

STRENGTH IN STABILITY

Annual Report 2023



 **PROSPERITY**
REIT 泓富產業信託

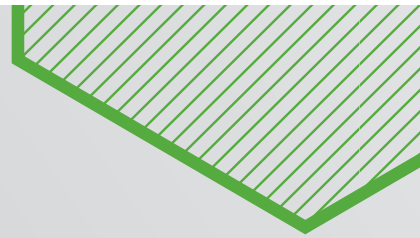
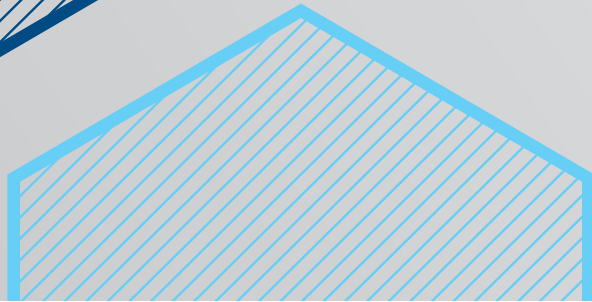
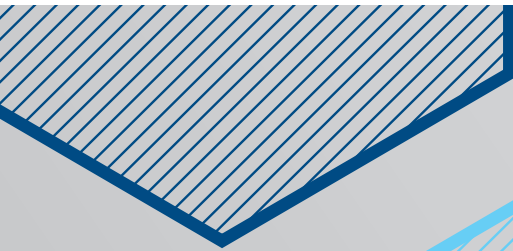
Stock Code: 808



THE METROPOLIS TOWER



PROSPERITY MILLENNIA PLAZA



9 CHONG YIP STREET



PROSPERITY PLACE





7

PROSPERITY
REIT
PORTFOLIO

TRENDY CENTRE

TOTAL GROSS
RENTABLE AREA
OF ABOUT

1.28

MILLION
SQ.FT.

PROSPERITY CENTER
PROPERTY (PORTION)

NEW TREASURE
CENTRE PROPERTY (PORTION)



ABOUT PROSPERITY REIT

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

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

ABOUT THE REIT MANAGER

ARA Asset Management (Prosperity) Limited is a wholly-owned subsidiary of ARA Asset Management Limited which is part of the ESR Group, the APAC's leading real asset manager powered by the New Economy and one of the largest listed real estate investment managers.

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.

Contents

Chairman's Statement	5
Performance Highlights in 2023	10
Trust Review	11
Prosperity REIT Portfolio	18
Management Discussion and Analysis	34
Sustainability Report Summary	42
Directors and Senior Management Biographical Information	45
Corporate Governance	53
Connected Party Transactions	69
Valuation Summary	75
Report of the Trustee	83
Independent Auditor's Report	84
Consolidated Statement of Profit or Loss and Other Comprehensive Income	89
Distribution Statement	90
Consolidated Statement of Financial Position	91
Consolidated Statement of Changes in Net Assets Attributable to Unitholders	92
Consolidated Statement of Cash Flows	94
Notes to the Consolidated Financial Statements	95
List of Subsidiaries	132
Performance Table	133
Investment Properties Portfolio	134
Summary Financial Information	135
Corporate Information	136



Chairman's Statement



Dear Unitholders,

On behalf of the Board of Directors (the “Board”) of ARA Asset Management (Prosperity) Limited, the manager of Prosperity Real Estate Investment Trust (“Prosperity REIT”), I would like to present the annual report of Prosperity REIT for the financial year ended 31 December 2023 (the “Reporting Year”).

RESULTS AND DISTRIBUTION

Despite the tepid economic recovery in Hong Kong, Prosperity REIT registered stable top-line revenue of HK\$437.3 million and net property income of HK\$336.4 million for the Reporting Year. Distributable income and distribution per unit (“DPU”) declined mainly due to the rise in finance cost amid interest rate hike environment. Property valuation adjusted downward mildly by 1.0% year-on-year (“YoY”) to HK\$9,703 million.

Our Unitholders will receive a DPU of HK\$0.0664 for the second half of the year, representing a total DPU of HK\$0.1409 for the year ended 31 December 2023.

MARKET REVIEW

Global economies have continued to confront heightened interest rates, energy prices, inflation, geopolitical conflicts and trade tensions in 2023.

In the US, following 525bps of rate hikes by the Federal Reserve since 2022, policy interest rate has been maintained at a range of 5.25%–5.50% for four consecutive meetings. GDP grew by 2.5% annually in 2023 alongside gradually easing inflation.

In Mainland China, annual economic growth of 5.2% was recorded in 2023 due to the rebound in local consumer spending. Fiscal and monetary stimuli have been stepped up to boost private sector confidence and stabilize property market.

Hong Kong’s 2023 annual GDP growth of 3.2% was driven by the uptick of domestic demand and inbound tourism after a return to normalcy. However, the elevated finance cost, lacklustre property market and subdued external demand weighed on economic activities.

Chairman's Statement

OPERATIONS REVIEW

During the year, local office rents and occupancy rates were pressured by the prevailing high business operating cost, economic uncertainty, hybrid work norm and new office supply. Nevertheless, our diversified portfolio of premium quality properties located in decentralized areas has stayed resilient.

With increased economic momentum after the reopening of Hong Kong, leasing activities and sentiment improved. Our portfolio rent level and occupancy rate were stable in 2023. Negative portfolio rental reversion narrowed in the second half compared to first half of the year. Although our Grade A office properties continue to face headwinds, Prosperity REIT has a well-balanced portfolio with commercial and industrial properties.

SUSTAINABILITY

As a responsible corporate citizen, we are committed in forging ahead on our sustainability journey to create positive impacts on the environment and for our stakeholders. For the Reporting Year, we have adopted the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") in our Sustainability Report. Being the first Hong Kong REIT to achieve 100% sustainability-linked financing, we have ventured further by increasing our proportion of sustainability-linked interest rate swaps.

For the second consecutive year, we have attained the highest 5-Star rating, "A" ranking for public disclosure and Green Star accreditation in the 2023 Global Real Estate Sustainability Benchmark ("GRESB") assessment. Affirming our commitment to the pinnacle of green building and wellness standards, The Metropolis Tower and Prosperity Millennia Plaza have both achieved "Platinum" ratings under the BEAM Plus Comprehensive Scheme and the WELL Certification respectively. Our innovative and sustainable facility management practices have also garnered awards from Royal Institution of Chartered Surveyors ("RICS") and Green Building Award 2023.

OUTLOOK

Given the lingering effects of high interest rates and geopolitical tensions, the World Bank has projected global economic growth to soften to 2.4% in 2024. Meanwhile, Hong Kong's GDP is forecasted to grow in a range of 2.5% to 3.5% in 2024. The pace of recovery in Hong Kong depends on the progress of Mainland China's economy and the movement of US Fed interest rate. The upcoming US presidential election also injects more uncertainty into the global economic outlook.

Chairman's Statement

Although 2024 may be another challenging year, Prosperity REIT is well-poised to benefit from its unique portfolio close to major transportation link and equipped with green and smart building facilities. We will continue deploying prudent and nimble leasing strategies to navigate through different market conditions.

ACKNOWLEDGEMENTS

I would like to convey my deepest appreciation to all our staff, tenants, service providers and business partners, who have all played pivotal roles towards helping us foster strength in stability to ride out uncertain times.

In particular, I am grateful to my fellow Board members and the management team for their unyielding dedication and invaluable efforts.

Last but not least, I would like to conclude by acknowledging and thanking all our Unitholders. Your steadfast support for and faith in Prosperity REIT are important cornerstones for our sustainable growth.

Dr. Chiu Kwok Hung, Justin

Chairman

ARA Asset Management (Prosperity) Limited

as manager of Prosperity REIT

Hong Kong, 15 March 2024





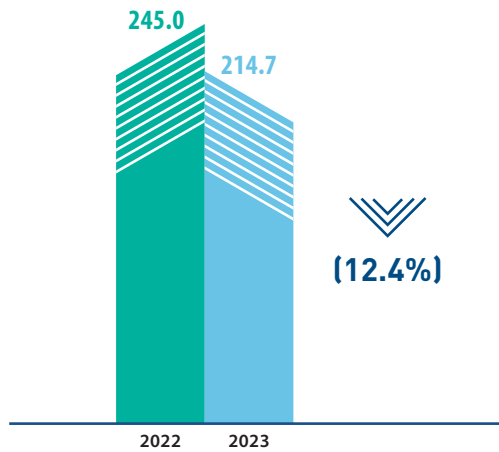
**Performance
Highlights &
Trust Review**



Performance Highlights in 2023

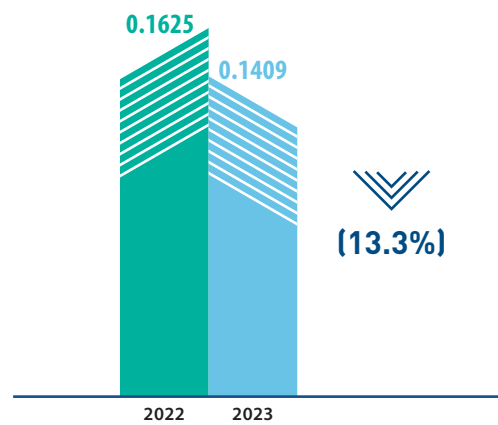
Income available for distribution¹

(HK\$ million)



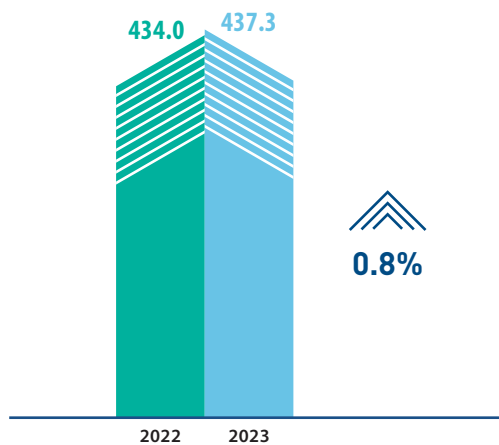
Distribution per unit ("DPU")¹

(HK\$)



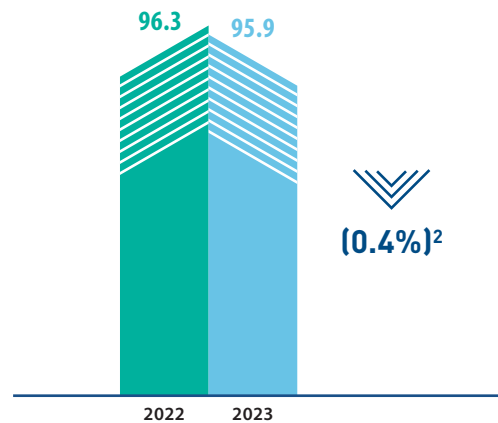
Revenue¹

(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 2023, 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 2023, the appraised value of the portfolio was HK\$9,703 million. Grade A office buildings, commercial building, industrial/office buildings and industrial building accounted for 58.7%, 17.5%, 20.2% and 3.6% of the total appraised value respectively.

	Valuation HK\$ million as at 31 December 2023	Valuation HK\$ million as at 31 December 2022	Percentage change Increase/(Decrease)
Grade A Office			
The Metropolis Tower	2,701	2,845	(5.1%)
Prosperity Millennia Plaza	2,055	2,096	(2.0%)
9 Chong Yip Street	940	985	(4.6%)
Commercial			
Prosperity Place	1,698	1,650	2.9%
Industrial/Office			
Trendy Centre	1,106	1,060	4.3%
Prosperity Center (portion)	850	826	2.9%
Industrial			
New Treasure Centre (portion)	353	339	4.1%
Total	9,703	9,801	(1.0%)

EFFECTIVE LEASE MANAGEMENT

As a result of proactive tenant recruitment efforts by the REIT Manager, the portfolio's occupancy rate was maintained stable at 95.9% as at 31 December 2023. The portfolio's average effective unit rent decreased by 1.9% year-on-year ("YoY") to HK\$22.21 per sq.ft., with a rental reversion rate of -1.8% for the leases renewed in 2023.

As at 31 December 2023, leases expiring on 31 December 2023 & 2024 accounted for 45.8% of the portfolio's gross rental income. Proactive leasing strategies will be continued in 2024 to deliver stable distribution to unitholders.

Trust Review

LEASE EXPIRY PROFILE BY GROSS RENTAL INCOME (AS AT 31 DECEMBER 2023)

	31 December 2023 & 2024	2025	2026 and Beyond
The Metropolis Tower	49.2%	30.5%	20.3%
Prosperity Millennia Plaza	63.8%	21.3%	14.9%
9 Chong Yip Street	32.9%	44.4%	22.7%
Prosperity Place	29.6%	44.5%	25.9%
Trendy Centre	36.9%	53.5%	9.6%
Prosperity Center (portion)	49.3%	45.9%	4.8%
New Treasure Centre (portion)	49.3%	35.2%	15.5%
Portfolio	45.8%	36.6%	17.6%

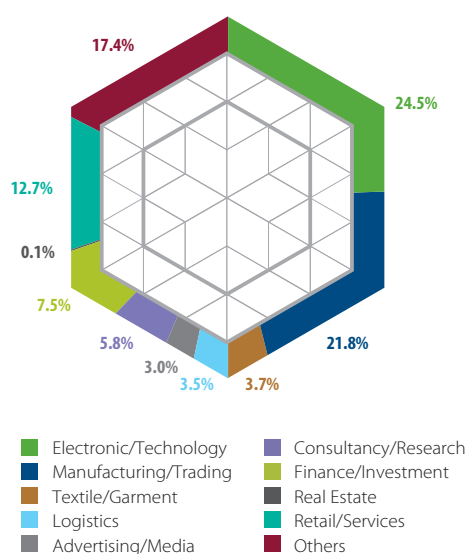
WELL-BALANCED TENANT MIX

As at 31 December 2023, Prosperity REIT had a total of 648 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 56.1% (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 2023)



Size of Tenant Premises on Gross Rentable Area (as at 31 December 2023)

	Percentage
Above 10,000 sq.ft.	8.1%
5,001 sq.ft.–10,000 sq.ft.	19.6%
2,001 sq.ft.–5,000 sq.ft.	28.4%
1,001 sq.ft.–2,000 sq.ft.	28.9%
1,000 sq.ft. and below	15.0%
Total	100.0%

CLOSE-TO-ZERO RENT DELINQUENCY RATE

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

ASSET ENHANCEMENT

Asset enhancement is a key growth driver for Prosperity REIT. Apart from keeping up with keen competition, upgrading our properties can ensure sustainable growth in rental level and capital appreciation. During the Reporting Year, a number of asset enhancement works have been carried out at The Metropolis Tower and Prosperity Millennia Plaza.

THE METROPOLIS TOWER

The renovation of passenger lift lobby and corridor on typical floors at The Metropolis Tower continued. This facelifting has incorporated prestigious design with a warm and hospitable indoor environment for our tenants. Moreover, considering higher running and maintenance costs of the aged chiller sets for the MVAC system, we have replaced one out of a total of three chiller sets by a more energy-efficient model in order to upkeep a reliable air conditioning service for the property and for better energy efficiency.



Renovation of passenger lift lobby and corridor on typical floor



Replacement of chiller

Trust Review

PROSPERITY MILLENNIA PLAZA

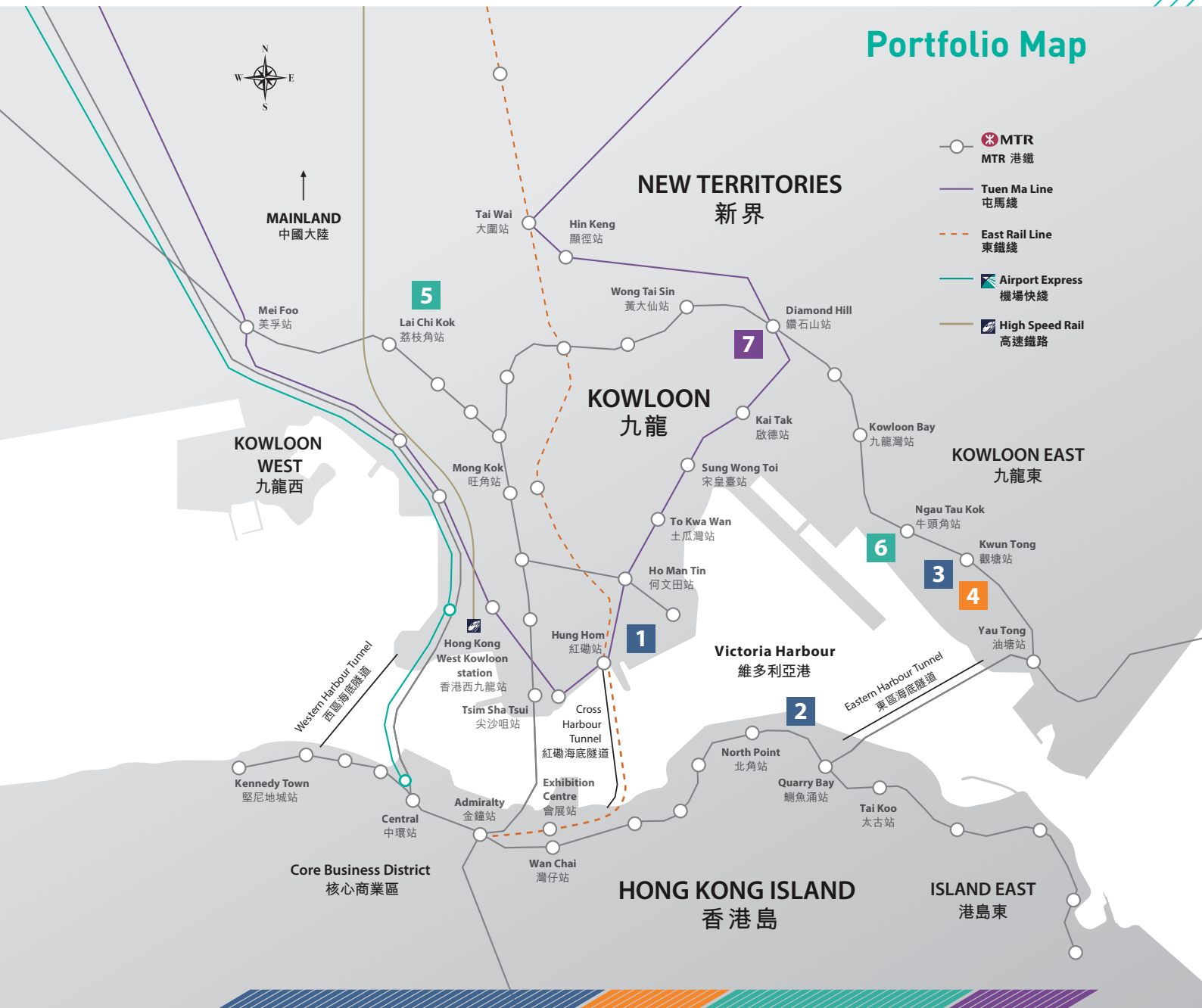
The renovation of passenger lift lobby and corridor on typical floors at Prosperity Millennia Plaza continued. This facelifting has brought the environment of the common areas in line with the G/F lobby design and to stay competitive with the high standard new office buildings in close vicinity.



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 2024.

Portfolio Map



GRADE A OFFICE			COMMERCIAL	INDUSTRIAL / OFFICE	INDUSTRIAL
					
1	2	3	4	5	6
The Metropolis Tower	Prosperity Millennia Plaza	9 Chong Yip Street	Prosperity Place	Trendy Centre	Prosperity Center Property (portion)
					
					New Treasure Centre Property (portion)





**Prosperity REIT
Portfolio**

Prosperity REIT Portfolio



THE METROPOLIS TOWER

Location	: 10 Metropolis Drive, Hung Hom, Kowloon
Year of Completion	: 2001
Gross Rentable Area (sq.ft.)	: 271,418
No. of Car Park Spaces	: 98
Appraised Value (HK\$ million)	: 2,701
Number of Tenancies	: 109

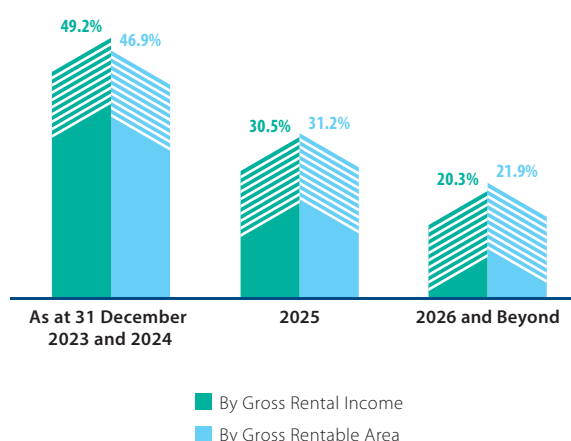
TOP 5 TENANTS¹

Tenants	Trade	GRA* (sq.ft.)	% of GRA*	% of GRI**
Sumitomo Mitsui Banking Corporation	Finance/Investment	18,161	6.7%	7.1%
Hutchison Whampoa (China) Limited	Others	18,161	6.7%	7.1%
NEC Hong Kong Limited	Electronic/Technology	18,161	6.7%	6.2%
Hong Kong Taiyo Yuden Company Limited	Electronic/Technology	7,768	2.9%	3.0%
Nintendo (Hong Kong) Limited	Manufacturing/Trading	7,415	2.7%	2.6%

* Gross rentable area ** Gross rental income

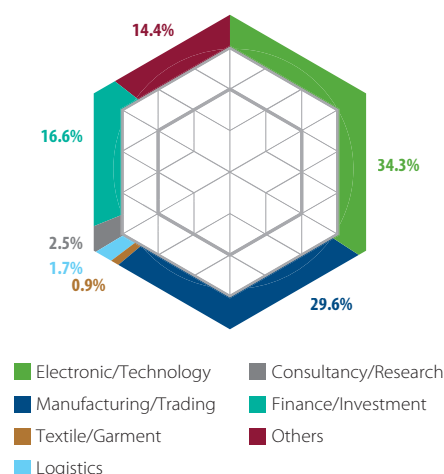
LEASE EXPIRY PROFILE

(as at 31 December 2023)



TRADE MIX BY GROSS RENTABLE AREA

(as at 31 December 2023)



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 2023, the occupancy rate of the property was 95.6%.

¹ Top 5 tenants are measured based on tenant's contribution to the rental income of the property in December 2023



Prosperity REIT Portfolio

PROSPERITY MILLENNIA PLAZA

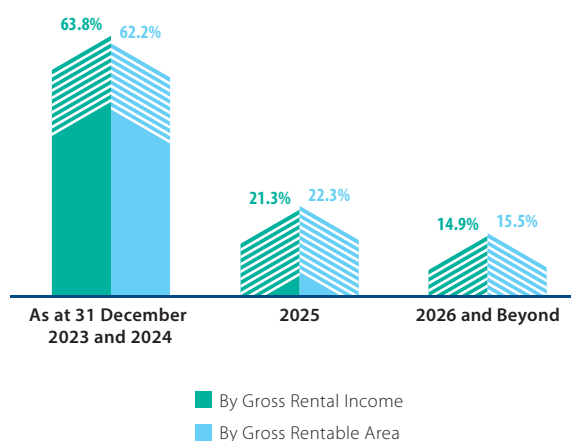
Location	: 663 King's Road, North Point, Hong Kong
Year of Completion	: 1999
Gross Rentable Area (sq.ft.)	: 217,955
No. of Car Park Spaces	: 43
Appraised Value (HK\$ million)	: 2,055
Number of Tenancies	: 81

TOP 5 TENANTS

Tenants	Trade	GRA (sq.ft.)	% of GRA	% of GRI
Prenetics Limited	Electronic/Technology	11,058	5.1%	6.0%
The Hong Kong & China Gas Company Limited	Others	8,314	3.8%	5.2%
JDB Holdings Limited	Consultancy/Research	8,867	4.1%	4.6%
Uni-Asia Holdings Limited and other	Logistics	8,314	3.8%	4.3%
Senco-Masslink Technology Limited	Electronic/Technology	8,314	3.8%	4.0%

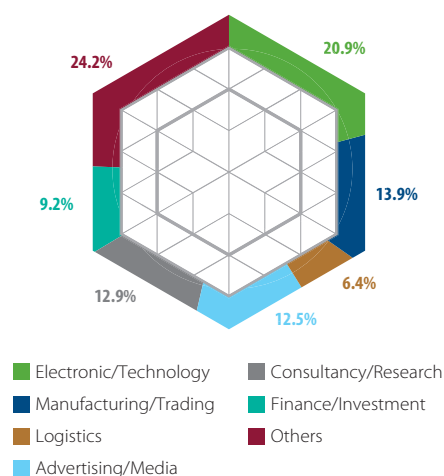
LEASE EXPIRY PROFILE

(as at 31 December 2023)



TRADE MIX BY GROSS RENTABLE AREA

(as at 31 December 2023)



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 2023, the occupancy rate of the property was 93.2%.



Prosperity REIT Portfolio

9 CHONG YIP STREET

Location	: 9 Chong Yip Street, Kwun Tong, Kowloon
Year of Completion	: 2004
Gross Rentable Area (sq.ft.)	: 136,595
No. of Car Park Spaces	: 68
Appraised Value (HK\$ million)	: 940
Number of Tenancies	: 42

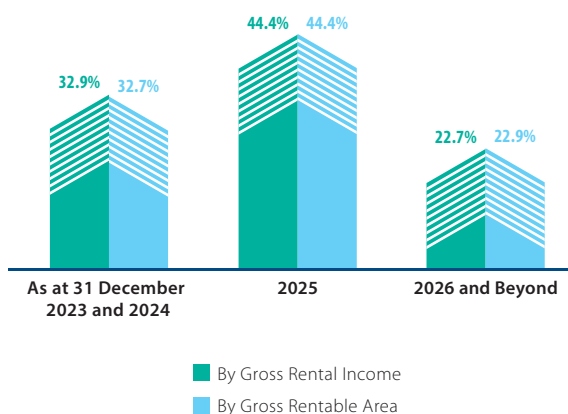
TOP 5 TENANTS

Tenants	Trade	GRA (sq.ft.)	% of GRA	% of GRI
Televoice Technology Asia Limited	Electronic/Technology	6,580	4.8%	5.4%
Atze Project Consulting Company Limited	Consultancy/Research	6,580	4.8%	5.3%
Tenant ^{note}	Others	6,580	4.8%	5.2%
Motive Force Technology Limited	Electronic/Technology	6,580	4.8%	5.0%
Hewson Consulting Limited	Electronic/Technology	6,580	4.8%	5.0%

Note: Tenant requested for anonymity

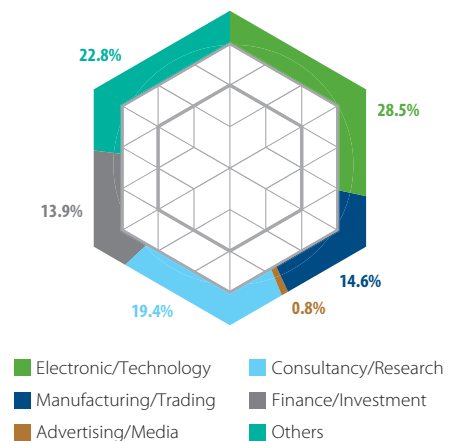
LEASE EXPIRY PROFILE

(as at 31 December 2023)



TRADE MIX BY GROSS RENTABLE AREA

(as at 31 December 2023)



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, a roof garden was set up to provide an environmentally friendly workplace for our tenants and solar panels have been installed. 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 2023, the occupancy rate of the property was 97.8%.



Prosperity REIT Portfolio

PROSPERITY PLACE

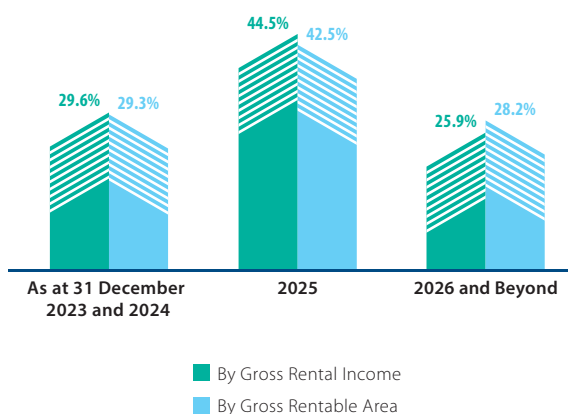
Location	: 6 Shing Yip Street, Kwun Tong, Kowloon
Year of Completion	: 1996
Gross Rentable Area (sq.ft.)	: 240,000
No. of Car Park Spaces	: 83
Appraised Value (HK\$ million)	: 1,698
Number of Tenancies	: 131

TOP 5 TENANTS

Tenants	Trade	GRA (sq.ft.)	% of GRA	% of GRI
I Dance Enterprise Limited	Retail/Services	10,000	4.2%	3.9%
Evlite Electronics Company Limited	Electronic/Technology	10,000	4.2%	3.6%
Integrated Silicon Solution Inc (Hong Kong) Limited	Electronic/Technology	7,316	3.0%	3.5%
Wall Street English Hong Kong Limited	Retail/Services	5,402	2.3%	2.9%
Boldyn Networks HK Limited	Electronic/Technology	7,225	3.0%	2.9%

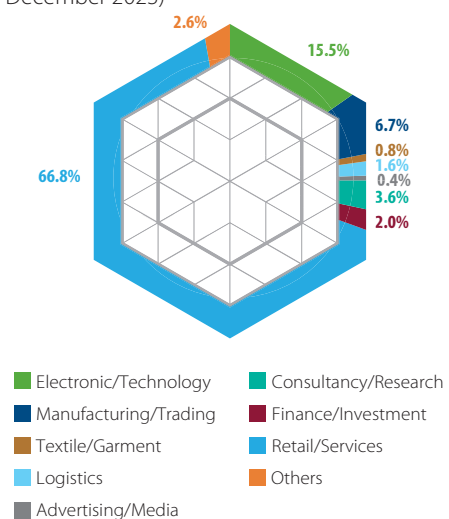
LEASE EXPIRY PROFILE

(as at 31 December 2023)



TRADE MIX BY GROSS RENTABLE AREA

(as at 31 December 2023)



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.

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

Following the execution of the special waiver to convert Prosperity Place from industrial/office use to commercial use at the end of 2012, we have created a commercial outlook, widened our tenant base and continuously recruited commercial 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.

As at 31 December 2023, the occupancy rate of the property was 96.5%.



Prosperity REIT Portfolio

TRENDY CENTRE

Location	: 682 Castle Peak Road, Lai Chi Kok, Kowloon
Year of Completion	: 1998
Gross Rentable Area (sq.ft.)	: 173,764
No. of Car Park Spaces	: 79
Appraised Value (HK\$ million)	: 1,106
Number of Tenancies	: 156

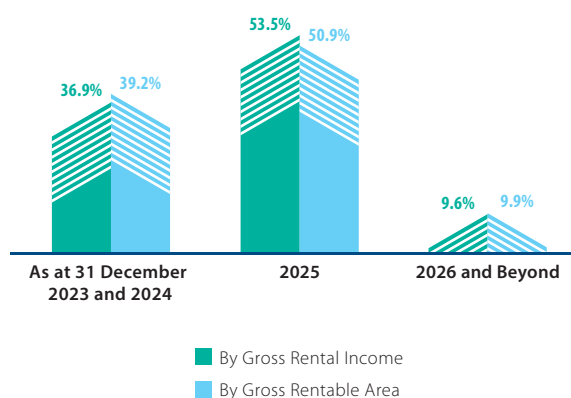
TOP 5 TENANTS

Tenants	Trade	GRA (sq.ft.)	% of GRA	% of GRI
Tenant ^{note}	Others	8,761	5.0%	4.8%
Lush Asia Limited	Manufacturing/Trading	1,718	1.0%	3.8%
Madrid Group Limited	Others	708	0.4%	2.9%
Health Gene Limited and other	Others	3,268	1.9%	2.0%
Cellomics International Limited	Others	3,077	1.8%	1.9%

Note: Tenant requested for anonymity

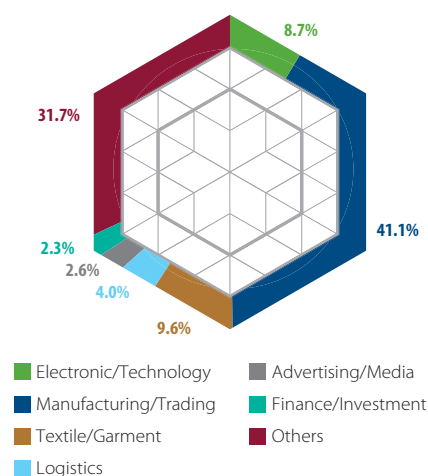
LEASE EXPIRY PROFILE

(as at 31 December 2023)



TRADE MIX BY GROSS RENTABLE AREA

(as at 31 December 2023)



Situated on Castle Peak Road in Lai Chi Kok, Trendy Centre is located in the heart of Kowloon's garment and fashion wholesaling district. It has close proximity to the Container Terminals of the Kwai Chung-Tsing Yi basin, which have a total handling capacity of over 20 million TEUs (twenty-foot equivalent units) annually.

Moreover, major transportation arteries, namely the Route 3 expressway incorporating the Ting Kau Bridge and Kong Sham Western Highway and the Route 8 expressway incorporating the Tsing Ma Bridge and Stonecutters Bridge, are close-by, providing quick access to the Hong Kong International Airport, as well as the Mainland border crossings. The Lai Chi Kok MTR Station is just a convenient five-minute stroll from Trendy Centre. As part of the sustainability measures, solar panels have been installed at Trendy Centre to contribute building an environmentally friendly future.

As at 31 December 2023, the occupancy rate of the property was 92.8%.



Prosperity REIT Portfolio

PROSPERITY CENTER PROPERTY (PORTION OF PROSPERITY CENTER)

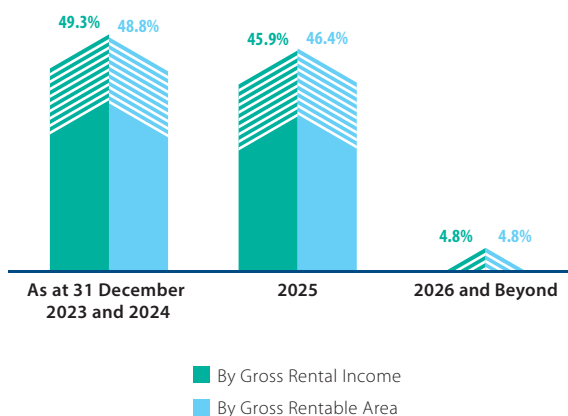
Location	: 25 Chong Yip Street, Kwun Tong, Kowloon
Year of Completion	: 1999
Gross Rentable Area (sq.ft.)	: 149,253
No. of Car Park Spaces	: 105
Appraised Value (HK\$ million)	: 850
Number of Tenancies	: 75

TOP 5 TENANTS

Tenants	Trade	GRA (sq.ft.)	% of GRA	% of GRI
OpSec Delta (HK) Limited	Manufacturing/Trading	10,528	7.1%	7.5%
Senko Advanced Components (Hong Kong) Limited	Electronic/Technology	11,733	7.9%	7.4%
Edvance Technology (Hong Kong) Limited	Electronic/Technology	10,528	7.1%	6.9%
Barco Limited	Electronic/Technology	4,597	3.1%	3.0%
Taiseimusen (H.K.) Company Limited	Manufacturing/Trading	3,714	2.5%	2.7%

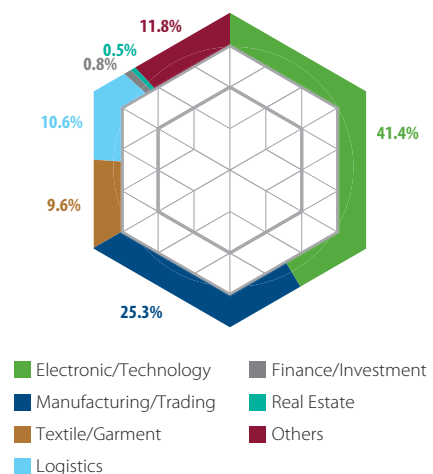
LEASE EXPIRY PROFILE

(as at 31 December 2023)



TRADE MIX BY GROSS RENTABLE AREA

(as at 31 December 2023)



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 2023, the occupancy rate of the property was 99.0%.



Prosperity REIT Portfolio

NEW TREASURE CENTRE PROPERTY (PORTION OF NEW TREASURE CENTRE)

Location	: 10 Ng Fong Street, San Po Kong, Kowloon
Year of Completion	: 1995
Gross Rentable Area (sq.ft.)	: 86,168
No. of Car Park Spaces	: 22
Appraised Value (HK\$ million)	: 353
Number of Tenancies	: 54

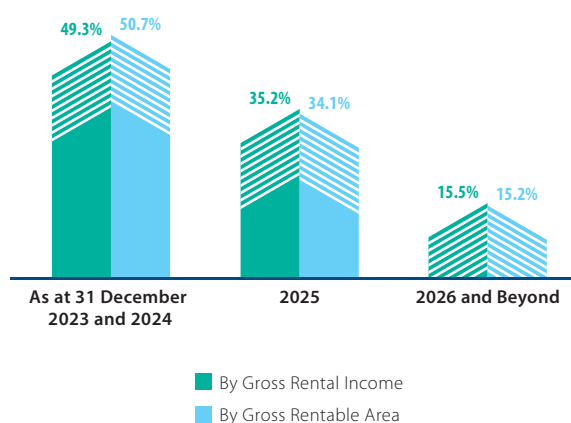
TOP 5 TENANTS

Tenants	Trade	GRA (sq.ft.)	% of GRA	% of GRI
Goodwell Property Management Limited*	Others	12,404	14.4%	12.5%
Reich Pharm Limited	Others	6,522	7.6%	7.4%
Esco Technologies (Hong Kong) Limited	Manufacturing/Trading	2,496	2.9%	3.2%
Vide Insight Limited	Electronic/Technology	2,377	2.8%	2.9%
Realtech Semiconductor Technology Limited	Electronic/Technology	2,386	2.8%	2.8%

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

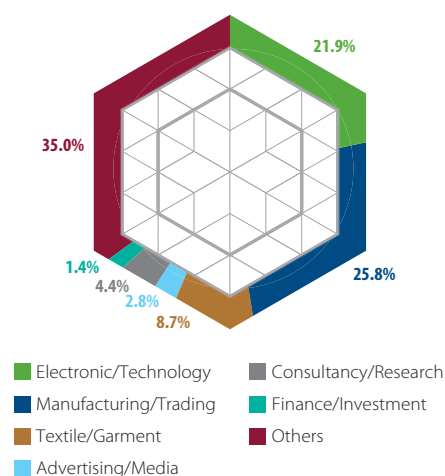
LEASE EXPIRY PROFILE

(as at 31 December 2023)



TRADE MIX BY GROSS RENTABLE AREA

(as at 31 December 2023)



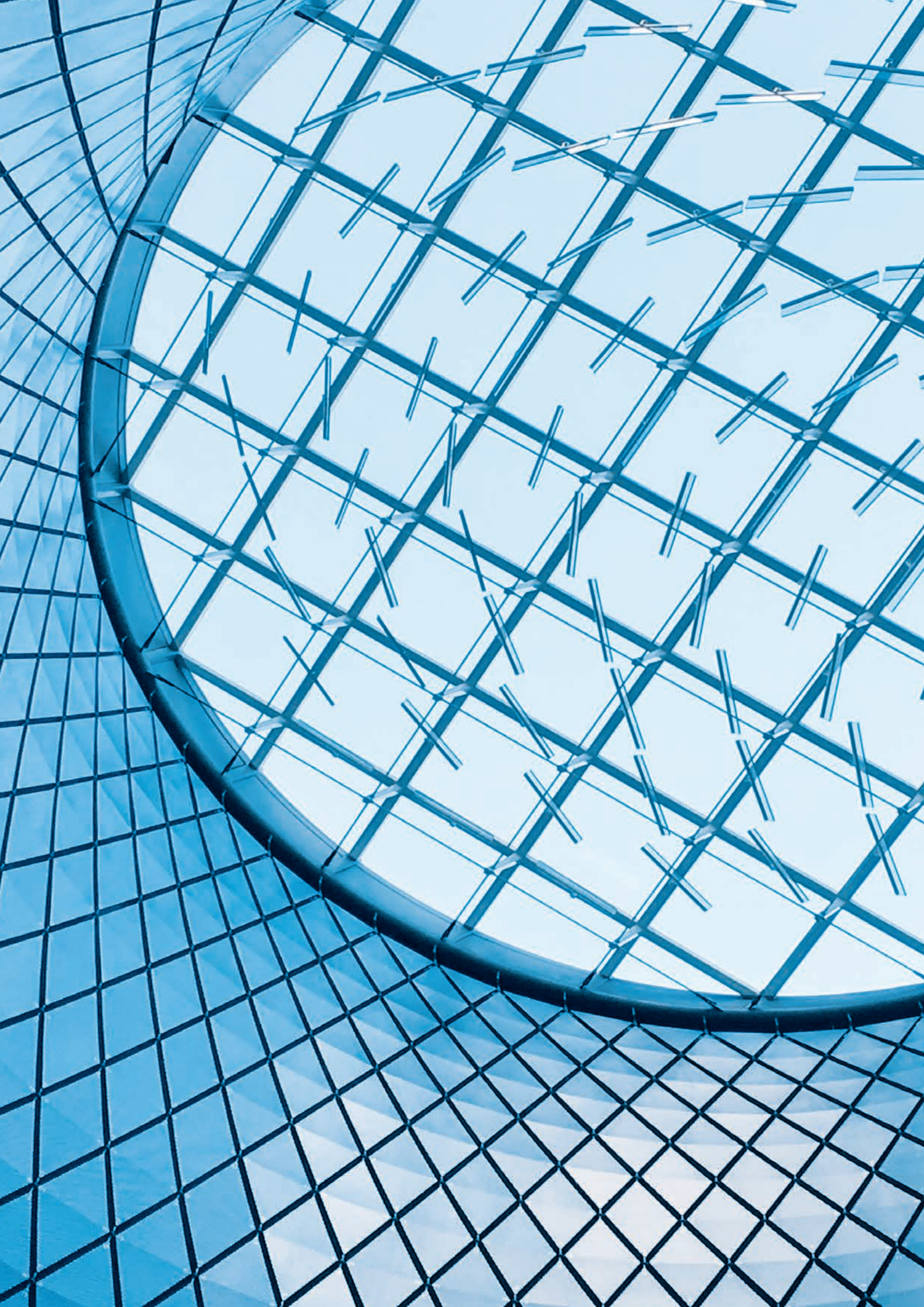
New Treasure Centre Property is located in San Po Kong, Kowloon, an established industrial area well served by extensive transportation links, the north-south Route 2 and west-east Route 7 expressways, MTR, buses and public light buses. The building is conveniently located within five minutes walking 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 2023, the occupancy rate of the property was 100%.



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 2023	Year ended 31 December 2022	Percentage change Increase/(Decrease)
Income available for distribution	HK\$214.7 million	HK\$245.0 million	(12.4%)
Distribution per unit	HK\$0.1409	HK\$0.1625	(13.3%)

Operation data	Year ended 31 December 2023	Year ended 31 December 2022	Percentage change Increase/(Decrease)
Revenue	HK\$437.3 million	HK\$434.0 million	0.8%
Net property income	HK\$336.4 million	HK\$337.9 million	(0.4%)
Occupancy rate (as at 31 December)	95.9%	96.3%	(0.4%) ²
Tenant retention rate	73.1%	76.1%	(3.0%) ²
Cost-to-revenue ratio	23.1%	22.1%	1.0% ²

Key financial figures	As at 31 December 2023	As at 31 December 2022	Percentage change Increase/(Decrease)
Net asset value per unit	HK\$4.56	HK\$4.71	(3.2%)
Property valuation	HK\$9,703 million	HK\$9,801 million	(1.0%)
Gearing ratio ¹	24.2%	23.4%	0.8% 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 2023, 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 2023, 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 2023, 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	2,701	95.6%
Prosperity Millennia Plaza	North Point	217,955	43	2,055	93.2%
9 Chong Yip Street	Kwun Tong	136,595	68	940	97.8%
Commercial					
Prosperity Place	Kwun Tong	240,000	83	1,698	96.5%
Industrial/Office					
Trendy Centre	Lai Chi Kok	173,764	79	1,106	92.8%
Prosperity Center (portion)	Kwun Tong	149,253	105	850	99.0%
Industrial					
New Treasure Centre (portion)	San Po Kong	86,168	22	353	100.0%
Total		1,275,153	498	9,703	95.9%

With the REIT Manager's professional management expertise, Prosperity REIT was able to attain a stable occupancy rate of 95.9% as at 31 December 2023, 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 23.1%.

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	95,756	28,614	124,370	96,227
Prosperity Millennia Plaza	73,053	18,039	91,092	72,736
9 Chong Yip Street	32,094	5,088	37,182	27,129
Commercial				
Prosperity Place	63,703	9,533	73,236	55,937
Industrial/Office				
Trendy Centre	46,326	8,186	54,512	41,014
Prosperity Center (portion)	34,835	4,198	39,033	29,926
Industrial				
New Treasure Centre (portion)	15,457	2,432	17,889	13,413
Total	361,224	76,090	437,314	336,382

Revenue

During the Reporting Year, revenue increased to HK\$437.3 million, being HK\$3.3 million or 0.8% higher than that of 2022. The increase was mainly due to the increase in rental related income from HK\$70.0 million to HK\$76.1 million, generated from the increase in management fee and air-conditioning income.

Net Property Income

For the Reporting Year, net property income was HK\$336.4 million, being HK\$1.5 million or 0.4% lower than that of 2022. The cost-to-revenue ratio was 23.1%.

Management Discussion and Analysis

Distributable Income

The annual distributable income of Prosperity REIT to unitholders for the Reporting Year, amounted to HK\$214.7 million, representing a total DPU of HK\$0.1409. 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\$9.0 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 2023. 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 2023 to 31 December 2023 is HK\$100.9 million, equivalent to a DPU of HK\$0.0664. The interim DPU from 1 January 2023 to 30 June 2023 was HK\$0.0745. The total DPU for the Reporting Year is HK\$0.1409, which represents a distribution yield of 10.1%³. The total DPU decreased by 13.3% year-on-year.

The distribution for the half year from 1 July 2023 to 31 December 2023 will be paid on 17 April 2024 (Wednesday).

Liquidity and Financing

As at 31 December 2023, Prosperity REIT had facilities in aggregate of HK\$2,770 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"); and
- (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.

As at 31 December 2023, total facilities drawn was HK\$2,340 million and the revolving credit facilities of HK\$30 million were drawn. Total facilities bear interest at Hong Kong Interbank Offered Rate ("HIBOR") plus a margin ranging from 1.04% to 1.28% (31 December 2022: HIBOR plus a margin ranging from 1.04% to 1.28%) per annum. Interest margins 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 2023, the interest costs for approximately 55% (31 December 2022: 55%) of Prosperity REIT's outstanding term loans have been hedged through interest rate swaps.

³ Based on Prosperity REIT's closing unit price of HK\$1.39 as at 29 December 2023.

Management Discussion and Analysis

The total borrowings of Prosperity REIT, excluding the bank facilities origination fees, as a percentage of Prosperity REIT's total assets was 24.2% as at 31 December 2023 (31 December 2022: 23.4%), whereas the total liabilities of Prosperity REIT as a percentage of Prosperity REIT's total assets was 29.8% as at 31 December 2023 (31 December 2022: 28.9%).

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\$121.0 million, based on a professional valuation performed by an independent qualified external valuer, Knight Frank Petty Limited (2022: Jones Lang LaSalle Limited). The movements of fair values are tabulated below:

	31 December 2023 HK\$'000	31 December 2022 HK\$'000
Fair value at the beginning of the year	9,801,000	9,967,000
Additional expenditure	22,951	20,504
Change in fair value of investment properties	(120,951)	(186,504)
Fair value at the end of the year	9,703,000	9,801,000

Charges on Assets

As at 31 December 2023, all bank loan facilities of Prosperity REIT are unsecured. None of the investment properties of Prosperity REIT were pledged to secure bank loan facilities of Prosperity REIT's finance companies.

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

EMPLOYEES

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

CLOSURE OF REGISTER OF UNITHOLDERS

The register of unitholders will be closed from 5 April 2024 (Friday) to 8 April 2024 (Monday), 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 3 April 2024 (Wednesday). The payment date of the final distribution will be on 17 April 2024 (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\$4,306,000. The commission paid to the top five real estate agents, summarized as follows, was HK\$2,084,000 and accounted for 48.4% 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	17.8%
Midland Realty	Leasing	434	10.1%
Savills (HK) Limited	Leasing	303	7.0%
Commercial Credit Bureau Ltd.	Leasing	294	6.8%
Flourish Property Agency (C.I.) Limited	Leasing	288	6.7%
		2,084	48.4%

Top Five Contractors

The total value of service contracts of contractors engaged by Prosperity REIT during the Reporting Year was HK\$72,075,000. The value of contracts of the top five contractors, summarized as follows, was HK\$65,269,000 and accounted for 90.5% 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	45,048	62.5%
Goodwell-Prosperity Property Services Limited	Building management	10,011	13.9%
Citybase Property Management Limited	Building management	5,288	7.3%
E-Park Parking Management Limited	Carpark operation	3,445	4.8%
Technica Integrated Engineering Company Limited	Repairs and maintenance	1,477	2.0%
		65,269	90.5%



The background of the page is a close-up photograph of green leaves, showing their veins and texture. The leaves are arranged in a way that creates a sense of depth and movement. On the right side of the page, there is a white geometric shape, possibly a stylized letter 'E' or a similar symbol, filled with a pattern of thin, parallel white lines.

Sustainability Report Summary

Sustainability Report Summary

VISION AND MISSION

Our core values: Excellence, Entrepreneurship, Inclusion and Sustainability, are established based on ESR Group'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.

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



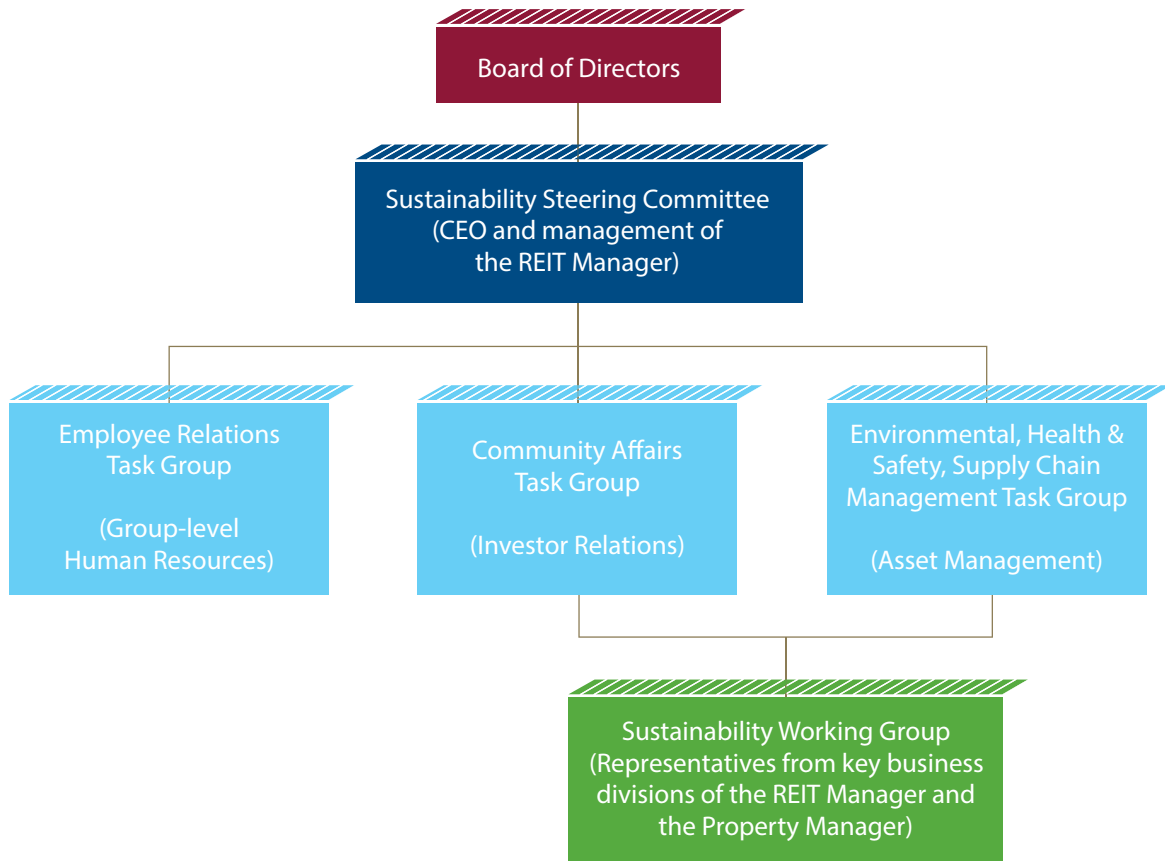
Bringing value to the community



MISSION STATEMENT

Sustainability Report Summary

SUSTAINABILITY GOVERNANCE STRUCTURE



The Board of Directors (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

2023 PERFORMANCE REVIEW

We continue our dedication to infuse sustainability into our business operations while keeping the high quality of services. In 2023, we maintained strong sustainability performance and attained the highest 5-star performance rating, Green Star accreditation and an A grade public disclosure rating in GRESB for the second consecutive year. While being the first Hong Kong REIT achieving 100% sustainability-linked financing, we took a step further to increase the portion of our sustainability-linked interest rate swaps in the year.

Recognising the need of increased resilience of our portfolio against climate-related risks, we enhanced our climate change-related assessments in the Reporting Year, with the inclusion of climate scenario analysis and financial impact assessments. This enhances our understanding of the financial impacts stemming from climate-related risks and guide us on the implementation of the necessary adaptation and mitigation measures in the future.

We have implemented various green and modern asset enhancement initiatives (AEIs) across our portfolio over the decade. This includes revamping of the main lobbies of Prosperity Millennia Plaza and The Metropolis Tower, replacement of chillers at multiple properties, installation of a smart building management system at Prosperity Millennia Plaza, and installation of solar panels and rainwater collection systems at our portfolio. In 2023, The Metropolis Tower obtained the highest BEAM Plus Platinum rating under the Comprehensive Scheme and Prosperity Millennia Plaza was awarded the highest Platinum rating under the WELL Certification. Other green recognitions include Merit Award for facilities management in the Green Building Award 2023 and highly commended in the RICS Hong Kong Awards 2023 "Facilities Management Team of the Year". All these recognitions demonstrate our continuous commitment towards greener and more sustainable building designs.

We aim to create an environmental friendly setting across all our managed properties, benefiting both tenants and employees. As part of our commitment, we have organised "WeCycle" events across Prosperity REIT's portfolio to collect recyclable waste from our tenants and were able to divert approximately 6,600 kg of paper, cans, plastic & glass bottles and fluorescent tubes for recycling in the Reporting Year.

Working hand-in-hand with our community partners, we supported the underprivileged through different kinds of community events. 'More than Coffee' event, the feature programme in 2023, allows underprivileged youths to participate in the coffee workshop and latte art competition, with a goal to support them in pursuing their dreams of becoming baristas in the future. In recognition of our continuous effort in engaging and supporting the community, Prosperity REIT has been awarded the "Hong Kong Volunteer Award — Top 10 Highest Volunteer Hour".

Employees are our greatest asset, and we endeavour to develop a workplace where fairness, equality, and respect for social and cultural diversity for our employees. During this Reporting Year, we have provided over 350 hours of training to our employees and attained an overall rate of 89% employee satisfaction. We continue to maintain our target of keeping female representative of total employees higher than 40% and to foster workplace diversity and inclusiveness.

For details of the sustainability performance and progress of Prosperity REIT in the Reporting Year, please refer to our Sustainability Report 2023.

Directors and Senior Management Biographical Information

DIRECTORS



**Chiu Kwok Hung,
Justin**

Chairman and
Non-executive
Director

Dr. **CHIU Kwok Hung, Justin**, aged 73, 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. He is also a Non-executive Director of ESR Group Limited (listed in Hong Kong), which indirectly owns 100% of the REIT Manager, and a Non-executive Director of ARA Asset Management (Fortune) Limited as the manager of Fortune REIT (listed in Hong Kong). 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 also an Independent Non-executive Director of Star Shine Holdings Group Limited (formerly known as Deyun Holding Ltd.) (listed in Hong Kong).

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, a Member 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, an Adjunct Professor and the Chairman of the Advisory Committee of the School of Business of Hong Kong Baptist University and a Senior Departmental Fellow of the Department of Land Economy at University of Cambridge, the United Kingdom. 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 67, has been a Non-executive Director of the REIT Manager since 2005. He is the Chairman of JL Family Office. He is also a Non-executive Director and Senior Advisor of ESR Group Limited (listed in Hong Kong), which indirectly owns 100% of the REIT Manager, and serves as a Non-executive Director of Hui Xian Asset Management Limited as the manager of Hui Xian REIT (listed in Hong Kong), ARA Asset Management (Fortune) Limited as the manager of Fortune REIT (listed in Hong Kong), and ARA Trust Management (Suntec) Limited as the manager of Suntec REIT (listed in Singapore).

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 Patron of the Securities Investors Association of Singapore (SIAS) and a Council Member of Singapore Chinese Chamber of Commerce and Industry.

Directors and Senior Management Biographical Information

Mr. Lim co-founded 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 ARA 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 51, 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 56, 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 ARA 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 & 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 83, 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 and Hutchison Telecommunications Hong Kong Holdings Limited (both are 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) and ARA Asset Management (Fortune) Limited as the manager of Fortune REIT. 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 82, 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 ARA Asset Management (Fortune) Limited as the manager of Fortune REIT (listed in Hong Kong), an Independent Director of ARA 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 CapitalLand 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 74, 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 and Lead Independent Director of Hutchison Port Holdings Management Pte. Limited as the trustee-manager of Hutchison Port Holdings Trust (listed in Singapore), 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 51, 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 Joinn Holdings Limited ("Joinn") (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 Joinn's initial public offering in Singapore and was responsible for helping with the spinning-off of one associate company on SEHK's Growth Enterprise Market.

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

Mr. Cheung is a Certified Public Accountant in Hong Kong and a fellow of the Association of Chartered Certified Accountants. He is 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. AU Ka Yee, Irene 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. Au was concurrently the Hong Kong-based Compliance Manager of ARA Asset Management (Fortune) Limited (the manager of Fortune REIT) from March 2010 to April 2012. Prior to joining the REIT Manager in 2007, Ms. Au was a solicitor in private practice. She holds a Bachelor of Laws degree and Postgraduate Certificate in Laws. Apart from being a solicitor of the Hong Kong Special Administrative Region, she is also an associate of the Chartered Institute of Arbitrators of the United Kingdom, East Asia Branch and a Certified Environmental, Social and Governance Analyst (CESGA)[®].

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.

Directors and Senior Management Biographical Information

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.

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.

AUTHORIZATION STRUCTURE

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

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

ROLES OF THE TRUSTEE AND THE REIT MANAGER

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

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

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

BOARD OF DIRECTORS OF THE REIT MANAGER

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

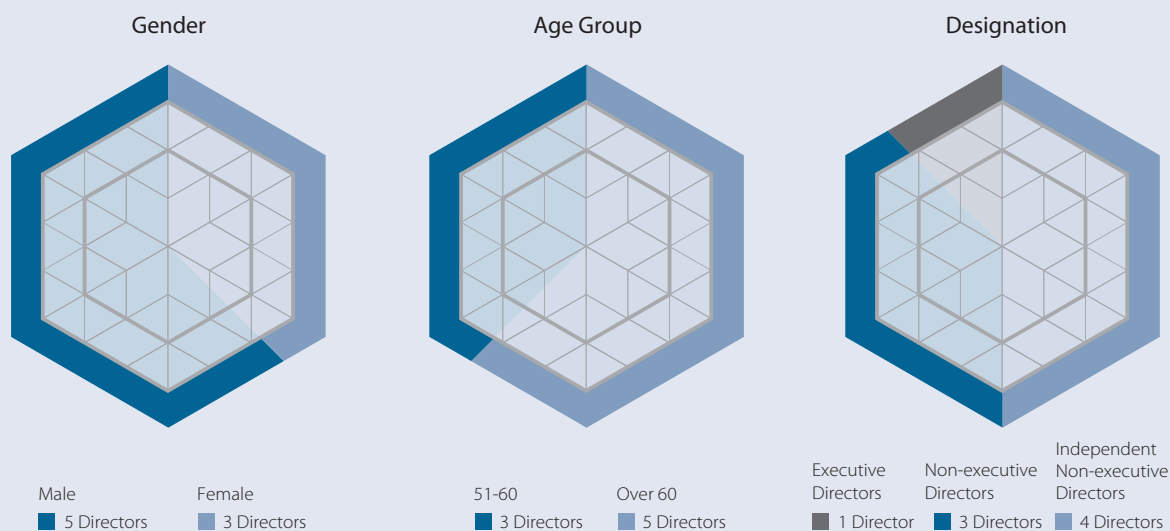
The composition of the Board is determined using the following principles/objectives:

- (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

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

Members of the Board	Attendance
<i>Chairman and Non-executive Director</i>	
Dr. Chiu Kwok Hung, Justin	4/4
<i>CEO and Executive Director</i>	
Ms. Wong Lai Hung, Mavis	4/4
<i>Non-executive Directors</i>	
Mr. Lim Hwee Chiang	3/4
Mr. Ma Lai Chee, Gerald	4/4
<i>Independent Non-executive Directors</i>	
Dr. Lan Hong Tsung, David	4/4
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	4/4
Mr. Wong Kwai Lam	4/4
Ms. Ng Shieu Yeing, Christina (<i>appointed with effect from 3 January 2023</i>)	4/4

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.

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 (<i>appointed with effect from 3 January 2023</i>)	✓

Note:

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.

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 presently comprises three INEDs, namely, Dr. Lan Hong Tsung, David, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Mr. Wong Kwai Lam. Dr. Lan Hong Tsung, David is the chairman of the Audit Committee.

The Audit Committee meets on a half yearly basis and otherwise on an as-needed basis. The Audit Committee held two meetings during the Reporting Year for considering and reviewing, among others, the 2022 final results, 2023 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.

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 2022 final results announcement and 2023 interim results announcement, the 2022 annual report and 2023 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

Corporate Governance

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 by way of circulating written resolutions. The Designated (Finance) Committee also monitored the units buy-back exercise during the Reporting Year.

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.

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.

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.

Corporate Governance

The 2023 Annual General Meeting (“AGM”) was held on 25 May 2023 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 (<i>appointed with effect from 3 January 2023</i>)	1/1

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 2022 annual report and 2023 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 2023. 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.

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.

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.

Corporate Governance

CHANGE OF DIRECTOR'S INFORMATION

Subsequent to publication of the 2023 Interim Report of Prosperity REIT, the REIT Manager received notification regarding the following change of Director's information:

- (1) Dr. Chiu Kwok Hung, Justin completed his tenure on Council Member and was appointed as a Member of Advisory Board of The Hong Kong Institute of Directors, completed his tenure on Vice Chairman and remains as a Member of the Board of Governors of Hong Kong Baptist University Foundation, and was appointed as the Chairman of the School of Business Advisory Committee of Hong Kong Baptist University.
- (2) Mr. Ma Lai Chee, Gerald ceased to be a Member of Hospitality Services Committee for Caritas Hong Kong since 1 October 2023.

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 2023.

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	Rental deposit
			out collection (excluding rental deposit, if applicable) for the year ended 31 December 2023	received as at 31 December 2023
			HK\$	HK\$
E-Park Parking Management Limited	Subsidiary of a substantial holder ¹	Tenancy of property of Prosperity REIT ²	591,437	162,317
Goodwell Property Management Limited	Subsidiary of a substantial holder ¹	Tenancy of property of Prosperity REIT ³	1,988,756	550,929
Total			2,580,193	713,246

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

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 2023 HK\$
Goodwell Property Management Limited ¹	Subsidiary of a substantial holder ³	Remuneration of DMC Manager	635,896
Goodwell Property Management Limited ²	Subsidiary of a substantial holder ³	Remuneration of Carpark Manager	57,778
Citybase Property Management Limited ²	Subsidiary of a substantial holder ³	Remuneration of Carpark Manager	43,764
Total			737,438

Notes:

- It is the manager appointed under the respective deeds of mutual covenant of the properties of Prosperity REIT (the "DMC Manager").
- 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.
- Substantial holder being CK Asset.

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 2023 HK\$
Goodwell-Prosperity Property Services Limited	Subsidiary of a substantial holder ¹	Property management and lease management fee	10,010,947
Goodwell-Prosperity Property Services Limited	Subsidiary of a substantial holder ¹	Marketing service fee	11,928,966
E-Park Parking Management Limited	Subsidiary of a substantial holder ¹	Carpark lease agency fee	3,445,499
Total			25,385,412

Note:

- Substantial holder being CK Asset.

Connected Party Transactions

CONNECTED PARTY TRANSACTION WITH HSBC GROUP* FOR BANK DEPOSITS

Prosperity REIT has engaged The Hongkong and Shanghai Banking Corporation Limited, the holding company of the Trustee, to provide ordinary banking and financial services (namely, bank deposits and interest earned therefrom) within the Reporting 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 2023 were as follows:

Name of Connected Person	Amount payable HK\$
Goodwell-Prosperity Property Services Limited	3,895,550
Goodwell Property Management Limited	7,958,936
E-Park Parking Management Limited	588,572
Citybase Property Management Limited	491,347
Total	12,934,405

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 2023 HK\$
ARA Asset Management (Prosperity) Limited	REIT Manager	Base fee and variable fee	49,000,115
HSBC Institutional Trust Services (Asia) Limited	Trustee	Trustee fee	2,804,184
Total			51,804,299

Connected Party Transactions

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 69 to 72 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

Pursuant to the general mandate to buy back units granted by unitholders, the REIT Manager bought back a total of 24,981,000 units on behalf of Prosperity REIT on The Stock Exchange of Hong Kong Limited during the Reporting Year for an aggregate consideration of approximately HK\$37.9 million (excluding expenses and dividend received). Details of units bought back are summarised as follows:

Month of bought back	Number of Units bought back	Purchase price per unit		Aggregate Consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
2023				
August	15,885,000	1.63	1.49	24,548
September	9,096,000	1.53	1.41	13,339
	24,981,000			37,887

All units bought back were cancelled prior to the Reporting Year end.

Save as disclosed above, there was no other repurchase, sale or redemption of units by Prosperity REIT or its subsidiaries during the Reporting Year.

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 2023		As at 31 December 2022
	Number of Units	Percentage of Unitholdings ⁶	Number of Units
Total Win Group Limited ¹	176,328,129	11.67%	176,328,129
Wide Option Investments Limited ¹	98,883,559	6.55%	98,883,559
HKSCC Nominees Limited ²	1,114,579,394	73.79%	1,115,848,232
HSBC ³	744,000	0.05%	796,000
ARA Asset Management (Prosperity) Limited ⁴	50,116,861	3.32%	23,067,893
Lan Hong Tsung, David ⁵	1,250,000	0.08%	350,000

Notes:

- Total Win Group Limited ("Total Win") was a connected person of Prosperity REIT as it was a substantial holder (as defined under the REIT Code) of Prosperity REIT as at 31 December 2023. 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 2023.

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 2023.

Therefore, CK Asset was deemed to hold 275,211,688 units as at 31 December 2023, of which 176,328,129 units were held by Total Win and 98,883,559 units were held by Wide Option.

Connected Party Transactions

2. HKSCC Nominees Limited was a connected person of Prosperity REIT as it was a substantial holder (as defined under the REIT Code) of Prosperity REIT as at 31 December 2023. So far as the REIT Manager is aware of, HKSCC Nominees Limited held such units as a nominee.
3. HSBC Holdings plc. and other members of its group ("HSBC") were connected persons of Prosperity REIT as HSBC Institutional Trust Services (Asia) Limited, the Trustee, was an indirect subsidiary of HSBC Holdings plc. So far as the REIT Manager is aware of, the Trustee had no beneficial interest in any units as at 31 December 2023 and 31 December 2022. The Trustee's directors, chief executives and their associates had no beneficial interest in any units as at 31 December 2023 and 31 December 2022. The Trustee's associates (as defined in the REIT Code) were beneficially interested in 744,000 units as at 31 December 2023 and 796,000 units as at 31 December 2022.
4. ARA Asset Management (Prosperity) Limited was a connected person of Prosperity REIT as it was the management company (as defined under the REIT Code) of Prosperity REIT as at 31 December 2023.
5. Dr. Lan Hong Tsung, David was a connected person of Prosperity REIT as he was a director of the management company (as defined under the REIT Code) of Prosperity REIT as at 31 December 2023.
6. The total number of issued units as at 31 December 2023 was 1,510,529,223.

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 2023.

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

As at 31 December 2023, 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
ARA Asset Management (Prosperity) Limited	50,116,861	3.32%
Lan Hong Tsung, David	1,250,000	0.08%

Note:

1. The total number of issued units as at 31 December 2023 was 1,510,529,223.

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 2023.

Valuation Summary

A summary of the market value of each property, as at 31 December 2023, is as follows:

Property	Gross Area (sq.ft.) (approx.)	No. of Car Parking Spaces	Market value as at 31 December 2023 (HK\$)
1. The Metropolis Tower	271,418	98	2,701,000,000
2. Prosperity Millennia Plaza	217,955	43	2,055,000,000
3. 9 Chong Yip Street	136,595	68	940,000,000
4. Prosperity Place	240,000	83	1,698,000,000
5. Trendy Centre	173,764	79	1,106,000,000
6. Portion of Prosperity Center	149,253	105	850,000,000
7. Portion of New Treasure Centre	86,168	22	353,000,000
Total	1,275,153	498	9,703,000,000

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 2023
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 25,216 sq.m. (271,418 sq.ft.). The total saleable area is approximately 18,833 sq.m. (202,712 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 November 2026, yielding a total monthly rental income of approximately HK\$7,704,000, 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 95.6% 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\$346,000 during the period January 2023 to December 2023.</p>	<p>HK\$2,701,000,000</p> <p>(Hong Kong Dollars Two Billion Seven Hundred and One 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 2023
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. (156,631 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 November 2026, yielding a total monthly rental income of approximately HK\$5,748,000, 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 93.2% 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\$338,000 during the period January 2023 to December 2023.</p>	<p>HK\$2,055,000,000</p> <p>(Hong Kong Dollars Two Billion and Fifty Five 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 2023
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 August 2026, yielding a total monthly rental income of approximately HK\$2,596,000, 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 licence fee of approximately HK\$4,000.</p> <p>The occupancy rate of the property (excluding the carparking spaces) was approximately 97.8% 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\$156,000 during the period January 2023 to December 2023.</p>	<p>HK\$940,000,000</p> <p>(Hong Kong Dollars Nine Hundred and Forty Million)</p> <p>Estimated net property yield was approximately 3.5%.</p>

Valuation Summary

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2023
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 May 2027, yielding a total monthly rental income of approximately HK\$4,875,000, 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 licence fee of approximately HK\$87,000.</p> <p>The occupancy rate of the property (excluding the carparking spaces) was approximately 96.5% 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\$482,000 during the period January 2023 to December 2023.</p>	<p>HK\$1,698,000,000</p> <p>(Hong Kong Dollars One Billion Six Hundred and Ninety Eight 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 2023
<p>5. Trendy Centre, 682 Castle Peak Road, Lai Chi Kok, Kowloon, Hong Kong</p> <p>New Kowloon Inland Lot No. 6224</p>	<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 November 2026, yielding a total monthly rental income of approximately HK\$3,227,000, 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 licence fee of approximately HK\$4,000.</p> <p>The occupancy rate of the property (excluding the carparking spaces) was approximately 92.8% 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\$533,000 during the period January 2023 to December 2023.</p>	<p>HK\$1,106,000,000</p> <p>(Hong Kong Dollars One Billion One Hundred and Six Million)</p> <p>Estimated net property yield was approximately 4.1%.</p>

Valuation Summary

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2023
6. Portion of Prosperity Center, 25 Chong Yip Street, Kwun Tong, Kowloon, Hong Kong 12014/22510 shares of and in Kwun Tong Inland Lot No. 729	<p>The property comprises various office/ workshop units and retained areas within Prosperity Center, which is a 26-storey industrial/ office building with ancillary parking and loading/ unloading facilities. It is erected on a site with a registered site area of approximately 1,889 sq.m. (20,333 sq.ft.). The building was completed in 1999.</p> <p>Portion of the Ground Floor, 2nd to 5th Floors of the building (1st and 4th floor numbers are omitted) are for carparking and/ or loading/ unloading purposes whereas the remaining portion of the Ground Floor and upper floors from the 6th to 30th Floors (13th, 14th and 24th floor numbers are omitted) are for office/ workshop purposes.</p> <p>The property comprises portion of Prosperity Center with a total gross area of approximately 13,866 sq.m. (149,253 sq.ft.). The total saleable area is approximately 10,097 sq.m. (108,680 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 office/workshop portion of the property was let under various tenancies for various terms with the latest lease due to expire in August 2026, yielding a total monthly rental income of approximately HK\$2,523,000, 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 99.0% 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\$393,000 during the period January 2023 to December 2023.</p>	<p>HK\$850,000,000 (Hong Kong Dollars Eight Hundred and Fifty Million)</p> <p>Estimated net property yield was approximately 4.1%.</p>

Valuation Summary

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 December 2023
7. Portion of New Treasure Centre, 10 Ng Fong Street, San Po Kong, Kowloon, Hong Kong 11163/26198 shares of and in New Kowloon Inland Lot No. 4864	<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 2026, yielding a total monthly rental income of approximately HK\$1,116,000, exclusive of Government Rates, Government Rent, management fees and utility charges.</p> <p>The occupancy rate of the property (excluding the carparking spaces) was 100% 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\$184,000 during the period January 2023 to December 2023.</p>	<p>HK\$353,000,000</p> <p>(Hong Kong Dollars Three Hundred and Fifty Three 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 2023.

HSBC Institutional Trust Services (Asia) Limited

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

15 March 2024

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 89 to 132, which comprise the consolidated statement of financial position as at 31 December 2023, 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 2023, 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 ("HKSA") 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 <p>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 2023 and significant judgement is required in determining their fair value.</p> <p>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\$9,703 million as at 31 December 2023 and their change in fair value included in the loss for the year was HK\$121 million. In estimating the fair value of investment properties, ARA 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.</p> <p>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.</p>	<p>Our procedures in relation to the valuation of investment properties included:</p> <ul style="list-style-type: none">• 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.

Independent Auditor's Report

- 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.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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, related safeguards.

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.

Independent Auditor's Report

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

15 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	5	437,314	434,007
Property management fees		(10,011)	(10,080)
Property operating expenses	6	(90,921)	(86,022)
Total property operating expenses		(100,932)	(96,102)
Net property income		336,382	337,905
Other income		1,059	806
Manager's fee		(49,000)	(49,691)
Trust and other expenses	7	(7,283)	(7,956)
Change in fair value of investment properties		(120,951)	(186,504)
Finance costs, net	8	(138,725)	26,582
Profit before taxation and transactions with unitholders		21,482	121,142
Taxation	9	(27,155)	(46,251)
(Loss)/profit for the year, before transactions with unitholders		(5,673)	74,891
Distribution to unitholders		(214,662)	(244,985)
Loss for the year, after transactions with unitholders		(220,335)	(170,094)
Total comprehensive expense for the year, after transactions with unitholders		(220,335)	(170,094)
Income available for distribution to unitholders		214,662	244,985
Basic (loss)/earnings per unit (HK\$)	10	(0.004)	0.050

Distribution Statement

For the year ended 31 December 2023

	2023 HK\$'000	2022 HK\$'000
(Loss)/profit for the year, before transactions with unitholders	(5,673)	74,891
Adjustments:		
Manager's fee	47,984	48,629
Change in fair value of investment properties	120,951	186,504
Change in fair value of derivative financial instruments	40,059	(92,745)
Non-cash finance costs	8,985	8,040
Deferred tax	2,356	19,666
Income available for distribution (note (i))	214,662	244,985
Distributions to unitholders:		
HK\$0.0745 (2022: HK\$0.0875) per unit for the six months ended 30 June (note (ii))	113,771	131,395
HK\$0.0664 (2022: HK\$0.0750) per unit for the six months ended 31 December (note (iii))	100,891	113,590
	214,662	244,985
Total distribution per unit (HK\$)	0.1409	0.1625

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\$47,984,000 (2022: HK\$48,629,000) out of the total manager's fee of HK\$49,000,000 (2022: HK\$49,691,000) (the differences of HK\$1,016,000 (2022: HK\$1,062,000) are paid in cash);
- (b) decrease in fair value of investment properties of HK\$120,951,000 (2022: HK\$186,504,000) and decrease in fair value of derivative financial instruments of HK\$40,059,000 (2022: increase in fair value of HK\$92,745,000);
- (c) non-cash finance costs of HK\$8,985,000 (2022: HK\$8,040,000), are derived from the negative amount of finance costs of HK\$138,725,000 (2022: positive amount of HK\$26,582,000), less decrease in fair value of derivative financial instruments of HK\$40,059,000 (2022: adding back increase in fair value of HK\$92,745,000) and less the cash finance costs of HK\$89,681,000 (2022: HK\$58,123,000); and
- (d) deferred tax provision of HK\$2,356,000 (2022: HK\$19,666,000).
- (ii) The distribution per unit of HK\$0.0745 for the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$0.0875) is calculated based on Prosperity REIT's income available for distribution of HK\$113,771,000 (six months ended 30 June 2022: HK\$131,395,000) over 1,527,055,457 units (30 June 2022: 1,501,690,737 units), representing units in issue as at 30 June 2023 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 14 September 2023.
- (iii) The distribution per unit of HK\$0.0664 for the six months ended 31 December 2023 (six months ended 31 December 2022: HK\$0.0750) is calculated based on Prosperity REIT's income available for distribution of HK\$100,891,000 (six months ended 31 December 2022: HK\$113,590,000) over 1,519,923,270 units (31 December 2022: 1,513,978,943 units), representing units in issue as at 31 December 2023 plus the number of units to be issued after the distribution period to the REIT Manager as payment of base fee and variable fee in the last quarter of the relevant distribution year.

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	11	9,703,000	9,801,000
Derivative financial instruments	12	12,653	32,185
Total non-current assets		9,715,653	9,833,185
Current assets			
Derivative financial instruments	12	20,159	37,991
Trade and other receivables	13	11,564	10,959
Bank balances and cash	14	61,013	100,366
Total current assets		92,736	149,316
Total assets		9,808,389	9,982,501
Non-current liabilities, excluding net assets attributable to unitholders			
Derivative financial instruments	12	2,681	—
Bank borrowings	15	2,315,774	2,306,789
Deferred tax liabilities	16	253,130	250,774
Total non-current liabilities, excluding net assets attributable to unitholders		2,571,585	2,557,563
Current liabilities			
Derivative financial instruments	12	14	—
Trade and other payables	17	179,296	181,309
Amounts due to related companies	18	12,934	7,862
Bank borrowings	15	30,000	—
Provision for taxation		12,628	11,345
Manager's fee payable		12,335	12,343
Distribution payable		100,891	113,590
Total current liabilities		348,098	326,449
Total liabilities, excluding net assets attributable to unitholders		2,919,683	2,884,012
Net assets attributable to unitholders		6,888,706	7,098,489
Units in issue ('000)	19	1,510,529	1,508,461
Net asset value per unit (HK\$) attributable to unitholders	20	4.56	4.71

The consolidated financial statements on pages 89 to 132 were approved and authorised for issue by ARA Asset Management (Prosperity) Limited on 15 March 2024 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 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 Changes in Net Assets Attributable to Unitholders

For the year ended 31 December 2022

	Issued units HK\$'000	Other reserve HK\$'000	Unit issue costs HK\$'000	Retained profits HK\$'000	Total HK\$'000
Net assets attributable to unitholders as at 1 January 2022	3,234,263	(1,973)	(91,278)	4,121,591	7,262,603
OPERATIONS					
Profit for the year, before transactions with unitholders	—	—	—	74,891	74,891
Distribution paid and payable	—	—	—	(244,985)	(244,985)
Total comprehensive expense for the year, after transactions with unitholders	—	—	—	(170,094)	(170,094)
UNITHOLDERS' TRANSACTIONS OTHER THAN DISTRIBUTIONS					
Units issued to REIT Manager (note 19)	48,835	—	—	—	48,835
Units bought back (note (i)) (note 19)	(44,828)	1,973	—	—	(42,855)
Net assets attributable to unitholders as at 31 December 2022	3,238,270	—	(91,278)	3,951,497	7,098,489

Note (i): During the year ended 31 December 2022, the REIT Manager bought back a total of 14,894,000 units of Prosperity REIT for an aggregate consideration of approximately HK\$42,855,000 (excluding expenses). These units bought back, together with 639,000 units bought back which were not cancelled as at 31 December 2021 (with a consideration of HK\$1,973,000), were cancelled prior to the reporting year end.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 HK\$'000	2022 HK\$'000
Operating activities		
Profit before taxation and transactions with unitholders	21,482	121,142
Adjustments for:		
Impairment losses recognised under expected credit loss model, net of reversal	370	2,083
Manager's fees paid/payable in units	47,984	48,629
Change in fair value of investment properties	120,951	186,504
Interest income	(1,059)	(428)
Finance costs, net	138,725	(26,582)
Operating cashflow before working capital changes	328,453	331,348
Increase in trade and other receivables	(1,122)	(255)
Increase/(decrease) in amounts due to related companies	5,072	(357)
Decrease in trade and other payables	(2,013)	(9,627)
Decrease in Manager's fee payable	(12)	(4)
Cash generated from operations	330,378	321,105
Income tax paid	(23,516)	(20,147)
Net cash from operating activities	306,862	300,958
Investing activities		
Interest received	1,206	304
Additional expenditure to investment properties	(22,951)	(20,504)
Net cash used in investing activities	(21,745)	(20,200)
Financing activities		
Interest payments of bank borrowings	(89,681)	(58,123)
Payment of bank facility origination fees	—	(24,470)
Distributions to unitholders	(227,361)	(260,904)
Payments for units bought back	(37,428)	(42,855)
Drawdown of an unsecured revolving loan	55,000	—
Repayment of an unsecured revolving loan	(25,000)	—
Net cash used in financing activities	(324,470)	(386,352)
Net decrease in cash and cash equivalents	(39,353)	(105,594)
Cash and cash equivalents at beginning of the year	100,366	205,960
Cash and cash equivalents at end of year	61,013	100,366

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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, Hung Hom, 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 2023

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")

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and 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 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

Except as described below, the application of the new and 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.

Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in note 3 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

Amendments to HKFRSs in issue but not yet effective

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

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 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

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 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

Except for the amendments to HKFRSs 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.

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 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:

- clarify that 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.
- 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 amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

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”) (Continued)

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which 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. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

(a) Basis of preparation of financial statements (Continued)

As at 31 December 2023, the Group's current liabilities exceeded its current assets by HK\$255,362,000. The REIT Manager is of the opinion that, taking into account presently available bank facilities of HK\$400,000,000 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. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of HKFRS 16 *Leases*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

(a) Basis of preparation of financial statements (Continued)

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

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

The material accounting policy information is set out below.

(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 2023

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 in the consolidated statement of financial position 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 2023

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 2023

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.

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;

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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)
- 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. The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

- (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 2023

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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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 (Continued)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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 (Continued)

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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

(f) Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. 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 finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

(g) Revenue from contracts with customers

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

(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 profit/(loss) 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

(i) Taxation (Continued)

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.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

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 2023, the carrying amount of the Group's investment properties is HK\$9,703,000,000 (2022: HK\$9,801,000,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5 REVENUE

	2023 HK\$'000	2022 HK\$'000
Rental income	329,882	333,425
Car park income	31,342	30,571
	361,224	363,996
Rental related income	76,090	70,011
	437,314	434,007

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 as income when the services and facilities are provided. The Group applied the practical expedient in HKFRS 15 *Revenue from Contracts with Customers* ("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. All services are for periods of one year or less. 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.

6 PROPERTY OPERATING EXPENSES

	2023 HK\$'000	2022 HK\$'000
Auditor's remuneration		
Audit fees	890	889
Non-audit fees	405	405
Building management fees	45,109	42,726
Car park operating expenses	8,636	8,165
Government rent and rates	887	896
Impairment losses recognised under expected credit loss model, net of reversal	370	2,083
Lease commission	4,306	3,221
Legal cost and stamp duty	1,562	1,799
Marketing service fee	11,929	11,687
Repairs and maintenance	8,215	5,808
Secretarial fee	682	692
Tax fees	161	181
Utilities	6,754	6,015
Valuation fees (paid to principal valuers)	180	183
Others	835	1,272
	90,921	86,022

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

7 TRUST AND OTHER EXPENSES

	2023 HK\$'000	2022 HK\$'000
Auditor's remuneration		
Audit fees	55	55
Non-audit fees	116	116
Bank charges	1,325	1,298
Legal and professional fees	259	812
Public relations and related expenses	283	208
Registrar fee	600	600
Trust administrative expenses	1,841	1,891
Trustee's fee	2,804	2,976
	7,283	7,956

8 FINANCE COSTS, NET

	2023 HK\$'000	2022 HK\$'000
Interest expense on term loans	133,827	60,156
Interest rate swaps (income)/expenses realised	(35,931)	6,007
Interest expense on unsecured revolving loan	770	—
	98,666	66,163
Change in fair value of derivative financial instruments	40,059	(92,745)
	138,725	(26,582)

9 TAXATION

	2023 HK\$'000	2022 HK\$'000
Current tax	25,077	26,939
Over-provision in prior year	(278)	(354)
Deferred tax (note 16)	2,356	19,666
	27,155	46,251

Prosperity REIT's subsidiaries in Hong Kong are subject to Hong Kong Profits Tax at 16.5% (2022: 16.5%) for the year ended 31 December 2023.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

9 TAXATION (Continued)

No provision for Hong Kong Profits Tax are required for certain subsidiaries as these subsidiaries did not have any assessable profits or have tax losses brought forward to set off their assessable profits for the year. Deferred tax is provided on temporary differences using the current applicable rates.

The taxation for the year can be reconciled to the profit before taxation and transactions with unitholders as per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 HK\$'000	2022 HK\$'000
Tax at income tax rate of 16.5%	3,544	19,988
Over-provision in prior year	(278)	(354)
Tax effect of non-taxable income	(21,603)	(6,640)
Tax effect of non-deductible expenses	47,476	41,474
Tax effect of tax loss not recognised	—	6
Tax effect of utilisation of tax losses previously not recognised	(2)	(2,962)
Tax effect of recognition of deductible temporary differences previously not recognised	—	(3,724)
Tax effect of utilisation of deductible temporary differences not recognised	(1,884)	(1,531)
Others	(98)	(6)
Taxation for the year	27,155	46,251

10 BASIC (LOSS) EARNINGS PER UNIT

The basic loss (2022: earnings) per unit is calculated by dividing the loss for the year, before transactions with unitholders of HK\$5,673,000 (2022: profit of HK\$74,891,000) by the weighted average of 1,519,399,356 (2022: 1,505,738,251) units in issue during the year, taking into account units bought back and cancelled and 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

11 INVESTMENT PROPERTIES

	2023 HK\$'000	2022 HK\$'000
FAIR VALUE		
At beginning of the year	9,801,000	9,967,000
Additional expenditure	22,951	20,504
Change in fair value of investment properties	(120,951)	(186,504)
At end of the year	9,703,000	9,801,000

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 2023, an independent valuation on the investment properties was undertaken by Knight Frank Petty Limited (31 December 2022: Jones Lang LaSalle 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 investment yields 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% (2022: 3.7% to 4.3%). The capitalisation rate is one of the key parameter 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 2023 and 31 December 2022 was pledged to secure banking facilities granted to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

12 DERIVATIVE FINANCIAL INSTRUMENTS

	2023 HK\$'000	2022 HK\$'000
Reflected on consolidated statement of financial position based on discounted cash flows as:		
Non-current assets	12,653	32,185
Non-current liabilities	(2,681)	—
Current assets	20,159	37,991
Current liabilities	(14)	—
	30,117	70,176

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

Derivatives:

Contracts with total notional amount of HK\$1,287,000,000 (31 December 2022: HK\$1,287,000,000) will mature from January 2024 to September 2026 (31 December 2022: January 2024 to September 2026). In addition, the Group entered into interest rate swap contracts with total notional amount of HK\$232,000,000, which will be effective in March 2024 and matured in March 2027. These contracts have fixed interest payments at weighted average interest rates of 2.18% (31 December 2022: 1.91%) 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\$40,059,000 is recognised in profit or loss during the year ended 31 December 2023 (2022: increase in fair value of HK\$92,745,000).

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 2023

13 TRADE AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables	5,840	5,906
Less: allowance for credit losses	(3,731)	(3,361)
	2,109	2,545
Deposit, prepayments and other receivables	9,455	8,414
	11,564	10,959

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:

	2023 HK\$'000	2022 HK\$'000
Current – 1 month	218	102
2 – 3 months	1,540	1,299
Over 3 months	351	1,144
	2,109	2,545

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$5,840,000 (2022: HK\$5,906,000) which are past due as at the reporting date. Out of the past due balances, gross amount of HK\$4,082,000 (2022: HK\$4,505,000) has been past due 90 days or more and considered as in default, for which allowance for credit losses 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)(ii).

14 BANK BALANCES AND CASH

	2023 HK\$'000	2022 HK\$'000
Cash at bank	61,013	100,366

Cash at bank carries at the market interest rate, of which aggregate value of HK\$60,941,000 (2022: HK\$75,366,000) are placed with The Hongkong and Shanghai Banking Corporation Limited, a related company of the Trustee.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

15 BANK BORROWINGS

	2023 HK\$'000	2022 HK\$'000
Unsecured term loans	2,340,000	2,340,000
Bank facility origination fees	(24,226)	(33,211)
	2,315,774	2,306,789
Unsecured revolving loan	30,000	—
	2,345,774	2,306,789
Carrying amount repayable:		
Within one year	30,000	—
Within a period of more than one year but not exceeding five years	2,315,774	2,306,789
	2,345,774	2,306,789

Details of the terms and conditions of the Group's facilities (including the unutilized facilities as stipulated in note (ii) below) as at 31 December 2023 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"); and
- (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.

As at 31 December 2023, loan facilities drawn was HK\$2,340 million (2022: HK\$2,340 million) and the revolving credit facilities drawn was HK\$30 million (2022: nil). The unsecured term loans and unsecured revolving loan bear interest at HIBOR plus a margin ranging from 1.04% to 1.28% (31 December 2022: HIBOR plus a margin ranging from 1.04% to 1.28%) per annum. Interest margins 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.

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:

	2023 HK\$'000	2022 HK\$'000
Balance at beginning of the year	33,211	16,781
Addition	—	24,470
Amortised during the year	(8,985)	(8,040)
Balance at the end of the year	24,226	33,211

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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 2022	239,321	(8,213)	—	231,108
Charge to profit or loss	10,933	(2,846)	11,579	19,666
As at 31 December 2022	250,254	(11,059)	11,579	250,774
Charge 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

At the end of the reporting period, tax loss amounting to approximately HK\$290,000 (31 December 2022: HK\$300,000) were not recognised, due to unpredictability of future profits stream.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK\$31,920,000 (2022: HK\$20,540,000) 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.

17 TRADE AND OTHER PAYABLES

	2023 HK\$'000	2022 HK\$'000
Trade payables	1,937	2,304
Tenants' deposits		
— Outside parties	132,041	132,372
— Related parties (note 27)	713	706
Rental received in advance		
— Outside parties	4,940	5,351
Other payables	39,665	40,576
	179,296	181,309

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

17 TRADE AND OTHER PAYABLES (Continued)

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

	2023 HK\$'000	2022 HK\$'000
Current – 1 month	609	1,069
2 – 3 months	254	347
Over 3 months	1,074	888
	1,937	2,304

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\$77,529,000 (2022: HK\$78,479,000).

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 2022	1,503,747,330	3,234,263
Payment of manager's base fee and variable fee through issuance of new units during the year	20,246,925	48,835
Units bought back and cancelled	(15,533,000)	(44,828)
Balance as at 31 December 2022	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

Subsequent to the end of the reporting year, 9,394,047 units (2022: 5,517,688 units) at HK\$1.2864 (2022: HK\$2.1895) 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 29 December 2023 was HK\$1.39 (31 December 2022: HK\$1.99).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

19 UNITS IN ISSUE (Continued)

Details of the units bought back during the year ended 31 December 2023 were as follows:

Month of bought back	Number of units bought back	Purchase price per unit		Aggregate consideration paid HK\$'000
		Highest	Lowest	
		HK\$	HK\$	HK\$'000
2023				
August	15,885,000	1.63	1.49	24,548
September	9,096,000	1.53	1.41	13,339
	<u>24,981,000</u>			<u>37,887</u>
Total expenses, net of dividend received				<u>(459)</u>
				<u>37,428</u>

Pursuant to the general mandate to buy back units granted by unitholders, the REIT Manager bought back a total of 24,981,000 units on behalf of Prosperity REIT on The Stock Exchange of Hong Kong Limited during the reporting year for an aggregate gross consideration of approximately HK\$37,887,000 (excluding expenses and dividend received). All units bought back were cancelled prior to the reporting year end.

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 1,510,529,223 units in issue as at 31 December 2023 (1,508,461,255 units in issue as at 31 December 2022).

21 MAJOR NON-CASH TRANSACTION

During the reporting period, the REIT Manager earned manager's fee of HK\$49,000,000 (2022: manager's fee of HK\$49,691,000) of which HK\$47,984,000 (2022: HK\$48,629,000) was paid or payable through the issuance of units to the REIT Manager. An amount of HK\$35,899,000 (2022: HK\$36,548,000) had been settled through the issuance of units to the REIT Manager at the end of reporting period while the balance of HK\$12,085,000 (2022: HK\$12,081,000) were paid in units subsequent to the year end.

During the year ended 31 December 2022, a bank borrowing of HK\$1,540,000,000 was settled by HK\$1,970 Million Facilities as described in note 15.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

22 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023 HK\$'000	2022 HK\$'000
<i>Financial assets</i>		
Trade and other receivables	3,282	2,699
Bank balances and cash	61,013	100,366
At amortised cost	64,295	103,065
<i>Derivative financial instruments</i>		
Interest rate swaps, net	30,117	70,176
<i>Financial liabilities</i>		
Trade payables	(1,937)	(2,304)
Tenants' deposits	(132,754)	(133,078)
Amounts due to related companies	(12,934)	(7,862)
Bank borrowings	(2,345,774)	(2,306,789)
Manager's fee payable	(12,335)	(12,343)
Distribution payable	(100,891)	(113,590)
At amortised cost	(2,606,625)	(2,575,966)
Unitholders' funds	(6,888,706)	(7,098,489)

Details of the financial instruments are disclosed in respective notes.

(b) Financial risks management objectives and policies

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

(i) Interest rate risk

The Group is primarily exposed to cash flow interest rate risk 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).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

22 FINANCIAL INSTRUMENTS (Continued)

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

(i) Interest rate risk (Continued)

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

	Bank borrowings HK\$'000	Derivative financial instruments HK\$'000
2023		
Profit before tax for the year	(11,850)	6,810
2022		
Profit before tax for the year	(11,700)	12,478

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 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:

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

22 FINANCIAL INSTRUMENTS (Continued)

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

(ii) Credit risk and impairment assessment (Continued)

Trade receivables (Continued)

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 2022	1,278
Impairment losses recognised	2,087
Impairment losses reversed	(4)
As at 31 December 2022	3,361
Impairment losses recognised	370
As at 31 December 2023	3,731

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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 (Continued)

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 several banks 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 2023, the Group has three bank loan facilities of HK\$2,770,000,000 (2022: HK\$2,770,000,000), comprising term loans with total of HK\$2,340,000,000 (2022: HK\$2,340,000,000) and revolving credit facilities of HK\$430,000,000 (2022: HK\$430,000,000). HK\$2,340,000,000 (2022: HK\$2,340,000,000) of the term loans and HK\$30,000,000 (2022: none) of the revolving loan were drawn as at 31 December 2023. Details of the borrowing are set out in note 15.

As at 31 December 2023 and 31 December 2022, 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.

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

22 FINANCIAL INSTRUMENTS (Continued)

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

(iii) Liquidity risk (Continued)

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 31/12/2023 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 receipt							
Interest rate swaps	—	2,744	7,491	8,165	9,168	27,568	30,117
2022							
Non-derivative							
Trade payables	—	1,069	347	888	—	2,304	2,304
Tenants' deposits	—	9,776	2,670	42,153	78,479	133,078	133,078
Amounts due to related companies	—	7,862	—	—	—	7,862	7,862
Bank borrowings	5.88%	11,677	22,225	103,590	2,634,685	2,772,177	2,306,789
Manager's fee payable	—	12,343	—	—	—	12,343	12,343
Distribution payable	—	—	—	113,590	—	113,590	113,590
Cash outflow		42,727	25,242	260,221	2,713,164	3,041,354	2,575,966
Derivatives — net settlement							
Interest rate swaps	—	—	10,104	32,634	32,542	75,280	70,176

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

22 FINANCIAL INSTRUMENTS (Continued)

(c) Fair value

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

- the fair value of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input;
- the fair value of derivative instruments is determined based on 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\$255,362,000 (2022: HK\$177,133,000).

24 TOTAL ASSETS LESS CURRENT LIABILITIES

At the end of the reporting period, the Group's total assets less current liabilities amounted to HK\$9,460,291,000 (2022: HK\$9,656,052,000).

25 SEGMENTAL REPORTING

During the year, Prosperity REIT invested in seven (2022: 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

25 SEGMENTAL REPORTING (Continued)

Segment revenue and results

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

For the year ended 31 December 2022

	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	96,957	73,399	33,939	64,482	45,037	35,347	14,835	363,996
Rental related income	24,813	17,376	5,157	8,936	7,369	3,857	2,503	70,011
Segment revenue in Hong Kong	121,770	90,775	39,096	73,418	52,406	39,204	17,338	434,007
Segment profit	93,614	74,498	30,713	56,065	39,992	30,129	12,894	337,905
Other income								806
Manager's fee								(49,691)
Trust and other expenses								(7,956)
Change in fair value of investment properties								(186,504)
Finance costs, net								26,582
Profit before taxation and transactions with unitholders								121,142

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 2023

25 SEGMENTAL REPORTING (Continued)

Segment assets

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

	2023 HK\$'000	2022 HK\$'000
The Metropolis Tower	2,701,000	2,845,000
Prosperity Millennia Plaza	2,055,000	2,096,000
9 Chong Yip Street	940,000	985,000
Prosperity Place	1,698,000	1,650,000
Trendy Centre	1,106,000	1,060,000
Portion of Prosperity Center	850,000	826,000
Portion of New Treasure Centre	353,000	339,000
Total segment assets	9,703,000	9,801,000
Other assets	105,389	181,501
Consolidated assets	9,808,389	9,982,501

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:

	2023 HK\$'000	2022 HK\$'000
Within one year	242,772	260,042
In the second year	118,100	126,857
In the third year	29,322	32,711
In the fourth year	874	2,453
	391,068	422,063

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

27 CONNECTED AND RELATED PARTY TRANSACTIONS

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

	Notes	2023 HK\$'000	2022 HK\$'000
Rent and rental related income from			
E-Park Parking Management Limited	(a)	591	626
Goodwell Property Management Limited	(a)	1,989	1,898
Carpark lease agency fee for the operations of the Group's carpark			
E-Park Parking Management Limited	(a)	3,445	3,366
Property management fee			
Goodwell-Prosperity Property Services Limited	(a)	10,011	10,080
Marketing service fee			
Goodwell-Prosperity Property Services Limited	(a)	11,929	11,687
Trustee's fee			
HSBC Institutional Trust Services (Asia) Limited	(b)	2,804	2,976
Manager's fee			
ARA Asset Management (Prosperity) Limited	(c)	49,000	49,691
Building manager's remuneration			
Goodwell Property Management Limited	(a)	636	607
Carpark manager's remuneration			
Goodwell Property Management Limited	(a)	58	55
Citybase Property Management Limited	(a)	44	41
Balances as at year end with connected and related parties are as follows:			
Amount due to			
Citybase Property Management Limited	(a)	491	556
E-Park Parking Management Limited	(a)	588	287
Goodwell-Prosperity Property Services Limited	(a)	3,896	2,401
Goodwell Property Management Limited	(a)	7,959	4,618
Deposits placed with the Group for the lease of the Group's properties			
E-Park Parking Management Limited	(a)	162	160
Goodwell Property Management Limited	(a)	551	546

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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) ARA 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\$738,000 (2022: HK\$703,000).

28. CAPITAL COMMITMENTS

As at 31 December 2023, the Group had capital commitments for upgrading investment properties which were contracted but no provided for of approximately HK\$6,348,000 (2022: approximately HK\$9,871,000).

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 2022	2,323,219	129,509	2,452,728
Financing cash flows	(58,123)	(260,904)	(319,027)
Bank facility origination fees paid	(24,470)	—	(24,470)
Finance costs from bank borrowings	66,163	—	66,163
Distribution to unitholders	—	244,985	244,985
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 31 December 2023	2,345,774	100,891	2,446,665

List of Subsidiaries

Name of company	Place of incorporation	Effective equity interest held by				Share capital	Principal activities in Hong Kong
		Prosperity REIT					
		As at		As at			
		31 December 2023	31 December 2022	Directly	Indirectly		
		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

	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Gross rental from investment properties	361,224	363,996	381,667	391,218	404,603
Net property income	336,382	337,905	352,086	358,038	365,866
(Loss)/profit for the year, before transactions with unitholders	(5,673)	74,891	57,020	(874,501)	333,105
Distribution to unitholders	214,662	244,985	267,619	272,922	274,651
Basis (loss)/earnings per unit (HK\$)	(0.004)	0.050	0.037	(0.576)	0.222
Distribution per unit (HK\$)	0.1409	0.1625	0.1763	0.1791	0.1828

MAJOR ASSETS AND LIABILITIES OF PROSPERITY REIT AS AT 31 DECEMBER

	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Investment properties	9,703,000	9,801,000	9,967,000	10,147,000	11,126,000
Borrowings, excluding bank facility origination fees	(2,370,000)	(2,340,000)	(2,340,000)	(2,340,000)	(2,340,000)
Net asset value	6,888,706	7,098,489	7,262,603	7,542,506	8,636,754
Net asset value per unit (HK\$) ⁽¹⁾	4.56	4.71	4.83	4.95	5.75
Other Information					
The highest traded price during the year (HK\$)	2.39	3.11	3.19	3.07	3.65
The discount of the highest traded price to net asset value	(47.6%)	(34.0%)	(34.0%)	(38.0%)	(36.5%)
The lowest traded price during the year (HK\$)	1.32	1.60	2.38	2.15	2.75
The discount of the lowest traded price to net asset value	(71.1%)	(66.0%)	(50.7%)	(56.6%)	(52.2%)
The net yield per unit based on market price at the end of year	10.1% ⁽²⁾	8.2%	5.7%	7.4%	6.0%

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\$0.1409 for the year ended 31 December 2023 and the closing market price of HK\$1.39 as at 29 December 2023.

Investment Properties Portfolio

As at 31 December 2023

Property	Type	Lease term	Lease expiry date	Location	Valuation 2023 HK\$ Million
The Metropolis Tower	O	Medium-term lease	30 June 2047	10 Metropolis Drive Hung Hom Kowloon Hong Kong	2,701
Prosperity Millennia Plaza	O	Medium-term lease	30 June 2047	663 King's Road North Point Hong Kong	2,055
9 Chong Yip Street	O	Medium-term lease	30 June 2047	9 Chong Yip Street Kwun Tong Kowloon Hong Kong	940
Prosperity Place	C	Medium-term lease	30 June 2047	6 Shing Yip Street Kwun Tong Kowloon Hong Kong	1,698
Trendy Centre	I/O	Medium-term lease	30 June 2047	682 Castle Peak Road Lai Chi Kok Kowloon Hong Kong	1,106
Prosperity Center (portion)	I/O	Medium-term lease	30 June 2047	25 Chong Yip Street Kwun Tong Kowloon Hong Kong	850
New Treasure Centre (portion)	I	Medium-term lease	30 June 2047	10 Ng Fong Street San Po Kong Kowloon Hong Kong	353
Total					9,703

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 2023:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	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	Year ended 31 Dec 2019 HK\$'000
Revenue	437,314	434,007	444,981	452,894	462,314
Profit/(loss) before taxation and transactions with unitholders	21,482	121,142	98,289	(834,643)	375,040
Taxation	(27,155)	(46,251)	(41,269)	(39,858)	(41,935)
(Loss)/profit for the years, before transactions with unitholders	(5,673)	74,891	57,020	(874,501)	333,105
Distribution to unitholders	214,662	244,985	267,619	272,922	274,651
Distribution per unit (HK\$)	0.1409	0.1625	0.1763	0.1791	0.1828

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Non-current assets	9,715,653	9,833,185	9,967,000	10,147,000	11,153,288
Current assets	92,736	149,316	218,623	364,817	398,942
Current liabilities	348,098	326,449	1,898,934	1,173,594	385,613
Net assets attributable to unitholders	6,888,706	7,098,489	7,262,603	7,542,506	8,636,754

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
(with effect from 3 January 2023)*

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

Tel: +852 2169 0928

Fax: +852 2169 0968

Email: prosperityenquiry@esr.com

WEBSITE

www.prosperityreit.com

KEY DATES

Annual Results Announcement	15 March 2024
Closure of Register of Unitholders for Final Distribution	5 April to 8 April 2024 (both days inclusive)
Payment of Final Distribution	17 April 2024
Closure of Register of Unitholders for Annual General Meeting	24 May to 29 May 2024 (both days inclusive)
Annual General Meeting	29 May 2024



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 that came into effect on 31 December 2023.

This annual report 2023 ("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

Manager



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



www.prosperityreit.com

