, all Directors of the REIT Manager (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 unitholders and at every third annual general meeting of the unitholders thereafter.

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 and on compliance with the applicable legal and regulatory requirements, the compliance of the Compliance Manual, including the Board Composition and Diversity Policy as well as its implementation and effectiveness, 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.

Corporate Governance

Five 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	5/5
<i>CEO and Executive Director</i>	
Ms. Wong Lai Hung, Mavis	5/5
<i>Non-executive Directors</i>	
Mr. Lim Hwee Chiang	4/5
Mr. Ma Lai Chee, Gerald	5/5
<i>Independent Non-executive Directors</i>	
Dr. Lan Hong Tsung, David	5/5
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	5/5
Mr. Wong Kwai Lam	5/5
Ms. Ng Shieu Yeing, Christina	5/5

Apart from full Board meetings, the Chairman also held one meeting with the INEDs during the Reporting Year. The REIT Manager believes that contributions from each Director go beyond his/her attendances at Board and board committee meetings. All Directors (including INEDs) are entitled to independent professional advice for them to discharge their duties and responsibilities upon reasonable request, at the REIT Manager's expense. During the Reporting Year, all Directors (including INEDs) have been given the opportunity to consider and discuss in the Board meetings, in order to give impartial advice and exercise independent judgement.

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 to the Nomination Committee and the Board for their respective review and consideration.

Notwithstanding the length of service for more than nine years of certain INEDs, the Nomination Committee is of the view, and the Board agrees, that such length of service will not diminish the independence of those INEDs as they actively participate in the deliberations in meetings of the Board and the Board committees of which they are serving as chairman/member, continually keep abreast of current trends and issues relevant to the listed company and REIT industry and refresh their skills and knowledge through ongoing training. They continue to place great importance on the REIT Manager observing high standards of corporate governance, and express in-depth knowledge and impartial views on the strategy, business, operations, performance and risk management of the REIT Manager and Prosperity REIT, as well as providing invaluable contribution to the Board. They demonstrate complete independence in character and judgment both as Board members and in their designated roles.

In view of the aforementioned factors, all Directors (including 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.

Corporate Governance

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 Nomination Committee and the Board will take into consideration a number of matters in assessing whether such persons are fit and proper to be a Director, with due regard to the Board Composition and Diversity Policy set out in the Compliance Manual.

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. Directors have provided the REIT Manager with their records of continuous professional development programmes during the Reporting Year.

During the Reporting Year, the external auditor of Prosperity REIT has given 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	Trainings Attended ^(Note 1)
<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	✓
Ms. Ng Shieu Yeing, Christina	✓

Notes:

1. Trainings include, but not limited to, attending training sessions, briefings, seminars, conferences and workshops; and reading relevant news alerts, newspapers, journals, magazines and relevant publications.

Corporate Governance

RISK MANAGEMENT AND INTERNAL CONTROLS

The REIT Manager acknowledges its responsibility for the risk management and internal control systems, which are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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 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 Managers' staff who carry out Prosperity REIT's accounting, internal audit and financial reporting functions, as well as those relating to the ESG performance and reporting.

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 (including ESG risks) and internal control systems and the internal audit function.

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 is appointed by the Board and as at 31 December 2024, it comprised 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. Ms. Ng Shieu Yeing, Christina was appointed as a member of the Audit Committee with effect from 1 January 2025.

Corporate Governance

The Audit Committee meets on a half yearly basis and otherwise on an as-needed basis. The Audit Committee held two meetings during the Reporting Year for considering and reviewing, among others, the 2023 final results, 2024 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 both 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 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 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 conflicts of interest;
- (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 is appointed by the Board and presently comprises 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.

Corporate Governance

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, among others, the 2023 final results announcement and 2024 interim results announcement, the 2023 annual report and 2024 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 established a Designated (Finance) Committee to assist the Board in reviewing matters relating to financing and re-financing arrangements, hedging strategies, transactions involving derivative instruments for hedging purposes, and capital management in the form of units buy-back.

The Designated (Finance) Committee is appointed by the Board and presently comprises four members, 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. Although no physical meeting of the Designated (Finance) Committee was held during the Reporting Year, the Designated (Finance) Committee considered, set parameters and resolved the entering into interest rate swaps and hedging arrangements by way of circulating written resolutions.

NOMINATION COMMITTEE

The REIT Manager has established a Nomination Committee to assist the Board in reviewing the Board structure, size and composition, and assessing the independence of INEDs, to make recommendations on any proposed changes to the Board, as well as the appointment and re-appointment of Directors and succession planning. The Nomination Committee's responsibilities also include reviewing, monitoring and making recommendation on the Board Composition and Diversity Policy.

The Nomination Committee is appointed by the Board and presently comprises four members, namely, Dr. Chiu Kwok Hung, Justin, Chairman and a Non-executive Director, Dr. Lan Hong Tsung, David, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Mr. Wong Kwai Lam, INEDs. Mr. Wong Kwai Lam is the chairman of the Nomination Committee.

Corporate Governance

The Nomination Committee meets on an annual basis and otherwise on an as-needed basis. The Nomination Committee held one meeting during the Reporting Year and with circulating written resolutions, the Nomination Committee reviewed the Board structure and composition, reviewed the Board Composition and Diversity Policy, assessed the independence of INEDs, and considered and recommended for the re-appointment of Directors. The attendance record of the Nomination Committee meetings is as follows:

Members of the Nomination Committee	Attendance
Dr. Chiu Kwok Hung, Justin	1/1
Dr. Lan Hong Tsung, David	1/1
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	1/1
Mr. Wong Kwai Lam	1/1

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.

REMUNERATION MATTERS

The remuneration of Directors and staff of the REIT Manager is paid by the REIT Manager, and not by Prosperity REIT. The REIT Manager adopts the remuneration policies and practices of its holding company, which has established a remuneration committee that determines the policy and structure for remuneration of the senior management of the REIT Manager. Since Prosperity REIT does not bear the remuneration of the REIT Manager's Board and staff, the REIT Manager does not consider it applicable to include the information about the remuneration of its Directors and its key executives in this report.

Corporate Governance

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.

Prosperity REIT has put in place a Stakeholder Engagement Policy, which identifies the objectives in engaging different stakeholders (including unitholders) for better response to their concerns. Prosperity REIT engages with unitholders through the following channels:

- (1) Robust combination of face-to-face, written and broadcast communications, including general meetings and seminars, results briefings, corporate website, investor conferences/meetings, property tours
- (2) Regular unitholder reports (such as interim reports and annual reports) and sustainability reports
- (3) Newsletters

During the Reporting Year, the Stakeholder Engagement Policy and its implementation and effectiveness have been reviewed to ensure an effective communication with our stakeholders.

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 2024 Annual General Meeting ("AGM") was held on 29 May 2024 and the notice of AGM was sent to unitholders at least 20 clear business days before the AGM. The attendance record of the AGM is as follows:

Members of the Board	Attendance
<i>Chairman and Non-executive Director</i>	
Dr. Chiu Kwok Hung, Justin	1/1
<i>CEO and Executive Director</i>	
Ms. Wong Lai Hung, Mavis	1/1
<i>Non-executive Directors</i>	
Mr. Lim Hwee Chiang	0/1
Mr. Ma Lai Chee, Gerald	1/1
<i>Independent Non-executive Directors</i>	
Dr. Lan Hong Tsung, David	1/1
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	1/1
Mr. Wong Kwai Lam	1/1
Ms. Ng Shieu Yeing, Christina	1/1

Corporate Governance

The Chairman of the Board and chairmen of the respective Board committees, as well as the external auditor of Prosperity REIT had 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 2023 annual report and 2024 interim report of Prosperity REIT are published and sent to unitholders within four months of the end of the financial year and within three months of the end of the 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 Hong Kong Exchanges and Clearing Limited (the "HKEx") 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 2024. 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 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 C3 of the Listing Rules. The Units Dealing Code has been extended to apply to the executive officers of the REIT Manager.

Corporate Governance

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 SFO) 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 and the executive officers 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 HKEx 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.

Corporate Governance

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.

CHANGE OF DIRECTOR'S INFORMATION

Subsequent to publication of the 2024 Interim Report of Prosperity REIT, the REIT Manager received notification regarding the following change of Director's information:

- Dr. Chiu Kwok Hung, Justin was appointed as Vice Chairman of the Board of Governors of Hong Kong Baptist University Foundation since 1 January 2024, and was appointed as an Adjunct Professor of Changzhou University since January 2025.

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 of, more than 25% of the issued units of Prosperity REIT were held in public hands as of 31 December 2024.

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 ¹	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 2024 HK\$	Rental deposit received as at 31 December 2024 HK\$
E-Park Parking Management Limited	Subsidiary of a substantial holder ¹	Tenancy of property of Prosperity REIT ²	608,227	162,317
Goodwell Property Management Limited	Subsidiary of a substantial holder ¹	Tenancy of property of Prosperity REIT ³	2,059,636	582,195
Total			2,667,863	744,512

Notes:

1. Substantial holder being CK Asset Holdings Limited ("CK Asset").
2. For Unit 2805, Prosperity Place.
3. For Whole of 2/F, Units 302-3 and 306-7, New Treasure Centre.

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 2024 HK\$
Goodwell Property Management Limited ¹	Subsidiary of a substantial holder ³	Remuneration of DMC Manager	681,670
Goodwell Property Management Limited ²	Subsidiary of a substantial holder ³	Remuneration of Carpark Manager	62,220
Citybase Property Management Limited ²	Subsidiary of a substantial holder ³	Remuneration of Carpark Manager	45,620
Total			789,510

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 Year:

Name of Connected Person	Relationship with Prosperity REIT	Nature of the Connected Party Transaction	Expenses for the year ended 31 December 2024 HK\$
Goodwell-Prosperity Property Services Limited	Subsidiary of a substantial holder ²	Property management and lease management fee	9,561,547
Goodwell-Prosperity Property Services Limited	Subsidiary of a substantial holder ²	Marketing service fee	11,227,676
E-Park Parking Management Limited	Subsidiary of a substantial holder ²	Carpark lease agency fee	3,440,372
CK Asset Company ¹	Subsidiary of a substantial holder ²	Back-office support service fee	4,536
Total			24,234,131

Notes:

1. CK Asset Company includes Harbour Plaza Metropolis Limited.
2. Substantial holder being CK Asset.

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 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 2024 were as follows:

Name of Connected Person	Amount payable HK\$
Goodwell-Prosperity Property Services Limited	2,352,270
Goodwell Property Management Limited	2,421,919
E-Park Parking Management Limited	272,207
Citybase Property Management Limited	427,745
Total	5,474,141

Connected Party Transactions

OTHER TRANSACTIONS

The following table sets forth information in relation to services provided by the REIT Manager, the Trustee to Prosperity REIT 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 2024 HK\$
ESR Asset Management (Prosperity) Limited (formerly known as ARA Asset Management (Prosperity) Limited)	REIT Manager	Base fee and variable fees	48,147,442
HSBC Institutional Trust Services (Asia) Limited	Trustee	Trustee fee	2,891,436
Total			51,038,878

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 ; and
- (c) in accordance with the relevant agreement on terms that are fair and reasonable and in the interests of Prosperity REIT and 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 (Revised) "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 67 to 69 of the Annual Report in accordance with Chapter 14A of the Listing Rules (modified as appropriate pursuant to paragraph 2.26 of the REIT Code). 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.

Connected Party Transactions

REPURCHASE, SALE OR REDEMPTION OF UNITS

During the Reporting Year, other than the disposal of 5,412,000 units of Prosperity REIT by the REIT Manager which the REIT Manager had received as payment of its management fee, there was no repurchase, sale or redemption of the units 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 2024		As at 31 December 2023
	Number of Units	Percentage of Unitholdings ⁶	Number of Units
Total Win Group Limited ¹	176,328,129	11.39%	176,328,129
Wide Option Investments Limited ¹	98,883,559	6.39%	98,883,559
HKSCC Nominees Limited ²	1,156,699,898	74.74%	1,114,579,394
HSBC ³	859,250	0.06%	744,000
ESR Asset Management (Prosperity) Limited (formerly known as ARA Asset Management (Prosperity) Limited) ⁴	81,780,022	5.28%	50,116,861
Lan Hong Tsung, David ⁵	1,250,000	0.08%	1,250,000

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 31 December 2024. 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 31 December 2024.

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 31 December 2024.

Therefore, CK Asset was deemed to hold 275,211,688 units as at 31 December 2024, of which 176,328,129 units were held by Total Win and 98,883,559 units were held by Wide Option.
- HKSCC Nominees Limited was a connected person of Prosperity REIT as it was a substantial holder (as defined under the REIT Code) of Prosperity REIT as at 31 December 2024. So far as the REIT Manager is aware of, HKSCC Nominees Limited held such units as a nominee.
- 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 2024 and 31 December 2023. The Trustee's directors, chief executives and their associates had no beneficial interest in any units as at 31 December 2024 and 31 December 2023. The Trustee's associates (as defined in the REIT Code) were beneficially interested in 859,250 units as at 31 December 2024 and 744,000 units as at 31 December 2023.
- ESR Asset Management (Prosperity) Limited (formerly known as 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 2024.
- 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 2024.
- The total number of issued units as at 31 December 2024 was 1,547,604,384.

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 2024.

Connected Party Transactions

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

As at 31 December 2024, the interests of the REIT Manager, Directors and chief executive of the REIT Manager in the units of Prosperity REIT as recorded in the Register of Interests maintained by the REIT Manager under clause 30.3 of the Trust Deed were as follows:

Name	Number of Units	Percentage of Unitholdings ¹
ESR Asset Management (Prosperity) Limited (formerly known as ARA Asset Management (Prosperity) Limited)	81,780,022	5.28%
Lan Hong Tsung, David	1,250,000	0.08%

Note:

1. The total number of issued units as at 31 December 2024 was 1,547,604,384.

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 2024.

Valuation Summary

A summary of the market value of each property, as at 31 December 2024, is as follows:

Property		Gross Area (sq ft) (approx.)	No of Car Parking Spaces	Market value as at 31 December 2024 (HK\$)
1.	The Metropolis Tower	271,418	98	2,622,000,000
2.	Prosperity Millennia Plaza	217,955	43	1,996,000,000
3.	9 Chong Yip Street	136,595	68	917,000,000
4.	Prosperity Place	240,000	83	1,700,000,000
5.	Trendy Centre	173,764	79	1,105,000,000
6.	Portion of Prosperity Center	149,253	105	851,000,000
7.	Portion of New Treasure Centre	86,168	22	356,000,000
Total		1,275,153	498	9,547,000,000

The full valuation report is available for inspection at the registered office of Prosperity REIT subject to prior appointment.

Valuation Summary

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2024
1. The Metropolis Tower, 10 Metropolis Drive, Hung Hom, Kowloon, Hong Kong 24734/247769 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 site with a registered site area of approximately 50,058 sq m (538,824 sq ft). The building was completed 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 sq m (271,418 sq ft). The total saleable area is approximately 18,833 sq m (202,717 sq ft).</p> <p>The property also comprises 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 for a term 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 was let under various tenancies for various terms with the latest lease due to expire in February 2028, yielding a total monthly rental income of approximately HK\$7,619,000, exclusive of Government Rates, Government Rent, management fees and utility charges.</p> <p>The occupancy rate of the property (excluding the carparking spaces) was approximately 99.3% as at the Valuation Date.</p> <p>The carparking spaces were let on monthly and hourly basis, yielding an average monthly income of approximately HK\$348,000 during the period January 2024 to December 2024.</p>	<p>HK\$2,622,000,000</p> <p>(Hong Kong Dollars Two Billion Six Hundred and Twenty Two Million)</p> <p>Estimated net property yield was approximately 3.6%.</p>

Valuation Summary

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2024
2. Prosperity Millennia Plaza, 663 King's Road, North Point, Hong Kong 3741/10000 shares of and in Inland Lot No 8885	<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 (36,641 sq ft). The building was completed 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 20,249 sq m (217,955 sq ft). The total saleable area is approximately 14,551 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 was let under various tenancies for various terms with the latest lease due to expire in October 2027, yielding a total monthly rental income of approximately HK\$5,028,000, exclusive of Government Rates, Government Rent, management fees and utility charges.</p> <p>The occupancy rate of the property (excluding the carparking spaces) was approximately 88.9% as at the Valuation Date.</p> <p>The carparking spaces were let on monthly and hourly basis, yielding an average monthly income of approximately HK\$307,000 during the period January 2024 to December 2024.</p>	<p>HK\$1,996,000,000</p> <p>(Hong Kong Dollars One Billion Nine Hundred and Ninety Six Million)</p> <p>Estimated net property yield was approximately 3.2%.</p>

Valuation Summary

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2024
3. 9 Chong Yip Street, Kwun Tong, Kowloon Hong Kong 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 site with a registered site area of approximately 966 sq m (10,394 sq ft). The building was completed 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 designed for office purposes.</p> <p>The total gross area of the property (excluding parking lots) is approximately 12,690 sq m (136,595 sq ft). The total saleable area is approximately 9,230 sq m (99,349 sq ft).</p> <p>The property also consists of 64 carparking spaces, 4 loading/unloading spaces and 5 motorcycle parking spaces.</p> <p>Kwun Tong Inland Lot No 444 is held under a 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 was let under various tenancies for various terms with the latest lease due to expire in November 2027, yielding a total monthly rental income of approximately HK\$2,552,000, exclusive of Government Rates, Government Rent, management fees and utility charges.</p> <p>The property was also subject to various licenses yielding a total monthly license fee of approximately HK\$3,900.</p> <p>The occupancy rate of the property (excluding the carparking spaces) was approximately 98.0% as at the Valuation Date.</p> <p>The carparking spaces were let on monthly and hourly basis, yielding an average monthly income of approximately HK\$162,000 during the period January 2024 to December 2024.</p>	<p>HK\$917,000,000</p> <p>(Hong Kong Dollars Nine Hundred and Seventeen Million)</p> <p>Estimated net property yield was approximately 3.6%.</p>

Valuation Summary

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2024
4. Prosperity Place, 6 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong Kwun Tong Inland Lot No 62	<p>Prosperity Place is a 27-storey commercial building with ancillary parking and loading/unloading facilities erected on a site with a registered site area of approximately 1,858 sq m (20,000 sq ft). The building was completed 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 revitalisation 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 22,297 sq m (240,000 sq ft). The total saleable area is approximately 14,754 sq m (158,813 sq ft).</p> <p>The property also comprises 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 was let under various tenancies for various terms with the latest lease due to expire in October 2027, yielding a total monthly rental income of approximately HK\$4,682,000, exclusive of Government Rates, Government Rent, management fees and utility charges.</p> <p>The property was also subject to various licenses yielding a total monthly license fee of approximately HK\$141,900.</p> <p>The occupancy rate of the property (excluding the carparking spaces) was approximately 92.7% as at the Valuation Date.</p> <p>The carparking spaces were let on monthly and hourly basis, yielding an average monthly income of approximately HK\$505,000 during the period January 2024 to December 2024.</p>	<p>HK\$1,700,000,000 (Hong Kong Dollars One Billion Seven Hundred Million)</p> <p>Estimated net property yield was approximately 3.8%.</p>

Valuation Summary

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2024
5. Trendy Centre, 682 Castle Peak Road, Lai Chi Kok, Kowloon, Hong Kong 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 site with a registered site area of approximately 1,394 sq m (15,000 sq ft). The building was completed 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 sq m (173,764 sq ft). The total saleable area is approximately 10,934 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 was let under various tenancies for various terms with the latest lease due to expire in December 2027, yielding a total monthly rental income of approximately HK\$3,029,000, exclusive of Government Rates, Government Rent, management fees and utility charges.</p> <p>The property was also subject to various licenses yielding a total monthly license fee of approximately HK\$3,900.</p> <p>The occupancy rate of the property (excluding the carparking spaces) was approximately 88.0% as at the Valuation Date.</p> <p>The carparking spaces were let on monthly and hourly basis, yielding an average monthly income of approximately HK\$478,000 during the period January 2024 to December 2024.</p>	<p>HK\$1,105,000,000</p> <p>(Hong Kong Dollars One Billion One Hundred and Five Million)</p> <p>Estimated net property yield was approximately 3.8%.</p>

Valuation Summary

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2024
6. Portion of Prosperity Center, 25 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong	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 site with a registered site area of approximately 1,889 sq m (20,333 sq ft). The building was completed in 1999.	The office/workshop portion of the property was let under various tenancies for various terms with the latest lease due to expire in October 2027, yielding a total monthly rental income of approximately HK\$2,445,000, exclusive of Government Rates, Government Rent, management fees and utility charges.	HK\$851,000,000 (Hong Kong Dollars Eight Hundred and Fifty One Million)
12014/22510 shares of and in Kwun Tong Inland Lot No 729	<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 13,866 sq m (149,253 sq ft). The total saleable area is approximately 10,096 sq m (108,669 sq ft).</p> <p>The property also consists of 91 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 occupancy rate of the property (excluding the carparking spaces) was approximately 96.6% as at the Valuation Date.</p> <p>The carparking spaces were let on monthly and hourly basis, yielding an average monthly income of approximately HK\$431,000 during the period January 2024 to December 2024.</p>	Estimated net property yield was approximately 4.1%.

Valuation Summary

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2024
7. Portion of New Treasure Centre, 10 Ng Fong Street, San Po Kong, Kowloon, Hong Kong	<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 site with a registered site area of approximately 1,304 sq m (14,040 sq ft). The building was completed 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 sq m (86,168 sq ft). The total saleable area is approximately 5,948 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 402 sq m (4,327 sq ft) and 22 carparking spaces within the building.</p> <p>New Kowloon Inland Lot No 4864 is held under a Government Lease for a term of 99 years less the last 3 days thereof commencing from 1 July 1898. The leases 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 was let under various tenancies for various terms with the latest lease due to expire in November 2027, yielding a total monthly rental income of approximately HK\$1,124,000, exclusive of Government Rates, Government Rent, management fees and utility charges.</p> <p>The occupancy rate of the property (excluding the carparking spaces) was 98.5% as at the Valuation Date.</p> <p>The carparking spaces were let on monthly and hourly basis, yielding an average monthly income of approximately HK\$188,000 during the period January 2024 to December 2024.</p>	<p>HK\$356,000,000</p> <p>(Hong Kong Dollars Three Hundred and Fifty Six Million)</p> <p>Estimated net property yield was approximately 4.4%.</p>

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, the fifth supplemental deed dated 29 December 2011, the sixth supplemental deed dated 11 May 2018 and the first amending and restating deed dated 21 May 2021, for the financial year ended 31 December 2024.

HSBC Institutional Trust Services (Asia) Limited

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

21 March 2025

Independent Auditor's Report

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))

OPINION

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 85 to 124, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, distribution statement, consolidated statement of changes in net assets attributable to unitholders and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial disposition of the Group as at 31 December 2024, and of its consolidated financial transactions and consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Key audit matter

How our audit addressed the key audit matter

Valuation of investment properties

We identified the valuation of investment properties as a key audit matter as they represented 99% of total assets of the Group as at 31 December 2024 and significant judgement is required in determining their fair value.

As disclosed in note 11 to the consolidated financial statements, investment properties of the Group are office buildings, commercial buildings, industrial/office buildings and industrial building located in Hong Kong. The carrying amount of investment properties amounted to HK\$9,547 million as at 31 December 2024 and their change in fair value included in the loss for the year was HK\$178 million. In estimating the fair value of investment properties, ESR Asset Management (Prosperity) Limited (the "REIT Manager" of Prosperity REIT) engaged an independent qualified external valuer (the "Valuer") to perform the valuation and worked with the Valuer to establish inputs to the valuation.

As further disclosed in note 11 to the consolidated financial statements, the fair value was arrived at using income capitalisation method. The valuation involves the making of certain assumptions and the use of estimates in respect of the capitalisation rates.

Our procedures in relation to the valuation of investment properties included:

- Evaluating the competence, capabilities and objectivity of the Valuer;
- Obtaining an understanding of the valuation process and significant assumptions and critical judgements to assess if the approaches are consistent with relevant accounting requirements and industry norms;
- Evaluating the appropriateness of the judgements made by the REIT Manager and the Valuer, in particular the valuation model and the capitalisation rates based on our knowledge of the property market in Hong Kong; and
- Assessing the reasonableness of other key parameters, including market rentals, in the valuation model by comparing them against market data and entity-specific information such as rental income, tenancy summary details and size of the properties on a sample basis.

OTHER INFORMATION

The REIT Manager is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

RESPONSIBILITIES OF REIT MANAGER AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The REIT Manager is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, 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.

In preparing the consolidated financial statements, the REIT Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the REIT Manager either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

In addition, the REIT Manager is required to ensure that the consolidated financial statements have been properly prepared in accordance with the relevant provisions of the trust deed dated 29 November 2005 (as amended, supplemented and/or restated from time to time) (the "Trust Deed") and the relevant disclosure provisions of Appendix C of the Code on Real Estate Investment Trusts (the "REIT Code") issued by the Hong Kong Securities and Futures Commission.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. In addition, we are required to assess whether the consolidated financial statements of the Group have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the REIT Manager.

Independent Auditor's Report

- Conclude on the appropriateness of the REIT Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON MATTERS UNDER THE RELEVANT PROVISIONS OF THE TRUST DEED AND THE RELEVANT DISCLOSURE PROVISIONS OF APPENDIX C OF THE REIT CODE

In our opinion, the consolidated financial statements have been prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

The engagement partner on the audit resulting in the independent auditor's report is Tan Wei Ming.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

21 March 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Revenue	5	425,368	437,314
Property management fees		(9,562)	(10,011)
Property operating expenses	6	(92,499)	(90,921)
Total property operating expenses		(102,061)	(100,932)
Net property income		323,307	336,382
Other income		286	1,059
Manager's fee		(48,147)	(49,000)
Trust and other expenses	7	(7,128)	(7,283)
Change in fair value of investment properties		(177,858)	(120,951)
Finance costs, net	8	(132,572)	(138,725)
(Loss)/profit before taxation and transactions with unitholders		(42,112)	21,482
Taxation	9	(32,524)	(27,155)
Loss for the year, before transactions with unitholders		(74,636)	(5,673)
Distribution to unitholders		(185,415)	(214,662)
Loss for the year, after transactions with unitholders		(260,051)	(220,335)
Total comprehensive expense for the year, after transactions with unitholders		(260,051)	(220,335)
Income available for distribution to unitholders		185,415	214,662
Basic loss per unit (HK\$)	10	(0.049)	(0.004)

Distribution Statement

For the year ended 31 December 2024

	2024 HK\$'000	2023 HK\$'000
Loss for the year, before transactions with unitholders	(74,636)	(5,673)
Adjustments:		
Manager's fee	47,151	47,984
Change in fair value of investment properties	177,858	120,951
Change in fair value of derivative financial instruments	12,512	40,059
Non-cash finance costs	9,097	8,985
Deferred tax	13,433	2,356
Income available for distribution (note (ii))	185,415	214,662
Distributions to unitholders:		
HK\$0.0638 (2023: HK\$0.0745) per unit for the six months ended 30 June (note (ii))	98,178	113,771
HK\$0.0560 (2023: HK\$0.0664) per unit for the six months ended 31 December (note (iii))	87,237	100,891
	185,415	214,662
Total distribution per unit (HK\$)	0.1198	0.1409

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 the Group 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 and payable in units of HK\$47,151,000 (2023: HK\$47,984,000) out of the total manager's fee of HK\$48,147,000 (2023: HK\$49,000,000) (the differences of HK\$996,000 (2023: HK\$1,016,000) are paid in cash);
- (b) decrease in fair value of investment properties of HK\$177,858,000 (2023: HK\$120,951,000) and decrease in fair value of derivative financial instruments of HK\$12,512,000 (2023: HK\$40,059,000);
- (c) non-cash finance costs of HK\$9,097,000 (2023: HK\$8,985,000), are derived from finance costs of HK\$132,572,000 (2023: HK\$138,725,000), less decrease in fair value of derivative financial instruments of HK\$12,512,000 (2023: HK\$40,059,000) and less the cash finance costs of HK\$110,963,000 (2023: HK\$89,681,000); and
- (d) deferred tax provision of HK\$13,433,000 (2023: HK\$2,356,000).
- (ii) The distribution per unit of HK\$0.0638 for the six months ended 30 June 2024 (six months ended 30 June 2023: HK\$0.0745) is calculated based on Prosperity REIT's income available for distribution of HK\$98,178,000 (six months ended 30 June 2023: HK\$113,771,000) over 1,538,797,624 units (30 June 2023: 1,527,055,457 units), representing units in issue as at 30 June 2024 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 the relevant distribution period. The distribution was paid to unitholders on 16 September 2024.
- (iii) The distribution per unit of HK\$0.0560 for the six months ended 31 December 2024 (six months ended 31 December 2023: HK\$0.0664) is calculated based on Prosperity REIT's income available for distribution of HK\$87,237,000 (six months ended 31 December 2023: HK\$100,891,000) over 1,557,205,901 units (31 December 2023: 1,519,923,270 units), representing units in issue as at 31 December 2024 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. The distribution will be paid to unitholders on 23 April 2025.

Consolidated Statement of Financial Position

As at 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	11	9,547,000	9,703,000
Derivative financial instruments	12	7,725	12,653
Total non-current assets		9,554,725	9,715,653
Current assets			
Derivative financial instruments	12	12,245	20,159
Trade and other receivables	13	11,488	11,564
Tax recoverable		2,965	–
Bank balances and cash	14	47,319	61,013
Total current assets		74,017	92,736
Total assets		9,628,742	9,808,389
Non-current liabilities, excluding net assets attributable to unitholders			
Derivative financial instruments	12	2,160	2,681
Bank borrowings	15	1,448,820	2,315,774
Deferred tax liabilities	16	266,563	253,130
Total non-current liabilities, excluding net assets attributable to unitholders		1,717,543	2,571,585
Current liabilities			
Derivative financial instruments	12	205	14
Trade and other payables	17	175,282	179,296
Amounts due to related companies	18	5,474	12,934
Bank borrowings	15	954,451	30,000
Provision for taxation		413	12,628
Manager's fee payable		11,985	12,335
Distribution payable		87,237	100,891
Total current liabilities		1,235,047	348,098
Total liabilities, excluding net assets attributable to unitholders		2,952,590	2,919,683
Net assets attributable to unitholders		6,676,152	6,888,706
Units in issue ('000)	19	1,547,604	1,510,529
Net asset value per unit (HK\$) attributable to unitholders	20	4.31	4.56

The consolidated financial statements on pages 85 to 124 were approved and authorised for issue by ESR Asset Management (Prosperity) Limited on 21 March 2025 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 2024

	Issued units HK\$'000	Unit issue costs HK\$'000	Retained profits HK\$'000	Total HK\$'000
Net assets attributable to unitholders as at 1 January 2024	3,248,822	(91,278)	3,731,162	6,888,706
OPERATIONS				
Loss for the year, before transactions with unitholders	–	–	(74,636)	(74,636)
Distribution paid and payable	–	–	(185,415)	(185,415)
Total comprehensive expense for the year, after transactions with unitholders	–	–	(260,051)	(260,051)
UNITHOLDERS' TRANSACTIONS OTHER THAN DISTRIBUTIONS				
Units issued to REIT Manager (note 19)	47,497	–	–	47,497
Net assets attributable to unitholders as at 31 December 2024	3,296,319	(91,278)	3,471,111	6,676,152

Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the year ended 31 December 2023

	Issued units HK\$'000	Unit issue costs HK\$'000	Retained profits HK\$'000	Total HK\$'000
Net assets attributable to unitholders as at 1 January 2023	3,238,270	(91,278)	3,951,497	7,098,489
OPERATIONS				
Loss for the year, before transactions with unitholders	–	–	(5,673)	(5,673)
Distribution paid and payable	–	–	(214,662)	(214,662)
Total comprehensive expense for the year, after transactions with unitholders	–	–	(220,335)	(220,335)
UNITHOLDERS' TRANSACTIONS OTHER THAN DISTRIBUTIONS				
Units issued to REIT Manager (note 19)	47,980	–	–	47,980
Units bought back (note (i)) (note 19)	(37,428)	–	–	(37,428)
Net assets attributable to unitholders as at 31 December 2023	3,248,822	(91,278)	3,731,162	6,888,706

Note (i):

During the year ended 31 December 2023, the REIT Manager bought back a total of 24,981,000 units of Prosperity REIT for an aggregate consideration of approximately HK\$37,887,000 (excluding expenses and dividend received). These units bought back were cancelled prior to the reporting year end.

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	2024 HK\$'000	2023 HK\$'000
Operating activities		
(Loss)/profit before taxation and transactions with unitholders	(42,112)	21,482
Adjustments for:		
Impairment losses recognised under expected credit loss model, net of reversal	(64)	370
Manager's fees paid/payable in units	47,151	47,984
Change in fair value of investment properties	177,858	120,951
Interest income	(286)	(1,059)
Finance costs, net	132,572	138,725
Operating cashflow before working capital changes	315,119	328,453
Decrease/(increase) in trade and other receivables	140	(1,122)
(Decrease)/increase in amounts due to related companies	(7,460)	5,072
Decrease in trade and other payables	(4,014)	(2,013)
Decrease in Manager's fee payable	(4)	(12)
Cash generated from operations	303,781	330,378
Income tax paid	(34,271)	(23,516)
Net cash from operating activities	269,510	306,862
Investing activities		
Interest received	286	1,206
Additional expenditure to investment properties	(21,858)	(22,951)
Net cash used in investing activities	(21,572)	(21,745)
Financing activities		
Interest payments of bank borrowings	(110,963)	(89,681)
Drawdown of an unsecured term loan	59,100	–
Payment of bank facility origination fees	(700)	–
Distributions to unitholders	(199,069)	(227,361)
Payments for units bought back	–	(37,428)
Drawdown of unsecured revolving loans	160,000	55,000
Repayment of unsecured revolving loans	(170,000)	(25,000)
Net cash used in financing activities	(261,632)	(324,470)
Net decrease in cash and cash equivalents	(13,694)	(39,353)
Cash and cash equivalents at beginning of the year	61,013	100,366
Cash and cash equivalents at end of year	47,319	61,013

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

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 REIT Code.

The principal activity of Prosperity REIT and its subsidiaries (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.

The address of the registered office of the REIT Manager is Unit 901, Level 9, Fortune Metropolis, 6 The Metropolis Drive, Hunghom, Kowloon, Hong Kong.

The address of the registered office of the Trustee is 1 Queen’s Road Central, Hong Kong.

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 dated 29 November 2005 between the REIT Manager and Goodwell-Prosperity Property Services Limited (the “Property Manager”), the Property Manager 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

1 GENERAL (continued)

(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.

(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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

Amendments to HKFRSs that are mandatorily effective for the current year (continued)

Impacts on application of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the “2020 Amendments”) and Amendments to HKAS 1 Non-current Liabilities with Covenants (the “2022 Amendments”)

The Group has applied the amendments for the first time in the current year.

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the classification should not be affected by management intentions or expectations to settle the liability within 12 months.
- clarify that the settlement of a liability can be a transfer of cash, goods or services, or the entity’s own equity instruments to the counterparty. If a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the 2022 Amendments specifically clarify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity’s right to defer settlement of a liability for at least twelve months after the reporting date, even if compliance with the covenant is assessed only after the reporting date. The 2022 Amendments also specify that covenants with which an entity must comply after the reporting date (i.e. future covenants) do not affect the classification of a liability as current or non-current at the reporting date. However, if the entity’s right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants, the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

In accordance with the transition provision, the Group has applied the new accounting policy to the classification of liability as current or non-current retrospectively. The application of the amendments in the current year had no material impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

2 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

New and Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ³
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards — Volume 11 ³
Amendments to HKAS 21	Lack of Exchangeability ²
HKFRS 18	Presentation and Disclosure in Financial Statements ⁴
HKFRS 19	Subsidiaries without Public Accountability: Disclosures ⁴

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after 1 January 2026.

⁴ Effective for annual periods beginning on or after 1 January 2027.

Except for the new HKFRS mentioned below, the REIT Manager anticipates that the application of all other amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of preparation of financial statements

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), 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 REIT Code.

As at 31 December 2024, the Group's current liabilities exceeded its current assets by HK\$1,161,030,000. The REIT Manager is of the opinion that, taking into account the headroom of the fair value of investment properties of HK\$9,547,000,000, presently available bank facilities of HK\$410,000,000 and internal financial resources of the Group, the REIT Manager is of the opinion that the Group has sufficient working capital for its present requirements within one year from the end of the reporting period. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

(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.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(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, adjusted to exclude any prepaid or accrued operating lease income.

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 when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers*. Transaction costs (which include bank facility origination fees) that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) 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 FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (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) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(d) Financial instruments (continued)

Financial assets

Classification and measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(d) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables and bank balances) which are subject to impairment assessment under HKFRS 9 *Financial Instruments*. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(d) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default to have occurred when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective to the above, the Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that more lagging default criterion is more appropriate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(d) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the debtor;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(d) Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

The Group recognises an impairment gain or loss for all financial instruments by adjusting their carrying amount with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

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.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(d) Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Debt issued by a group entity 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 HKFRS 9. 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.

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

Derecognition of financial liabilities

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.

Derivative financial instruments

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(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) Leases

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as operating leases.

Rental income from operating leases is recognised in profit or loss 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 such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income deriving from the Group's ordinary course of business are presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

(g) Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in note 5.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(h) Borrowing cost

All 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 current and deferred income tax expense.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from (loss)/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 liabilities are generally recognised for all taxable temporary differences. 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 deferred tax 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 and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is 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 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

4 KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, the 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.

Valuation of investment properties

As described in notes 3(c) and 11, investment properties are stated at fair value based on the valuation performed by an independent qualified external valuer. In determining the fair value, the valuer has based on a method of valuation which involves certain assumptions of market conditions which are set out in note 11.

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. REIT Manager considers valuations of the Group's investment properties are the best estimates. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2024, the carrying amount of the Group's investment properties is HK\$9,547,000,000 (2023: HK\$9,703,000,000).

5 REVENUE

	2024 HK\$'000	2023 HK\$'000
Rental income	316,182	329,882
Car park income	31,264	31,342
	347,446	361,224
Rental related income	77,922	76,090
	425,368	437,314

Notes:

- (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 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 Group'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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

6 PROPERTY OPERATING EXPENSES

	2024 HK\$'000	2023 HK\$'000
Auditor's remuneration		
Audit fees	890	890
Non-audit fees	405	405
Building management fees	47,153	45,109
Car park operating expenses	8,940	8,636
Government rent and rates	1,395	887
(Reversal of) impairment losses recognised under expected credit loss model, net of reversal	(64)	370
Lease commission	4,714	4,306
Legal cost and stamp duty	1,535	1,562
Marketing service fee	11,228	11,929
Repairs and maintenance	7,607	8,215
Secretarial fee	760	682
Tax fees	166	161
Utilities	6,594	6,754
Valuation fees (paid to principal valuers)	133	180
Others	1,043	835
	92,499	90,921

7 TRUST AND OTHER EXPENSES

	2024 HK\$'000	2023 HK\$'000
Auditor's remuneration		
Audit fees	55	55
Non-audit fees	116	116
Bank charges	1,241	1,325
Legal and professional fees	82	259
Public relations and related expenses	280	283
Registrar fee	600	600
Trust administrative expenses	1,863	1,841
Trustee's fee	2,891	2,804
	7,128	7,283

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

8 FINANCE COSTS, NET

	2024 HK\$'000	2023 HK\$'000
Interest expense on term loans	140,346	133,827
Interest rate swaps income realised	(22,080)	(35,931)
Interest expense on unsecured revolving loans	1,794	770
	120,060	98,666
Change in fair value of derivative financial instruments	12,512	40,059
	132,572	138,725

9 TAXATION

	2024 HK\$'000	2023 HK\$'000
Current tax	22,491	25,077
Over-provision in prior years	(3,400)	(278)
Deferred tax (note 16)	13,433	2,356
	32,524	27,155

Prosperity REIT's subsidiaries in Hong Kong are subject to Hong Kong Profits Tax at 16.5% (2023: 16.5%) for the year ended 31 December 2024.

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 (loss)/profit before taxation and transactions with unitholders as per the consolidated statement of profit or loss and other comprehensive income as follows:

	2024 HK\$'000	2023 HK\$'000
Tax at income tax rate of 16.5%	(6,948)	3,544
Over-provision in prior year	(3,400)	(278)
Tax effect of non-taxable income	(735)	(21,603)
Tax effect of non-deductible expenses	36,215	47,476
Tax effect of tax loss not recognised	717	–
Tax effect of utilisation of tax losses previously not recognised	–	(2)
Tax effect of utilisation of deductible temporary differences not recognised	(2,351)	(1,884)
Others (note)	9,026	(98)
Taxation for the year	32,524	27,155

Note: In previous years, tax losses of approximately HK\$55.8 million pertaining to a property holding company was in discussion with the Inland Revenue Department ("IRD"). During the year ended 31 December 2024, the tax losses amount has been finalized and agreed with IRD. This resulted in an over-provision of taxation in prior years of approximately HK\$3.2 million and it has been included in distribution during this reporting period. Meanwhile, deferred tax assets arising from such tax losses of approximately HK\$9.2 million has been debited to profit or loss accordingly.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

10 BASIC LOSS PER UNIT

The basic loss per unit is calculated by dividing the loss for the year, before transactions with unitholders of HK\$74,636,000 (2023: HK\$5,673,000) by the weighted average of 1,538,840,482 (2023: 1,519,399,356) 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

	2024 HK\$'000	2023 HK\$'000
FAIR VALUE		
At beginning of the year	9,703,000	9,801,000
Additional expenditure	21,858	22,951
Change in fair value of investment properties	(177,858)	(120,951)
At end of the year	9,547,000	9,703,000

All of the Group's property interests in properties 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 office buildings, commercial buildings, industrial/office buildings and industrial building under operating leases with rental 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.

On 31 December 2024 and 31 December 2023, an independent valuation on the investment properties was undertaken by Knight Frank Petty Limited. The firm is an independent qualified external valuers 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. 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 capitalisation rates to arrive at the fair value of which vacant units are assumed to be let at their respective market rents as at the valuation date.

The adopted capitalisation rates in the valuation range from 3.7% to 4.3% (2023: 3.7% to 4.3%). The capitalisation rate 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. A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.

None of the Group's investment properties as at 31 December 2024 and 31 December 2023 was pledged to secure banking facilities granted to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

12 DERIVATIVE FINANCIAL INSTRUMENTS

	2024 HK\$'000	2023 HK\$'000
Reflected on consolidated statement of financial position based on discounted cash flows as:		
Non-current assets	7,725	12,653
Non-current liabilities	(2,160)	(2,681)
Current assets	12,245	20,159
Current liabilities	(205)	(14)
	17,605	30,117

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\$936,000,000 (31 December 2023: HK\$1,287,000,000) will mature from September 2026 to June 2029 (31 December 2023: January 2024 to September 2026). These contracts have fixed interest payments at weighted average interest rates of 2.64% (31 December 2023: 2.18%) per annum and have floating interest receipts at three months Hong Kong Interbank Offered Rate ("HIBOR") with HIBOR being repriced every three months for both years presented.

The decrease in fair value of the derivative financial instruments amounting to HK\$12,512,000 is recognised in profit or loss during the year ended 31 December 2024 (2023: HK\$40,059,000).

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 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 Consolidated Financial Statements

For the year ended 31 December 2024

13 TRADE AND OTHER RECEIVABLES

	2024 HK\$'000	2023 HK\$'000
Trade receivables	6,084	5,840
Less: allowance for credit losses	(3,441)	(3,731)
	2,643	2,109
Deposit, prepayments and other receivables	8,845	9,455
	11,488	11,564

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 year is as follows:

	2024 HK\$'000	2023 HK\$'000
Current – 1 month	82	218
2 – 3 months	1,329	1,540
Over 3 months	1,232	351
	2,643	2,109

As at 31 December 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$6,084,000 (2023: HK\$5,840,000) which are past due as at the reporting date. Out of the past due balances, gross amount of HK\$4,673,000 (2023: HK\$4,082,000) has been past due 90 days or more and considered as in default, for which allowance for credit losses of HK\$3,441,000 (2023: HK\$3,731,000) has been made on the excess of relevant tenants' deposits.

In determining the recoverability of a trade receivable, the Group reviews the recoverable amount of each individual trade receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The exposure of credit risk is limited due to deposits received from tenants. Allowance for credit losses has been recognised on any individual balance that is in excess of the relevant tenant's deposits.

Details of impairment assessment of trade and other receivables are set out in note 22(b)(iii).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

14 BANK BALANCES AND CASH

	2024 HK\$'000	2023 HK\$'000
Cash at bank	47,319	61,013

Cash at bank carries at the market interest rate, of which aggregate value of HK\$47,248,000 (2023: HK\$60,941,000) are placed with The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), a related company of the Trustee.

15 BANK BORROWINGS

	2024 HK\$'000	2023 HK\$'000
Unsecured term loans	2,400,000	2,340,000
Bank facility origination fees	(16,729)	(24,226)
	2,383,271	2,315,774
Unsecured revolving loan	20,000	30,000
	2,403,271	2,345,774
Carrying amount repayable:		
Within one year	954,451	30,000
Within a period of more than one year but not exceeding five years	1,448,820	2,315,774
	2,403,271	2,345,774

Details of the terms and conditions of the Group's facilities (including the unutilised facilities as stipulated in note (ii) below) as at 31 December 2024 are as follows:

- (i) A HK\$800 million 5-year unsecured sustainability-link term loan, which will mature in August 2026 (the "HK\$800 Million Facility");
- (ii) A HK\$1,970 million unsecured sustainability-link term loan (the "HK\$1,970 Million Facilities"), comprising of (a) HK\$1,200 million 3-year term loan facility and revolving credit facility and (b) HK\$770 million 5-year term loan facility and revolving credit facility, which will mature in November 2025 and November 2027 respectively; and
- (iii) A HK\$60 million unsecured green and transition loan (the "HK\$60 Million Green and Transition Loan"), which will mature in September 2029.

As at 31 December 2024, loan facilities drawn was HK\$2,400 million (2023: HK\$2,340 million) and the revolving credit facilities drawn was HK\$20 million (2023: HK\$30 million). The unsecured term loans and unsecured revolving loan bear interest at HIBOR plus a margin ranging from 1.04% to 1.35% (31 December 2023: HIBOR plus a margin ranging from 1.04% to 1.28%) per annum. Interest margins for (i) and (ii) above are linked to the sustainability performance of Prosperity REIT, which may be reduced depending on the extent of pre-determined key performance indicators being met.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

15 BANK 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:

	2024 HK\$'000	2023 HK\$'000
Balance at beginning of the year	24,226	33,211
Addition	1,600	–
Amortised during the year	(9,097)	(8,985)
Balance at the end of the year	16,729	24,226

16 DEFERRED TAX LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets arising from tax losses have been offset with the 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	Derivative financial instruments HK\$'000	Total HK\$'000
As at 1 January 2023	250,254	(11,059)	11,579	250,774
Charge(credit) to profit or loss	10,998	(2,032)	(6,610)	2,356
As at 31 December 2023	261,252	(13,091)	4,969	253,130
Charge(credit) to profit or loss	6,055	9,442	(2,064)	13,433
As at 31 December 2024	267,307	(3,649)	2,905	266,563

At the end of the reporting period, tax losses amounting to approximately HK\$4,634,000 (31 December 2023: HK\$290,000) were not recognised.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK\$39,081,000 (2023: HK\$31,920,000) in respect of the investment properties measured at fair value. The carrying amount of such properties are presumed to be recovered entirely through sale. No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not expected to be reversed upon disposal of the properties.

Deferred tax liability in relation to derivative financial instruments is recognised on taxable temporary difference arising from expected interest settlements of the interest rate swaps in coming financial periods.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

17 TRADE AND OTHER PAYABLES

	2024 HK\$'000	2023 HK\$'000
Trade payables	2,659	1,937
Tenants' deposits		
— Outside parties	129,889	132,041
— Related parties (note 27)	744	713
Rental received in advance		
— Outside parties	6,670	4,940
Other payables	35,320	39,665
	175,282	179,296

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

	2024 HK\$'000	2023 HK\$'000
Current – 1 month	1,027	609
2 – 3 months	425	254
Over 3 months	1,207	1,074
	2,659	1,937

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 reporting year based on the lease terms amounted to HK\$74,964,000 (2023: HK\$77,529,000).

18 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.

19 UNITS IN ISSUE

	Number of units	HK\$'000
Balance as at 1 January 2023	1,508,461,255	3,238,270
Payment of manager's base fee and variable fee through issuance of new units during the year	27,048,968	47,980
Units bought back and cancelled	(24,981,000)	(37,428)
Balance as at 31 December 2023	1,510,529,223	3,248,822
Payment of manager's base fee and variable fee through issuance of new units during the year	37,075,161	47,497
Balance as at 31 December 2024	1,547,604,384	3,296,319

Subsequent to the end of the reporting year, 9,601,517 units (2023: 9,394,047 units) at HK\$1.2225 (2023: HK\$1.2864) 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 2024 was HK\$1.24 (31 December 2023: HK\$1.39).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

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 and the total number of 1,547,604,384 units in issue as at 31 December 2024 (1,510,529,223 units in issue as at 31 December 2023).

21 MAJOR NON-CASH TRANSACTION

During the reporting period, the REIT Manager earned manager's fee of HK\$48,147,000 (2023: manager's fee of HK\$49,000,000) of which HK\$47,151,000 (2023: HK\$47,984,000) was paid or payable through the issuance of units to the REIT Manager. An amount of HK\$35,413,000 (2023: HK\$35,899,000) had been settled through the issuance of units to the REIT Manager at the end of reporting period while the balance of HK\$11,738,000 (2023: HK\$12,085,000) were paid in units subsequent to the year end.

During the year ended 31 December 2024, certain bank facility origination fees, amounting HK\$900,000, was settled by the drawdown of the HK\$60 Million Green and Transition Loan as described in note 15.

22 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2024 HK\$'000	2023 HK\$'000
Financial assets		
Trade and other receivables	2,757	3,282
Bank balances and cash	47,319	61,013
At amortised cost	50,076	64,295
Derivative financial instruments		
Interest rate swaps, net	17,605	30,117
Financial liabilities		
Trade payables	(2,659)	(1,937)
Tenants' deposits	(130,633)	(132,754)
Amounts due to related companies	(5,474)	(12,934)
Bank borrowings	(2,403,271)	(2,345,774)
Manager's fee payable	(11,985)	(12,335)
Distribution payable	(87,237)	(100,891)
At amortised cost	(2,641,259)	(2,606,625)
Unitholders' funds	(6,676,152)	(6,888,706)

Details of the financial instruments are disclosed in respective notes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

22 FINANCIAL INSTRUMENTS (continued)

(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 from the fluctuation of HIBOR in relation to variable-rate bank borrowings (see note 15 for details of these borrowings). The Group manages its exposure to interest rate movements on its bank borrowings by swapping a certain proportion of these borrowings from floating rates to fixed rates. In order to achieve this result, the Group entered into interest rate swaps in respect of its bank borrowings (see note 12 for details).

If the interest rates have been higher by 50 basis points and all other variables were held constant, the (loss)/profit before tax for the year would increase/(decrease) as follows:

	Bank borrowings HK\$'000	Derivative financial instruments HK\$'000
2024		
Loss before tax for the year	12,100	(11,411)
2023		
Profit before tax for the year	(11,850)	6,810

If the interest rates have been lower by 50 basis points and all other variables were held constant, there would be an equal and opposite impact on the (loss)/profit before tax for the year.

The above sensitivity analysis has been determined based on the exposure to interest rates for variable rate term loans and derivative instruments at the end of the reporting period. For variable rate bank borrowings, 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 and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and other receivables, bank balances and derivative financial instruments. Except for trade receivables, the Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment are summarised as below:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

22 FINANCIAL INSTRUMENTS (continued)

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

(ii) Credit risk and impairment assessment (continued)

Trade receivables

Trade receivables consists of rental revenue and rental related income receivables from tenants. The REIT Manager monitors their balances on an ongoing basis. Credit evaluations are performed by the property manager on behalf of the REIT Manager before lease agreements are entered into with tenants. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Credit risk from debtors is the potential financial loss resulting from the failure of a tenant or counterparty to settle its financial and contractual obligations to the property companies, as and when they fall due. The Group has adopted a policy of obtaining tenants' deposits to mitigate the risk of financial loss from tenant's default.

To mitigate the risk of financial loss from default, most 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 in case of default. There is no credit period given to the tenants for the rental of properties. Rental is payable in advance and late payment interest is chargeable on overdue receivables. In addition, the REIT Manager has delegated the Property Manager 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 Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group performs impairment assessment under ECL model on trade receivables individually.

The following table shows the movement of lifetime ECL that has been recognised for trade receivables under the simplified approach.

	HK\$'000
As at 1 January 2023	3,361
Impairment losses recognised	370
As at 31 December 2023	3,731
Amount written off	(226)
Reversal of impairment losses	(64)
As at 31 December 2024	3,441

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

22 FINANCIAL INSTRUMENTS (continued)

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

(ii) Credit risk and impairment assessment (continued)

Other receivables, bank balances and derivative financial instruments

The Group measures the loss allowance on other receivables, mainly represents interest receivables from fixed deposits and bank balances equal to 12m ECL. The credit risk on interest receivables, bank balances are limited because the counterparties are placed with reputable banks with external credit rating of at least A1 assigned by an international credit-rating agency. Based on the ECL assessment, the credit exposures for other receivables and bank balances are considered as low risk because the counterparties have a low risk of default and no loss allowance is provided.

The credit risk on derivative financial instruments are limited because the counterparties are placed with reputable banks with external credit rating of at least A1 assigned by an international credit-rating agency.

Besides concentration of credit risk on bank balances which are deposited with HSBC with high credit ratings, the Group does not have any other significant concentration of credit risk.

(iii) Liquidity risk

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 REIT Code concerning limits on total borrowings and monitors the level of borrowing to be within the permitted limit.

As at 31 December 2024, the Group has four (2023: three) bank loan facilities of HK\$2,830,000,000 (2023: HK\$2,770,000,000), comprising term loans with total of HK\$2,400,000,000 (2023: HK\$2,340,000,000) and revolving credit facilities of HK\$430,000,000 (2023: HK\$430,000,000). HK\$2,400,000,000 (2023: HK\$2,340,000,000) of the term loans and HK\$20,000,000 (2023: HK\$30,000,000) of the revolving loan were drawn as at 31 December 2024. Details of the borrowing are set out in note 15.

As at 31 December 2024 and 31 December 2023, all bank loan facilities are unsecured. Prosperity REIT has provided guarantees for these bank loan facilities and none of the Group's investment properties was pledged to secure the banking credit facilities granted to the Group.

Taking into account the headroom of the fair value of investment properties of HK\$9,547,000,000, presently available bank facilities and internal financial resources of the Group, the REIT Manager is of the opinion that, taking into account presently available bank facilities and internal financial resources of the Group, the Group has sufficient working capital for its present requirements within one year from the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

22 FINANCIAL INSTRUMENTS (continued)

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

(iii) Liquidity risk (continued)

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. 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.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. Undiscounted net cash flows 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.

	Weighted average interest rate %	Less than 1 month or on demand HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1 to 5 years HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amount at 31/12/2024 HK\$'000
2024							
Non-derivative							
Trade payables	-	1,027	425	1,207	-	2,659	2,659
Tenants' deposits	-	9,341	4,622	41,706	74,964	130,633	130,633
Amounts due to related companies	-	5,474	-	-	-	5,474	5,474
Bank borrowings	5.79%	31,693	22,077	1,036,423	1,569,053	2,659,246	2,403,271
Manager's fee payable	-	11,985	-	-	-	11,985	11,985
Distribution payable	-	-	-	87,237	-	87,237	87,237
Cash outflow		59,520	27,124	1,166,573	1,644,017	2,897,234	2,641,259
Derivatives — net settlement							
Interest rate swaps	-	-	2,292	7,568	6,141	16,001	17,605

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

22 FINANCIAL INSTRUMENTS (continued)

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

(iii) Liquidity risk (continued)

	Weighted average interest rate %	Less than 1 month or on demand HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	1 to 5 years HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amount at 31/12/2023 HK\$'000
2023							
Non-derivative							
Trade payables	-	609	254	1,074	-	1,937	1,937
Tenants' deposits	-	7,466	6,276	41,483	77,529	132,754	132,754
Amounts due to related companies	-	12,934	-	-	-	12,934	12,934
Bank borrowings	6.37%	42,830	24,515	112,361	2,510,119	2,689,825	2,345,774
Manager's fee payable	-	12,335	-	-	-	12,335	12,335
Distribution payable	-	-	-	100,891	-	100,891	100,891
Cash outflow		76,174	31,045	255,809	2,587,648	2,950,676	2,606,625
Derivatives — net settlement							
Interest rate swaps	-	2,744	7,491	8,165	9,168	27,568	30,117

(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 the discounted future cash flows using the applicable yield curve for the duration of the swap;

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.

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\$1,161,030,000 (2023: HK\$255,362,000).

24 TOTAL ASSETS LESS CURRENT LIABILITIES

At the end of the reporting period, the Group's total assets less current liabilities amounted to HK\$8,393,695,000 (2023: HK\$9,460,291,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

25 SEGMENTAL REPORTING

During the year, Prosperity REIT invested in seven (2023: 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.

Segment revenue and results

For the year ended 31 December 2024

	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	91,276	63,956	33,007	64,484	43,955	34,931	15,837	347,446
Rental related income	30,231	17,120	5,495	10,177	7,865	4,430	2,604	77,922
Segment revenue in Hong Kong	121,507	81,076	38,502	74,661	51,820	39,361	18,441	425,368
Segment profit	94,387	61,793	29,256	56,713	38,081	29,507	13,570	323,307
Other income								286
Manager's fee								(48,147)
Trust and other expenses								(7,128)
Change in fair value of investment properties								(177,858)
Finance costs, net								(132,572)
Loss before taxation and transactions with unitholders								(42,112)

For the year ended 31 December 2023

	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	95,756	73,053	32,094	63,703	46,326	34,835	15,457	361,224
Rental related income	28,614	18,039	5,088	9,533	8,186	4,198	2,432	76,090
Segment revenue in Hong Kong	124,370	91,092	37,182	73,236	54,512	39,033	17,889	437,314
Segment profit	96,227	72,736	27,129	55,937	41,014	29,926	13,413	336,382
Other income								1,059
Manager's fee								(49,000)
Trust and other expenses								(7,283)
Change in fair value of investment properties								(120,951)
Finance costs, net								(138,725)
Profit before taxation and transactions with unitholders								21,482

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

25 SEGMENTAL REPORTING (continued)

Segment assets

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

	2024 HK\$'000	2023 HK\$'000
The Metropolis Tower	2,622,000	2,701,000
Prosperity Millennia Plaza	1,996,000	2,055,000
9 Chong Yip Street	917,000	940,000
Prosperity Place	1,700,000	1,698,000
Trendy Centre	1,105,000	1,106,000
Portion of Prosperity Center	851,000	850,000
Portion of New Treasure Centre	356,000	353,000
Total segment assets	9,547,000	9,703,000
Other assets	81,742	105,389
Consolidated assets	9,628,742	9,808,389

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

26 OPERATING LEASE ARRANGEMENTS

The Group rents out its investment properties in Hong Kong. Leases are negotiated for term ranging from one to four years with monthly fixed rental.

Undiscounted lease payments receivable on leases are as follows:

	2024 HK\$'000	2023 HK\$'000
Within one year	243,202	242,772
In the second year	122,881	118,100
In the third year	30,437	29,322
In the fourth year	128	874
	396,648	391,068

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

27 CONNECTED AND RELATED PARTY TRANSACTIONS

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

	Notes	2024 US\$'000	2023 US\$'000
Rent and rental related income from			
E-Park Parking Management Limited	(a)	608	591
Goodwell Property Management Limited	(a)	2,060	1,989
Carpark lease agency fee for the operations of the Group's carpark			
E-Park Parking Management Limited	(a)	3,440	3,445
Property management fee			
Goodwell-Prosperity Property Services Limited	(a)	9,562	10,011
Marketing service fee			
Goodwell-Prosperity Property Services Limited	(a)	11,228	11,929
Back-office support service fee			
CK Asset Companies	(a)	5	–
Trustee's fee			
HSBC Institutional Trust Services (Asia) Limited	(b)	2,891	2,804
Manager's fee			
ESR Asset Management (Prosperity) Limited	(c)	48,147	49,000
Building manager's remuneration			
Goodwell Property Management Limited	(a)	682	636
Carpark manager's remuneration			
Goodwell Property Management Limited	(a)	62	58
Citybase Property Management Limited	(a)	46	44
Balances as at year end with connected and related parties are as follows:			
Amount due to			
Citybase Property Management Limited	(a)	428	491
E-Park Parking Management Limited	(a)	272	588
Goodwell-Prosperity Property Services Limited	(a)	2,352	3,896
Goodwell Property Management Limited	(a)	2,422	7,959
Deposits placed with the Group for the lease of the Group's properties			
E-Park Parking Management Limited	(a)	162	162
Goodwell Property Management Limited	(a)	582	551

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

27 CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

Notes:

- (a) These companies are the 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) HSBC Institutional Trust Services (Asia) Limited is the trustee of Prosperity REIT.
- (c) ESR Asset Management (Prosperity) Limited is the manager of Prosperity REIT.

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, wholly-owned subsidiaries of CK Asset, 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\$790,000 (2023: HK\$738,000).

28. CAPITAL COMMITMENTS

As at 31 December 2024, the Group had no capital commitments for upgrading investment properties which were contracted but not provided for (2023: approximately HK\$6,348,000).

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows used in financing activities.

	Bank borrowings (note 15) HK\$'000	Distribution payable HK\$'000	Total HK\$'000
At 1 January 2023	2,306,789	113,590	2,420,379
Financing cash flows	(89,681)	(227,361)	(317,042)
Finance costs from bank borrowings	98,666	–	98,666
Drawdown of an unsecured revolving loan	55,000	–	55,000
Repayment of an unsecured revolving loan	(25,000)	–	(25,000)
Distribution to unitholders	–	214,662	214,662
At 1 January 2024	2,345,774	100,891	2,446,665
Financing cash flows	(110,963)	(199,069)	(310,032)
Finance costs from bank borrowings	120,060	–	120,060
Drawdown of an unsecured term loan	59,100	–	59,100
Bank facility origination fees paid	(700)	–	(700)
Drawdown of unsecured revolving loans	160,000	–	160,000
Repayment of unsecured revolving loans	(170,000)	–	(170,000)
Distribution to unitholders	–	185,415	185,415
At 31 December 2024	2,403,271	87,237	2,490,508

List of Subsidiaries

Name of companies	Place of incorporation	Effective equity interest held by Prosperity REIT				Share capital	Principal activities in Hong Kong
		As at 31 December 2024		As at 31 December 2023			
		Directly %	Indirectly %	Directly %	Indirectly %		
Bandick Limited	Hong Kong	100	–	100	–	HK\$2	Property investment
Clifton Properties Limited	Hong Kong	–	100	–	100	HK\$10,000	Property investment
Conestoga Limited	Hong Kong	–	100	–	100	HK\$10,000	Property investment
Haskins Investments Limited	Hong Kong	100	–	100	–	HK\$2	Property investment
Jade Arch Investment Limited	British Virgin Islands	100	–	100	–	HK\$15,053	Investment holding
Prodes Company Limited	Hong Kong	–	100	–	100	HK\$10	Property owner
Progain Group Limited	British Virgin Islands	100	–	100	–	US\$1	Financing
Top Easy Profits Limited	British Virgin Islands	100	–	100	–	US\$1	Property investment
Unicenter Limited	British Virgin Islands	100	–	100	–	US\$1	Investment holding
Unique Champ Investments Limited	British Virgin Islands	100	–	100	–	US\$1	Investment holding
Vital Vision Enterprises Limited	British Virgin Islands	100	–	100	–	US\$1	Financing
Winrise Champion Limited	British Virgin Islands	–	100	–	100	US\$1	Property investment
Wisdom Champion Limited	British Virgin Islands	100	–	100	–	US\$1	Property investment
Wisdom Champion (12) Limited	British Virgin Islands	100	–	100	–	US\$1	Property investment
Wisdom Champion (15) Limited	British Virgin Islands	100	–	100	–	US\$1	Property investment
Wisdom Champion (16) Limited	British Virgin Islands	100	–	100	–	US\$1	Property investment
Wisdom Champion (17) Limited	British Virgin Islands	100	–	100	–	US\$1	Property investment
Wisdom Champion (18) Limited	British Virgin Islands	100	–	100	–	US\$1	Property investment
Wisdom Champion (19) Limited	British Virgin Islands	100	–	100	–	US\$1	Property investment
Wisdom Champion (20) Limited	British Virgin Islands	100	–	100	–	US\$1	Property investment
Wisdom Champion (21) Limited	British Virgin Islands	100	–	100	–	US\$1	Property investment
Wisdom Champion (22) Limited	British Virgin Islands	100	–	100	–	US\$1	Property investment
Wisdom Champion (23) Limited	British Virgin Islands	100	–	100	–	US\$1	Property investment
Wisdom Champion (25) Limited	British Virgin Islands	100	–	100	–	US\$1	Property investment
Wisdom Champion (26) Limited	British Virgin Islands	100	–	100	–	US\$1	Property investment
Wisdom Champion (27) Limited	British Virgin Islands	100	–	100	–	US\$1	Property investment
Wisdom Champion (28) Limited	British Virgin Islands	100	–	100	–	US\$1	Property investment
Diamond Champ Enterprises Limited	British Virgin Islands	100	–	100	–	US\$1	Dormant

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

Performance Table

RESULTS ANALYSIS FOR THE YEAR ENDED 31 DECEMBER

	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
Gross rental from investment properties	347,446	361,224	363,996	381,667	391,218
Net property income	323,307	336,382	337,905	352,086	358,038
(Loss)/profit for the year, before transactions with unitholders	(74,636)	(5,673)	74,891	57,020	(874,501)
Distribution to unitholders	185,415	214,662	244,985	267,619	272,922
Basis (loss)/earnings per unit (HK\$)	(0.049)	(0.004)	0.050	0.037	(0.576)
Distribution per unit (HK\$)	0.1198	0.1409	0.1625	0.1763	0.1791

MAJOR ASSETS AND LIABILITIES OF PROSPERITY REIT AS AT 31 DECEMBER

	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
Investment properties	9,547,000	9,703,000	9,801,000	9,967,000	10,147,000
Borrowings, excluding bank facility origination fees	(2,420,000)	(2,370,000)	(2,340,000)	(2,340,000)	(2,340,000)
Net asset value	6,676,152	6,888,706	7,098,489	7,262,603	7,542,506
Net asset value per unit (HK\$) ⁽¹⁾	4.31	4.56	4.71	4.83	4.95
Other Information					
The highest traded price during the year (HK\$)	1.47	2.39	3.11	3.19	3.07
The discount of the highest traded price to net asset value	(65.9%)	(47.6%)	(34.0%)	(34.0%)	(38.0%)
The lowest traded price during the year (HK\$)	1.11	1.32	1.60	2.38	2.15
The discount of the lowest traded price to net asset value	(74.2%)	(71.1%)	(66.0%)	(50.7%)	(56.6%)
The net yield per unit based on market price at the end of year	9.7% ⁽²⁾	10.1%	8.2%	5.7%	7.4%

¹ The net asset value per unit is calculated based on the net assets attributable to unitholders and the total number of units in issue as at year ended dates;

² Based on the distribution per unit of HK\$0.1198 for the year ended 31 December 2024 and the closing market price of HK\$1.24 as at 31 December 2024.

Investment Properties Portfolio

As at 31 December 2024

Property	Type	Lease term	Lease expiry date	Location	Valuation 2024 HK\$ Million
The Metropolis Tower	O	Medium-term lease	30 June 2047	10 Metropolis Drive Hung Hom Kowloon Hong Kong	2,622
Prosperity Millennia Plaza	O	Medium-term lease	30 June 2047	663 King's Road North Point Hong Kong	1,996
9 Chong Yip Street	O	Medium-term lease	30 June 2047	9 Chong Yip Street Kwun Tong Kowloon Hong Kong	917
Prosperity Place	C	Medium-term lease	30 June 2047	6 Shing Yip Street Kwun Tong Kowloon Hong Kong	1,700
Trendy Centre	I/O	Medium-term lease	30 June 2047	682 Castle Peak Road Lai Chi Kok Kowloon Hong Kong	1,105
Prosperity Center (portion)	I/O	Medium-term lease	30 June 2047	25 Chong Yip Street Kwun Tong Kowloon Hong Kong	851
New Treasure Centre (portion)	I	Medium-term lease	30 June 2047	10 Ng Fong Street San Po Kong Kowloon Hong Kong	356
Total					9,547

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

Summary Financial Information

Following is a summary of the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position of Prosperity REIT for the past financial years prepared on a basis as consistent to the financial year ended 31 December 2024:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 Dec 2024 HK\$'000	Year ended 31 Dec 2023 HK\$'000	Year ended 31 Dec 2022 HK\$'000	Year ended 31 Dec 2021 HK\$'000	Year ended 31 Dec 2020 HK\$'000
Revenue	425,368	437,314	434,007	444,981	452,894
(Loss)/profit before taxation and transactions with unitholders	(42,112)	21,482	121,142	98,289	(834,643)
Taxation	(32,524)	(27,155)	(46,251)	(41,269)	(39,858)
(Loss)/profit for the years, before transactions with unitholders	(74,636)	(5,673)	74,891	57,020	(874,501)
Distribution to unitholders	185,415	214,662	244,985	267,619	272,922
Distribution per unit (HK\$)	0.1198	0.1409	0.1625	0.1763	0.1791

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
Non-current assets	9,554,725	9,715,653	9,833,185	9,967,000	10,147,000
Current assets	74,017	92,736	149,316	218,623	364,817
Current liabilities	1,235,047	348,098	326,449	1,898,934	1,173,594
Net assets attributable to unitholders	6,676,152	6,888,706	7,098,489	7,262,603	7,542,506

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

NG Shieu Yeing, Christina
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

Knight Frank Petty Limited

PRINCIPAL BANKERS

DBS Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Oversea-Chinese Banking Corporation Limited

LEGAL ADVISER

Baker & McKenzie

REGISTERED OFFICE

Unit 901, Level 9, Fortune Metropolis
6 The Metropolis Drive, Hunghom, 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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KEY DATES

Annual Results Announcement	21 March 2025
Closure of Register of Unitholders for Final Distribution	9 April to 10 April 2025 (both days inclusive)
Payment of Final Distribution	23 April 2025
Closure of Register of Unitholders for Annual General Meeting	23 May to 28 May 2025 (both days inclusive)
Annual General Meeting	28 May 2025

Prosperity REIT has adopted the new arrangement of electronic dissemination of Corporate Communications (including but not limited to annual report, interim report, notice of meeting, listing documents, circular and proxy form) pursuant to rule 2.07A of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited under the expansion of paperless listing regime and electronic dissemination of corporate communications.

This annual report 2024 ("Annual Report") (in both English and Chinese versions) has been posted on the websites of Hong Kong Exchanges and Clearing Limited ("HKEx") at www.hkexnews.hk and Prosperity REIT at www.prosperityreit.com. Unitholders who for any reason have difficulty in receiving or gaining access to the Annual Report posted on HKEx's and Prosperity REIT's websites 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 HKEx's and Prosperity REIT's websites) and/ or language of Prosperity REIT's Corporate Communications 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.

In support of electronic dissemination of Corporate Communications by email, Prosperity REIT recommends unitholders to provide their email addresses to Prosperity REIT's unit registrar by email to prosperityreit.ecom@computershare.com.hk.



Stock Code: 808

Prosperity REIT is managed by
ESR Asset Management (Prosperity) Limited,
a subsidiary of ESR Group Limited



www.prosperityreit.com

