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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))

(Stock Code: 808)

Managed by

ESR Asset Management (Prosperity) Limited

2024 INTERIM RESULTS ANNOUNCEMENT

Prosperity Real Estate Investment Trust (“**Prosperity REIT**”) is a real estate investment trust incorporated by a trust deed entered into on 29 November 2005, as amended, supplemented and/or restated from time to time (the “**Trust Deed**”) between ESR Asset Management (Prosperity) Limited, as the manager of Prosperity REIT (the “**REIT Manager**”), and HSBC Institutional Trust Services (Asia) Limited, as the trustee of Prosperity REIT (the “**Trustee**”). Prosperity REIT was the first private sector real estate investment trust (“**REIT**”) to list on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 December 2005. Prosperity REIT currently owns a diverse portfolio of seven high-quality commercial properties in Hong Kong.

The REIT Manager would like to announce the unaudited interim results of Prosperity REIT and its subsidiaries for the six months ended 30 June 2024 (the “Reporting Period”) together with comparative figures for the corresponding period in 2023 as follows:

Performance Highlights

<u>Distribution</u>	<u>Six months ended 30 Jun 2024 (unaudited)</u>	<u>Six months ended 30 Jun 2023 (unaudited)</u>	<u>Percentage change Increase/(Decrease)</u>
Income available for distribution	HK\$98.2 million	HK\$113.8 million	(13.7%)
Distribution per unit (“DPU”)	HK\$0.0638	HK\$0.0745	(14.4%)

<u>Operation data</u>	<u>Six months ended 30 Jun 2024 (unaudited)</u>	<u>Six months ended 30 Jun 2023 (unaudited)</u>	<u>Percentage change Increase/(Decrease)</u>
Revenue	HK\$215.0 million	HK\$217.4 million	(1.1%)
Net property income	HK\$164.9 million	HK\$167.8 million	(1.7%)
Occupancy rate (as at 30 June)	94.9%	97.0%	(2.1%) ²
Tenant retention rate	70.5%	75.4%	(4.9%) ²
Cost-to-revenue ratio	23.3%	22.8%	0.5% ²

<u>Key financial figures</u>	<u>As at 30 Jun 2024 (unaudited)</u>	<u>As at 31 Dec 2023 (audited)</u>	<u>Percentage change Increase/(Decrease)</u>
Net asset value per unit	HK\$4.38	HK\$4.56	(3.9%)
Property valuation	HK\$9,547 million	HK\$9,703 million	(1.6%)
Gearing ratio ¹	24.7%	24.2%	0.5% 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 30 June 2024, Prosperity REIT owned a diverse portfolio of seven properties in the decentralized business districts of Hong Kong, comprising all, or a portion of, three Grade A office buildings, one commercial building, two industrial/office buildings and one industrial building. As at 30 June 2024, the total gross rentable area was 1,275,153 sq. ft., with a total of 498 car park spaces.

Information about the properties in the portfolio, as at 30 June 2024, was as follows:

	Location	Gross rentable area sq. ft.	No. of car park spaces	Valuation HK\$ million	Occupancy rate
Grade A Office					
The Metropolis Tower	Hung Hom	271,418	98	2,623	98.4%
Prosperity Millennia Plaza	North Point	217,955	43	1,998	88.1%
9 Chong Yip Street	Kwun Tong	136,595	68	918	99.4%
Commercial					
Prosperity Place	Kwun Tong	240,000	83	1,698	94.6%
Industrial/Office					
Trendy Centre	Lai Chi Kok	173,764	79	1,106	91.5%
Prosperity Center (portion)	Kwun Tong	149,253	105	850	96.2%
Industrial					
New Treasure Centre (portion)	San Po Kong	86,168	22	354	100%
Total		1,275,153	498	9,547	94.9%

During the Reporting Period, the impacts of prolonged high interest rates, geopolitical tensions and trade conflicts continued to weigh on different economies.

In the US, the Federal Reserve has kept policy interest rate in a range of 5.25% - 5.50% since July 2023. Although inflation is gradually easing, the timing and pace of rate cuts remain uncertain. Economic growth in 2Q 2024 was at 3.1% year-on-year (“YoY”).

Mainland China's GDP growth slowed to 4.7% YoY in 2Q 2024 amid dampened domestic demand and property market downturn. Monetary and fiscal policies have been strengthened to shore up consumer and business sentiment.

Hong Kong's GDP expanded 3.3% YoY in 2Q 2024 on the back of a recovery in exports. However, economic momentum is under strain from elevated finance cost, change in retail spending behaviour and sluggish property market.

The local office market remained competitive as market vacancy rate stayed relatively high, though with modest improvement in space take-up. Corporations continued to prioritize cost-saving amid ongoing economic uncertainty and high business operating cost, limiting leasing demand.

In the face of a challenging business environment, Prosperity REIT registered stable revenue of HK\$215.0 million and net property income of HK\$164.9 million during the Reporting Period. Portfolio occupancy rate and tenant retention rate stayed solid at 94.9% and 70.5% respectively. Although our Grade A office properties remained under pressure, Prosperity REIT has a well-diversified portfolio with commercial and industrial properties providing stable income stream.

As at 30 June 2024, Prosperity REIT's gearing ratio was stable at 24.7%, providing us with a resilient balance sheet to withstand volatilities and seize future growth opportunities.

Sustainability Roadmap

Prosperity REIT has completed a strategic review on its sustainability roadmap for the coming years till 2030. We will commit to new GHG emission targets, including Scope 3, using 2021 as a refreshed baseline year, aligning with the Science Based Targets initiative ("SBTi"). These targets will be achieved via proactive implementation of a series of green asset enhancement initiatives ("AEIs") that will benefit Prosperity REIT, the tenants and the community. These AEIs will not only reduce energy consumption and GHG emissions within our portfolio, but also generate savings in electricity and repairs & maintenance expenses.

Outlook

The World Bank projects that global economic growth will stabilize at 2.6% in 2024, while downside risks from heightened interest rates and geopolitical frictions persist. Potential interest rate cuts are expected to be favourable for Hong Kong's economy and real estate market, but the upcoming US presidential election and slower revival of Mainland China's economy would impact on the outlook.

Despite of the headwinds confronted, Prosperity REIT is well-positioned to capitalize on its unique portfolio adjacent to major transportation links and refurbished with green and smart building facilities. We will continue to implement flexible leasing strategies to weather different market conditions.

Investment Review

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

Asset Enhancement

Asset enhancement is a key growth driver for Prosperity REIT. Apart from keeping up with keen competition, upgrading our properties is another way to ensure sustainable growth in rental level and capital appreciation. During the Reporting Period, a number of asset enhancement works are carrying 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 which created a warm and hospitable indoor environment for our tenants. Considering high maintenance costs and low cooling efficiency of the aging chiller set as well as the trend in the increase of electricity tariff, we have further replaced one set of chiller in 2024 for cost saving and upkeeping a reliable and efficient air-conditioning provision.

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.

Financial Review

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

	Turnover <i>HK\$'000</i>	Rental related income <i>HK\$'000</i>	Revenue <i>HK\$'000</i>	Net property income <i>HK\$'000</i>
Grade A Office				
The Metropolis Tower	46,248	14,621	60,869	47,455
Prosperity Millennia Plaza	33,274	8,716	41,990	33,011
9 Chong Yip Street	16,531	2,743	19,274	14,739
Commercial				
Prosperity Place	32,257	5,215	37,472	28,121
Industrial/Office				
Trendy Centre	22,401	3,958	26,359	19,733
Prosperity Center (portion)	17,518	2,192	19,710	14,908
Industrial				
New Treasure Centre (portion)	7,972	1,309	9,281	6,936
Total	176,201	38,754	214,955	164,903

Revenue

During the Reporting Period, revenue decreased to HK\$215.0 million, being HK\$2.4 million or 1.1% lower than the last corresponding half year. The decrease was mainly due to pressure on rental levels and vacancy of our office properties. Part of the negative impact was mitigated by the increase in rental related income from HK\$37.0 million to HK\$38.7 million, as well as improved occupancy and positive rental reversion registered in other properties.

Net Property Income

For the Reporting Period, the net property income was HK\$164.9 million, being HK\$2.9 million or 1.7% lower than the last corresponding half year mainly as a result of the decrease in revenue. The cost-to-revenue ratio was 23.3%.

Distributable Income

For the Reporting Period, the unaudited distributable income of Prosperity REIT to unitholders of Prosperity REIT was HK\$98.2 million, representing a DPU of HK\$0.0638. This represents an annualized distribution yield of 9.2%³. The distributable income for the Reporting Period is calculated by the REIT Manager as representing the consolidated profit after tax of Prosperity REIT and its subsidiaries for the relevant financial period, as adjusted to eliminate the effects of certain Adjustments (as defined in the Trust Deed) including a finance cost (differences between cash and accounting finance costs) of HK\$4.5 million (equivalent to HK\$0.0029 per unit), which have been recorded in the condensed consolidated statement of profit or loss and other comprehensive income for the Reporting Period.

Distribution

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

Liquidity and Financing

As at 30 June 2024, 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) HK\$1,970 million unsecured sustainability-linked loans (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 30 June 2024, total facilities drawn was HK\$2,340 million (31 December 2023: HK\$2,340 million) and the revolving credit facilities of HK\$40 million (31 December 2023: HK\$30 million) was drawn. The total facilities bear interest at Hong Kong Interbank Offered Rate (“**HIBOR**”) plus a margin ranging from 1.04% to 1.28% (31 December 2023: 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.

³Based on Prosperity REIT's closing unit price of HK\$1.38 as at 28 June 2024.

As all facilities bear interests at a variable rate, Prosperity REIT has entered into interest rate swap agreements to mitigate the impact of interest rate fluctuations. As at 30 June 2024, the interest costs for approximately 40% (31 December 2023: 55%) of Prosperity REIT's outstanding term loans have been hedged through interest rate swaps.

The total borrowings of Prosperity REIT, excluding the bank facility origination fees, as a percentage of Prosperity REIT's total assets was 24.7% as at 30 June 2024 (31 December 2023: 24.2%), whereas the total liabilities of Prosperity REIT as a percentage of Prosperity REIT's total assets was 30.5% as at 30 June 2024 (31 December 2023: 29.8%).

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

Investment Properties and Property Valuation

For the Reporting Period, Prosperity REIT's portfolio recorded an investment property revaluation loss of HK\$165.2 million, based on a professional valuation performed by an independent qualified external valuer, Knight Frank Petty Limited (31 December 2023: Knight Frank Petty Limited). The movements of fair values are tabulated below:

	<i>30 Jun 2024</i> <i>HK\$'000</i> <i>(unaudited)</i>	<i>31 Dec 2023</i> <i>HK\$'000</i> <i>(audited)</i>
Fair value at the beginning of the period/year	9,703,000	9,801,000
Additional expenditure	9,177	22,951
Change in fair value of investment properties	(165,177)	(120,951)
Fair value at the end of the period/year	<u>9,547,000</u>	<u>9,703,000</u>

Charges on Assets

As at 30 June 2024, all bank loan facilities of Prosperity REIT are unsecured. None of the investment properties of Prosperity REIT were pledged to secure bank loan facilities of Prosperity REIT's finance companies.

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

EMPLOYEES

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

REPURCHASE, SALE OR REDEMPTION OF UNITS

There was no repurchase, sale or redemption of units by Prosperity REIT or its subsidiaries during the Reporting Period.

CORPORATE GOVERNANCE

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

Excellence, Inclusion, Entrepreneurship and Sustainability, the core values of the ESR Group, form the basis for Prosperity REIT’s business conduct and stakeholders engagement.

CLOSURE OF REGISTER OF UNITHOLDERS

The register of unitholders will be closed from Wednesday, 4 September 2024 to Thursday, 5 September 2024, both days inclusive, during which period no transfer of units will be effected. In order to qualify for the interim distribution, all unit certificates with completed transfer forms must be lodged with Prosperity REIT’s unit registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-16, 17/F., Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Tuesday, 3 September 2024. The payment date of interim distribution will be on Monday, 16 September 2024.

REVIEW OF INTERIM RESULTS

The interim results of Prosperity REIT for the Reporting Period have been reviewed by the Audit Committee and the Disclosures Committee of the REIT Manager and by Prosperity REIT’s external auditor in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

PUBLIC FLOAT

As far as the REIT Manager is aware, more than 25% of the issued units of Prosperity REIT were held in public hands as at 30 June 2024.

ISSUANCE OF INTERIM REPORT

The Interim Report of Prosperity REIT for the Reporting Period will be published on the websites of the Stock Exchange and Prosperity REIT and will be dispatched or sent to unitholders on or before Monday, 30 September 2024.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	<i>Six months ended 30 June</i>		
	<i>2024</i>	<i>2023</i>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
<i>Notes</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	
Revenue	3	214,955	217,395
Property management fees		(4,842)	(4,973)
Property operating expenses		(45,210)	(44,605)
Total property operating expenses		<u>(50,052)</u>	<u>(49,578)</u>
Net property income		164,903	167,817
Other income		236	517
Manager's fee		(24,144)	(24,378)
Trust and other expenses	5	(3,543)	(4,081)
Change in fair value of investment properties		(165,177)	(109,101)
Finance costs, net	6	<u>(59,356)</u>	<u>(54,216)</u>
Loss before taxation and transactions with unitholders		(87,081)	(23,442)
Taxation	7	<u>(21,353)</u>	<u>(15,073)</u>
Loss for the period, before transactions with unitholders		(108,434)	(38,515)
Distribution to unitholders		<u>(98,178)</u>	<u>(113,771)</u>
Loss for the period, after transactions with unitholders		<u>(206,612)</u>	<u>(152,286)</u>
Total comprehensive expense for the period, after transactions with unitholders		<u>(206,612)</u>	<u>(152,286)</u>
Income available for distribution to unitholders		<u>98,178</u>	<u>113,771</u>
Basic loss per unit (HK\$)	8	<u>(0.07)</u>	<u>(0.03)</u>

DISTRIBUTION STATEMENT

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period, before transactions with unitholders	(108,434)	(38,515)
Adjustments:		
Manager's fee	23,645	23,870
Change in fair value of investment properties	165,177	109,101
Change in fair value of derivative financial instruments	978	12,120
Non-cash finance costs	4,481	4,456
Deferred tax	12,331	2,739
Income available for distribution (note (i))	98,178	113,771
Distributions to unitholders:		
For the six months ended 30 June	98,178	113,771
Distribution per unit (HK\$) (note (ii))	0.0638	0.0745

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 stated policy of ESR Asset Management (Prosperity) Limited (the “**REIT Manager**”) to distribute 100% of the distributable income. Pursuant to the Trust Deed, distributable income is defined as the amount calculated by the REIT Manager as representing the consolidated profit after tax of Prosperity REIT and its subsidiaries (the “**Group**”) for the relevant financial period, as adjusted to eliminate the effects of certain Adjustments (as defined in the Trust Deed) which have been recorded in the condensed consolidated statement of profit or loss and other comprehensive income for the relevant financial period.

These adjustments for the half year comprise:

- (a) manager's fee paid and payable in units of HK\$23,645,000 (six months ended 30 June 2023: HK\$23,870,000) out of the total manager's fee of HK\$24,144,000 (six months ended 30 June 2023: HK\$24,378,000) (the difference of HK\$499,000 (six months ended 30 June 2023: HK\$508,000) is paid in cash);
- (b) decrease in fair value of investment properties of HK\$165,177,000 (six months ended 30 June 2023: HK\$109,101,000) and decrease in fair value of derivative financial instruments of HK\$978,000 (six months ended 30 June 2023: HK\$12,120,000);

- (c) non-cash finance costs of HK\$4,481,000 (six months ended 30 June 2023: HK\$4,456,000), are derived from the finance costs of HK\$59,356,000 (six months ended 30 June 2023: HK\$54,216,000), less decrease in fair value of derivative financial instruments of HK\$978,000 (six months ended 30 June 2023: HK\$12,120,000) and less the cash finance costs of HK\$53,897,000 (six months ended 30 June 2023: HK\$37,640,000); and
- (d) deferred tax provision of HK\$12,331,000 (six months ended 30 June 2023: HK\$2,739,000).
- (ii) The DPU of HK\$0.0638 (six months ended 30 June 2023: HK\$0.0745) is calculated based on Prosperity REIT's income available for distribution of HK\$98,178,000 (six months ended 30 June 2023: HK\$113,771,000) over 1,538,797,624 units (30 June 2023: 1,527,055,457 units), representing units in issue as at the end of the Reporting Period plus the number of units to be issued after the distribution period to the REIT Manager as payment of base fee and variable fee in the second quarter of the relevant distribution period.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		30 Jun 2024 HK\$'000 (unaudited)	31 Dec 2023 HK\$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	13	9,547,000	9,703,000
Derivative financial instruments		13,574	12,653
Total non-current assets		9,560,574	9,715,653
Current assets			
Derivative financial instruments		18,101	20,159
Trade and other receivables	9	10,816	11,564
Bank balances and cash		53,368	61,013
Total current assets		82,285	92,736
Total assets		9,642,859	9,808,389
Non-current liabilities, excluding net assets attributable to unitholders			
Derivative financial instruments		2,536	2,681
Bank Borrowings	11	2,320,255	2,315,774
Deferred tax liabilities		265,461	253,130
Total non-current liabilities, excluding net assets attributable to unitholders		2,588,252	2,571,585
Current liabilities			
Derivative financial instruments		-	14
Trade and other payables	10	176,729	179,296
Amounts due to related companies		6,459	12,934
Bank Borrowings	11	40,000	30,000
Provision for taxation		15,171	12,628
Manager's fee payable		11,951	12,335
Distribution payable		98,178	100,891
Total current liabilities		348,488	348,098
Total liabilities, excluding net assets attributable to unitholders		2,936,740	2,919,683
Net assets attributable to unitholders		6,706,119	6,888,706
Units in issue ('000)	12	1,530,189	1,510,529
Net asset value per unit (HK\$) attributable to unitholders	14	4.38	4.56

Notes

(1) Principal Accounting Policies:

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

Other than the additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2023.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the Group's condensed consolidated financial statements:

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

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

(2) Basis of preparation:

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

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) "Interim Financial Reporting" issued by the HKICPA as well as with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange and the relevant disclosure requirements set out in Appendix C to the REIT Code issued by the Securities and Futures Commission of Hong Kong.

The REIT Manager is of the opinion that, taking into account the headroom of the fair value of investment properties of HK\$9,547,000,000, presently available bank facilities and internal financial resources, the Group has sufficient working capital for its present requirements within one year from the end of the Reporting Period. Thus the Group continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

(3) Revenue:

	<i>Six months ended 30 June</i>	
	<i>2024</i>	<i>2023</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Rental income	160,407	164,841
Car park income	15,794	15,547
	<hr/>	<hr/>
	176,201	180,388
Rental related income	38,754	37,007
	<hr/>	<hr/>
	214,955	217,395

(4) Segment information:

As at 30 June 2024, Prosperity REIT owns seven (31 December 2023: seven) office, commercial, industrial/office and industrial buildings located in Hong Kong, namely The Metropolis Tower, Prosperity Millennia Plaza, 9 Chong Yip Street, Prosperity Place, Trendy Centre, a portion of Prosperity Center and a portion of New Treasure Centre. These properties are the basis on which the REIT Manager, being the chief operating decision maker, reports Prosperity REIT's segment information for the purpose of resource allocation and performance assessment.

Six months ended 30 June 2024 (unaudited)

	The Metropolis Tower	Prosperity Millennia Plaza	9 Chong Yip Street	Prosperity Place	Trendy Centre	Prosperity Center (portion)	New Treasure Centre (portion)	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	46,248	33,274	16,531	32,257	22,401	17,518	7,972	176,201
Rental related income	14,621	8,716	2,743	5,215	3,958	2,192	1,309	38,754
Segment revenue in								
Hong Kong	60,869	41,990	19,274	37,472	26,359	19,710	9,281	214,955
Segment profit	47,455	33,011	14,739	28,121	19,733	14,908	6,936	164,903
Other income								236
Manager's fee								(24,144)
Trust and other expenses								(3,543)
Change in fair value of investment properties								(165,177)
Finance costs, net								(59,356)
Loss before taxation and transactions with unitholders								(87,081)

Six months ended 30 June 2023 (unaudited)

	The Metropolis Tower	Prosperity Millennia Plaza	9 Chong Yip Street	Prosperity Place	Trendy Centre	Prosperity Center (portion)	New Treasure Centre (portion)	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	48,219	36,817	15,811	31,284	23,258	17,328	7,671	180,388
Rental related income	13,410	9,183	2,510	4,637	3,973	2,075	1,219	37,007
Segment revenue in								
Hong Kong	61,629	46,000	18,321	35,921	27,231	19,403	8,890	217,395
Segment profit	47,821	37,272	13,361	27,092	20,722	14,894	6,655	167,817
Other income								517
Manager's fee								(24,378)
Trust and other expenses								(4,081)
Change in fair value of investment properties								(109,101)
Finance costs, net								(54,216)
Loss before taxation and transactions with unitholders								(23,442)

(5) Trust and other expenses:

	<i>Six months ended 30 June</i>	
	<i>2024</i>	<i>2023</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Auditor's remuneration	96	96
Bank charges	615	685
Legal and professional fees	101	306
Public relations and related expenses	25	40
Registrar fee	300	300
Trust administrative expenses	958	1,247
Trustee's fee	1,448	1,407
	<hr/>	<hr/>
	3,543	4,081
	<hr/> <hr/>	<hr/> <hr/>

(6) Finance costs, net:

	<i>Six months ended 30 June</i>	
	<i>2024</i>	<i>2023</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest expense on term loans	71,283	57,989
Interest rate swaps income realised	(13,752)	(15,893)
Interest expense on unsecured revolving loan	847	-
	<hr/>	<hr/>
	58,378	42,096
Change in fair value of derivative financial instruments	978	12,120
	<hr/>	<hr/>
	59,356	54,216
	<hr/> <hr/>	<hr/> <hr/>

(7) Taxation:

	<i>Six months ended 30 June</i>	
	<i>2024</i>	<i>2023</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Current tax	12,199	12,334
Over-provision in prior year	(3,177)	-
Deferred tax	12,331	2,739
	<hr/>	<hr/>
	21,353	15,073
	<hr/> <hr/>	<hr/> <hr/>

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

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

In previous years, tax losses of approximately HK\$55.8 million pertaining to a property holding company was not yet agreed by the Inland Revenue Department (“IRD”). During the period ended 30 June 2024, a portion of tax losses has been agreed by IRD. This resulted in an overprovision of taxation in prior years of approximately HK\$3.2 million and it has been included in distribution during this reporting period. Meanwhile, deferred tax assets arising from such tax losses of approximately HK\$9.2 million has been debited to profit or loss accordingly.

(8) Basic loss per unit:

The basic loss per unit is calculated by dividing the loss for the period, before transactions with unitholders of HK\$108,434,000 (six months ended 30 June 2023: loss of HK\$38,515,000) by the weighted average of 1,529,770,293 (six months ended 30 June 2023: 1,520,290,036) units in issue during the period, taking into account the units issuable as manager's fee for its service in the last quarter of the relevant distribution period.

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

(9) Trade and other receivables:

	<i>30 Jun 2024</i> <i>HK\$'000</i> <i>(unaudited)</i>	<i>31 Dec 2023</i> <i>HK\$'000</i> <i>(audited)</i>
Trade receivables	5,928	5,840
Less: allowance for credit losses	(3,485)	(3,731)
	<hr/> 2,443	<hr/> 2,109
Deposits, prepayments and other receivables	8,373	9,455
	<hr/> 10,816	<hr/> 11,564
	<hr/> <hr/>	<hr/> <hr/>

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

	<i>30 Jun 2024</i> <i>HK\$'000</i> <i>(unaudited)</i>	<i>31 Dec 2023</i> <i>HK\$'000</i> <i>(audited)</i>
Current – 1 month	227	218
2 – 3 months	1,109	1,540
Over 3 months	1,107	351
	<hr/> 2,443	<hr/> 2,109
	<hr/> <hr/>	<hr/> <hr/>

(10) Trade and other payables:

	<i>30 Jun 2024</i> <i>HK\$'000</i> <i>(unaudited)</i>	<i>31 Dec 2023</i> <i>HK\$'000</i> <i>(audited)</i>
Trade payables	2,673	1,937
Tenants' deposits		
- Outside parties	131,419	132,041
- Related parties	713	713
Rental received in advance		
- Outside parties	5,588	4,940
Other payables	36,336	39,665
	<u>176,729</u>	<u>179,296</u>

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

	<i>30 Jun 2024</i> <i>HK\$'000</i> <i>(unaudited)</i>	<i>31 Dec 2023</i> <i>HK\$'000</i> <i>(audited)</i>
Current – 1 month	1,042	609
2 – 3 months	395	254
Over 3 months	1,236	1,074
	<u>2,673</u>	<u>1,937</u>

Tenants' deposits represent the deposits refundable to tenants upon termination or cancellation of operating lease arrangements. The tenants' deposits are refundable to tenants within 45 days upon the termination of the tenancy agreement. The tenants' deposits to be settled after twelve months from the end of the Reporting Period based on the lease terms amounted to HK\$74,551,000 as at 30 June 2024 (31 December 2023: HK\$77,529,000).

(11) Bank Borrowings:

	<i>30 Jun 2024</i> <i>HK\$'000</i> <i>(unaudited)</i>	<i>31 Dec 2023</i> <i>HK\$'000</i> <i>(audited)</i>
Unsecured term loans	2,340,000	2,340,000
Bank facility origination fees	(19,745)	(24,226)
	<hr/> 2,320,255	<hr/> 2,315,774
Unsecured revolving loan	40,000	30,000
	<hr/> 2,360,255	<hr/> 2,345,774
Carrying amount repayable:		
Within one year	40,000	30,000
Within a period of more than one year but not exceeding five years	2,320,255	2,315,774
	<hr/> 2,360,255	<hr/> 2,345,774
	<hr/> <hr/>	<hr/> <hr/>

(12) Units in issue:

	Number of units	HK\$'000
Balance as at 1 January 2023	1,508,461,255	3,238,270
Payment of Manager's base fee and variable fee through issuance of new units during the year	27,048,968	47,980
Units bought back and cancelled	(24,981,000)	(37,428)
Balance as at 31 December 2023	<hr/> 1,510,529,223	<hr/> 3,248,822
Payment of Manager's base fee and variable fee through issuance of new units during the period	19,660,024	24,025
Balance as at 30 June 2024	<hr/> 1,530,189,247	<hr/> 3,272,847
	<hr/> <hr/>	<hr/> <hr/>

(13) Investment properties:

	<i>30 Jun 2024</i> <i>HK\$'000</i> <i>(unaudited)</i>	<i>31 Dec 2023</i> <i>HK\$'000</i> <i>(audited)</i>
Fair value at the beginning of the period/year	9,703,000	9,801,000
Additional expenditure	9,177	22,951
Change in fair value of investment properties	(165,177)	(120,951)
Fair value at the end of the period/year	<u>9,547,000</u>	<u>9,703,000</u>

- (14) The net asset value per unit is calculated based on the net assets attributable to unitholders and the total number of 1,530,189,247 units in issue as at 30 June 2024 (31 December 2023: 1,510,529,223 units).
- (15) At the end of the Reporting Period, the Group's net current liabilities, defined as current assets less current liabilities, amounted to HK\$266,203,000 (31 December 2023: HK\$255,362,000) and the Group's total assets less current liabilities amounted to HK\$9,294,371,000 (31 December 2023: HK\$9,460,291,000).
- (16) The results have been reviewed by the Audit Committee and the Disclosures Committee of the REIT Manager, and by Prosperity REIT's external auditor in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

Hong Kong, 16 August 2024

The directors of the REIT Manager as at the date of this announcement are Dr. Chiu Kwok Hung, Justin (Chairman), Mr. Lim Hwee Chiang and Mr. Ma Lai Chee, Gerald as Non-executive Directors; Ms. Wong Lai Hung as Executive Director; Dr. Lan Hong Tsung, David, Mrs. Sng Sow-Mei (alias Poon Sow Mei), Mr. Wong Kwai Lam and Ms. Ng Shieu Yeing, Christina as Independent Non-executive Directors.