

2021  
annual  
report

As  
Stable  
as  
a  
Rock





TOTAL GROSS  
RENTABLE AREA OF  
ABOUT

1.28 MILLION  
SQ.FT.



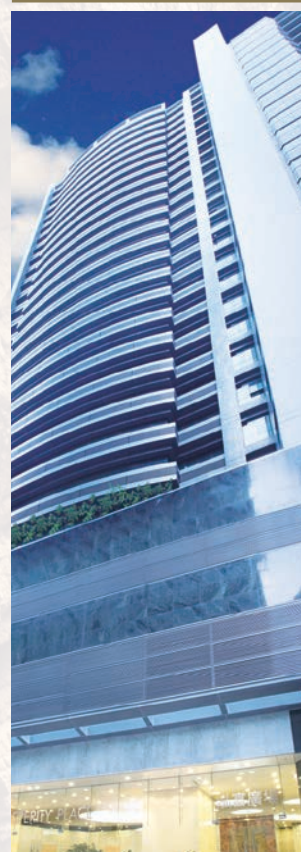
THE  
METROPOLIS  
TOWER



PROSPERITY  
MILLENNIA  
PLAZA



9 CHONG YIP  
STREET



PROSPERITY  
PLACE





TRENDY CENTRE



PROSPERITY  
CENTER PROPERTY  
(PORTION)



NEW  
TREASURE CENTRE  
PROPERTY  
(PORTION)



PROSPERITY  
REIT  
PORTFOLIO



## 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, APAC's largest real asset manager powered by the New Economy and the third largest listed real estate investment manager globally.

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.

## WE CARE FOR COMMUNITY



## UNITHOLDERS



## TENANTS



## ENVIRONMENT



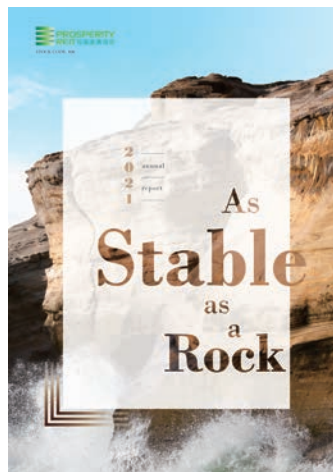
## STAFF






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"As Stable as a Rock", a symbolic expression of resilience and reliability despite of challenging and changing environment. Built on a rock-solid and diverse portfolio of high-quality properties, Prosperity REIT steadily and confidently provides returns to unitholders. Robustness amidst uncertain times paves the way towards a bright and sustainable future for our stakeholders.





STEADY  
**RESULTS**





# 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 2021 (the "Reporting Year").

## RESULTS AND DISTRIBUTION

Though business environment remained challenging under headwinds arising from COVID-19 pandemic and geopolitical conflicts, Prosperity REIT managed to deliver yet another stable result in distributable income and distribution per unit ("DPU"). Property valuation largely followed the market and adjusted downward slightly by 1.8% to HK\$9,967 million.

In light of these results, our Unitholders will receive a DPU of HK\$0.0862 per unit for the second half of the year, representing a total DPU of HK\$0.1763 for the year ended 31 December 2021.

## MARKET REVIEW

During 2021, global economies rebounded from pandemic lows in terms of trade and employment against the backdrop of improving business sentiments and increasing vaccination rates. However, worrying economic signs resurfaced in the second half of the year amidst pronounced inflationary pressures, ongoing supply chain woes and surging cases of COVID-19 variants.

In US, buoyant economic indicators of rising GDP and falling unemployment rate met with growing inflation rate. Consequently, Federal Reserve embraced a more hawkish turn in the recent December meeting by announcing the speeding up of bond purchase tapering and hinting of multiple interest rate hikes in 2022.



## Chairman's Statement

In Mainland China, annual GDP growth reached 8.1% with vigorous economic recovery stemming from strong net exports, reopening of overseas economies and effective pandemic controls. In second half of the year, financial distress involving some Chinese property developers led to turbulence in the stock market and triggered asset disposals for deleveraging.

Despite lingering concerns posed by China-US geopolitical tensions and intermittent pandemic resurgences, Hong Kong economy enjoyed a modest revival in 2021 — annual GDP growth of 6.4% marked a reversal from declines in the past two years along with fall in unemployment rates to 3.9% in the last quarter of the year, attributable to the stringent pandemic controls and implementation of various economic stimulus measures.

### OPERATIONS REVIEW

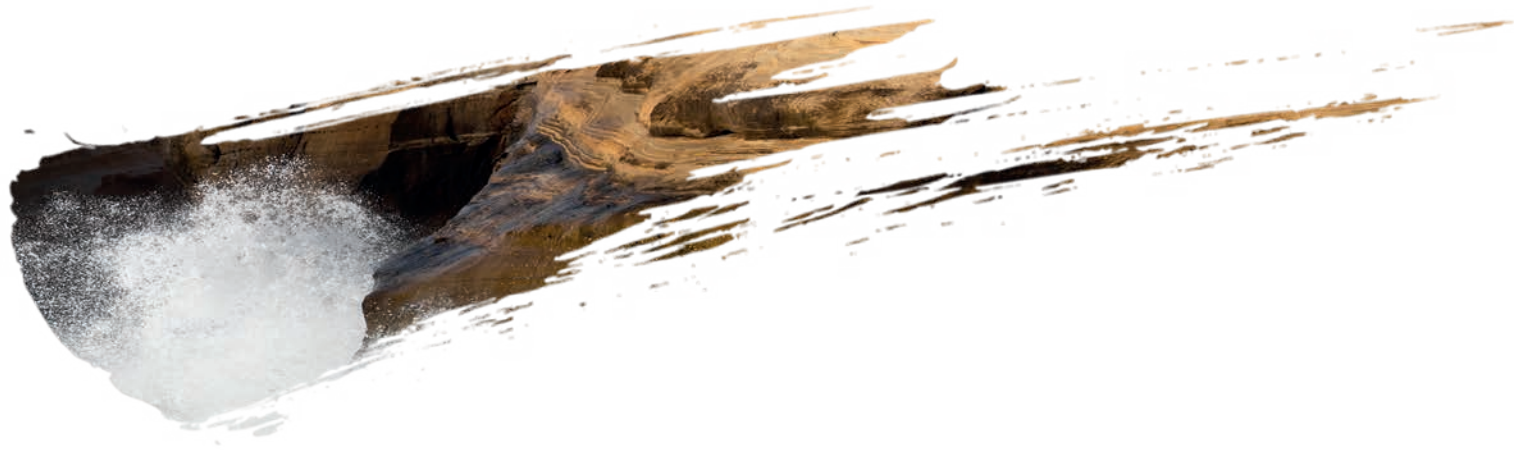
While overall leasing market remained subdued at times, encouraging signs emerged in the latter part of the year with rents bottoming-out and occupancy rates picking up. Notwithstanding the work from home trend coupled with future office supply overhang, the key themes of cost-effective office decentralization, downsizing and consolidation remained at the forefront. Corporations would thus opt for relocation to value for money office spaces.

Amid tough market conditions, with a focus on retaining tenants, our portfolio occupancy remained robust and stood at a stable level of 97.7% as at 31 December 2021.

### OUTLOOK

Whilst global economic recovery is expected to continue in 2022 with forecasted global GDP growth moderating to 4.1% according to World Bank, downside risks such as withdrawal of accommodative fiscal and monetary supports, COVID-19 variant outbreaks, geopolitical tensions and inflationary pressures cast a shadow over the global outlook. Nonetheless, Hong Kong GDP is forecasted to grow in the range of 2.0% to 3.5% in 2022. Opportunities for the Hong Kong economy include the easing border restriction with Mainland China and the upbeat IPO pipeline.

Although COVID-19 pandemic coupled with the geopolitical and macroeconomic concerns have prolonged effects on our business, Prosperity REIT has continuously demonstrated its resilience to weather difficult times. Looking forward, we will continue to deploy flexible asset management strategies under the diligent and professional support of Goodwell-Prosperity Property Services Limited, the property manager of Prosperity REIT. Furthermore, we will continue to capitalize on opportunities brought by office decentralization and cost-optimization trends, as well as the full opening of Tuen Ma Line and the upcoming opening of Hung Hom to Admiralty cross-harbour section.





# Chairman's Statement

## SUSTAINABILITY

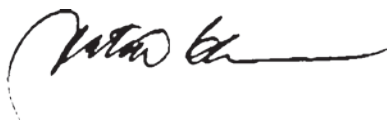
To incorporate sustainability into our business practices and fulfill our responsibilities as a responsible corporate citizen, we have continued to progress towards achieving our "Vision 2030" sustainability strategy. Apart from revamping our properties with multiple green asset enhancement initiatives ("AEI"), 100% of our property portfolio has also attained green building certifications. Additionally, we have taken our first step towards sustainable finance by securing our maiden sustainability-linked term loan.

## ACKNOWLEDGEMENTS

I would like to express my heartfelt thanks to all our staff, tenants, service providers and business partners who have all played significant roles in helping us build a resilient platform to navigate through uncharted waters.

In particular, I am grateful to my fellow Board members and the management team for their unwavering devotion and tireless efforts.

Last but not least, I would like to finish by acknowledging and thanking all our Unitholders. Your unwavering support for and confidence in Prosperity REIT are indispensable for our sustainable growth.



Chiu Kwok Hung, Justin

*Chairman*

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

Hong Kong, 10 March 2022







# ROBUST ACHIEVEMENTS



# Performance Highlights in 2021

## INCOME AVAILABLE FOR DISTRIBUTION<sup>1</sup>

▼ 1.9%



## DISTRIBUTION PER UNIT<sup>1</sup> (“DPU”)

▼ 1.6%



## REVENUE<sup>1</sup>

▼ 1.7%



## OCCUPANCY RATE (AS AT 31 DEC)

▲ 1.6%<sup>2</sup>



Notes:

<sup>1</sup> For the year ended 31 December

<sup>2</sup> Absolute change



## DIVERSIFIED PROPERTY PORTFOLIO

As at 31 December 2021, 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 2021, the appraised value of the portfolio was HK\$9,967 million. Grade A office buildings, commercial building, industrial/office buildings and industrial building accounted for 61.5%, 16.6%, 18.6% and 3.3% of the total appraised value respectively.

	Valuation HK\$ million as at 31 December 2021	Valuation HK\$ million as at 31 December 2020	Percentage change Increase/(Decrease)
<b>Grade A Office</b>			
The Metropolis Tower	2,993	3,080	(2.8%)
Prosperity Millennia Plaza	2,136	2,139	(0.1%)
9 Chong Yip Street	1,003	1,032	(2.8%)
<b>Commercial</b>			
Prosperity Place	1,650	1,684	(2.0%)
<b>Industrial/Office</b>			
Trendy Centre	1,026	1,036	(1.0%)
Prosperity Center (portion)	826	848	(2.6%)
<b>Industrial</b>			
New Treasure Centre (portion)	333	328	1.5%
<b>Total</b>	<b>9,967</b>	<b>10,147</b>	<b>(1.8%)</b>

## EFFECTIVE LEASE MANAGEMENT

As a result of proactive tenant recruitment efforts by the REIT Manager, the portfolio's occupancy rate was maintained stable at 97.7% as at 31 December 2021. The portfolio's average effective unit rent decreased by 5.0% year-on-year ("YoY") to HK\$23.61 per sq.ft., with a rental reversion rate of -7.7% for the leases renewed in 2021.

As at 31 December 2021, leases expiring in 2022 accounted for 42.4% of the portfolio's gross rental income. Proactive leasing strategies will be continued in 2022 to deliver stable distribution to unitholders.



## LEASE EXPIRY PROFILE BY GROSS RENTAL INCOME (AS AT 31 DECEMBER 2021)

	31 December 2021 & 2022	2023	2024 and Beyond
The Metropolis Tower	46.5%	28.2%	25.3%
Prosperity Millennia Plaza	38.2%	36.8%	25.0%
9 Chong Yip Street	46.3%	40.6%	13.1%
Prosperity Place	47.9%	38.3%	13.8%
Trendy Centre	52.6%	38.0%	9.4%
Prosperity Center (portion)	51.5%	31.9%	16.6%
New Treasure Centre (portion)	40.3%	47.0%	12.7%
Portfolio	45.9%	34.9%	19.2%

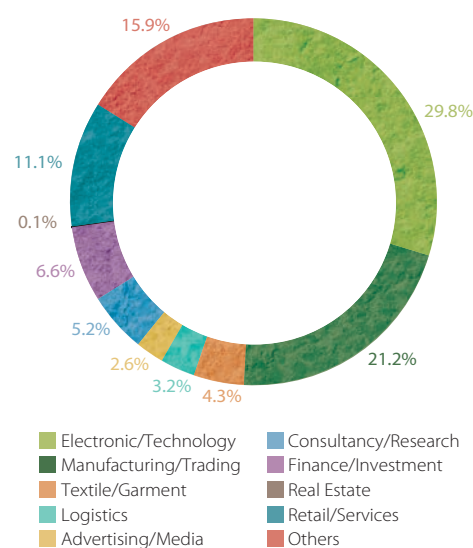
## WELL-BALANCED TENANT MIX

As at 31 December 2021, 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 57% (in terms of gross rentable area) of our tenants are medium-to-large sized enterprises. It is the long-term goal of the REIT Manager to maintain a well-balanced mix of tenants with credible financial standing to ensure a stable stream of rental income.

## TRADE MIX BY GROSS RENTABLE AREA

(as at 31 December 2021)



## Size of Tenant Premises on Gross Rentable Area (as at 31 December 2021)

	Percentage
Above 10,000 sq.ft.	7.9%
5,001 sq.ft.–10,000sq.ft.	20.7%
2,001 sq.ft.–5,000 sq.ft.	28.1%
1,001 sq.ft.–2,000 sq.ft.	28.8%
1,000 sq.ft. and below	14.5%
Total	100.0%



## Trust Review

### CLOSE-TO-ZERO RENT DELINQUENCY RATE

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

### ASSET ENHANCEMENT

It is an established strategy of the REIT Manager to provide premium rentable space with a sustainable green working environment to our tenants in order to achieve sustainable rental growth. To this end, asset enhancement initiatives have been planned and executed on a continuous basis. During the Reporting Year, a number of asset enhancement works have been carried out at Prosperity Millennia Plaza and Prosperity Place.

Asset enhancement initiatives will continue in 2022 across the portfolio. The notable project will be the facelifting of the ground floor main lobby of The Metropolis Tower, incorporating green and well-being elements and smart building technology. The uplift building image will enhance our marketing edge on top of the capitalization of the full opening of Tuen Ma Line and the upcoming opening of Hung Hom to Admiralty cross-harbour section in 2022.

### PROSPERITY MILLENNIA PLAZA

We have replaced two out of total three chiller sets by a more energy-efficient model in previous years. Considering higher running and maintenance costs of the remaining aged chiller set, we have further replaced the remaining chiller set in order to upkeep a reliable air conditioning service for the property. Furthermore, the Building Management System (BMS) has also been replaced with an advanced model for better energy efficiency management. The Indoor Air Quality monitoring system has been included in order to enhance the indoor air quality for the tenants.





## PROSPERITY PLACE

To deepen our Environmental, Social and Governance (ESG) footprint towards enhanced environmental performance and efficiencies, we have installed solar panels at the existing rooftop in order to reduce energy use and greenhouse gases. The system is expected to generate up to approximately 23,000 units (kWh) of electricity each year.



## THE METROPOLIS TOWER

The ground floor main lobby area is under renovation in order to bring the building in line with the market standard and fully reflect the strategic location of the building. The renovation work is in progress and targeted to be completed in May 2022.



*Design rendering*

## OUTLOOK

Since its listing on 16 December 2005 (the “Listing Date”), Prosperity REIT has met challenges posed by various economic uncertainties, and has achieved favourable results by managing its portfolio with professionalism. Supported by Goodwell-Prosperity Property Services Limited, which provides leasing and management services for properties under Prosperity REIT’s portfolio, the REIT Manager will continue to work towards generating stable returns to the unitholders in 2022 through our proven expertise in professional management.





GRADE A OFFICE	COMMERCIAL	INDUSTRIAL / OFFICE	INDUSTRIAL
			
<b>1</b>	<b>4</b>	<b>5</b>	<b>7</b>
The Metropolis Tower	Prosperity Place	Trendy Centre	New Treasure Centre Property (portion)
			
<b>2</b>	<b>6</b>	<b>3</b>	
Prosperity Millennia Plaza	Prosperity Center Property (portion)	9 Chong Yip Street	





# TOWERING PERFORMANCE





## 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)	: 2,993
Number of Tenancies	: 107



## TOP 5 TENANTS<sup>1</sup>

Tenants	Trade	GRA* (sq.ft.)	% of GRA*	% of GRI**
Hutchison Whampoa (China) Limited	Others	18,161	6.7%	6.2%
Sumitomo Mitsui Banking Corporation	Finance/Investment	18,161	6.7%	6.1%
NEC Hong Kong Limited	Electronic/Technology	18,161	6.7%	6.0%
Hong Kong Taiyo Yuden Company Limited	Electronic/Technology	7,768	2.9%	3.2%
Omicron Electronics Asia Limited	Electronic/Technology	6,961	2.6%	3.1%

\* Gross rentable area      \*\* Gross rental income

## LEASE EXPIRY PROFILE

(as at 31 December 2021)

As at 31 December 2021 and 2022



2023



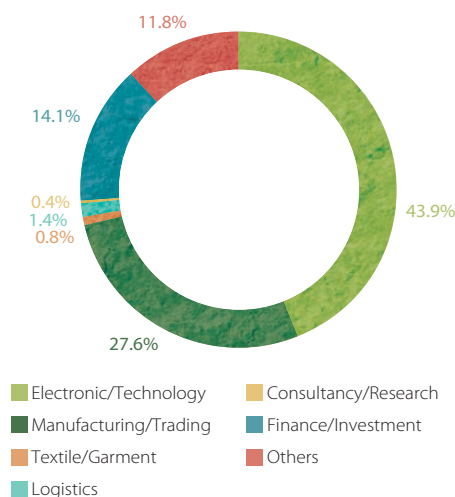
2024 and Beyond



■ By Gross Rental Income  
■ By Gross Rentable Area

## TRADE MIX BY GROSS RENTABLE AREA

(as at 31 December 2021)



Occupying a prime location in the commercial hub of Hung Hom and featuring spectacular sea view of the Victoria Harbour, The Metropolis Tower enjoys convenient transportation access, with the Hung Hom MTR East Rail Station, bus terminals and taxi stations nearby. It is also close to the Cross Harbour Tunnel, the busiest undersea vehicular tunnel in Hong Kong. The Metropolis Tower is expected to gain a competitive advantage from the recent full opening of Tuen Ma Line, as well as the forthcoming opening of Hung Hom to Admiralty cross-harbour section of East Rail Line expected in mid-2022.

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

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

Keeping up with the latest sustainability trends, we have set up a rooftop urban farm and installed a rainwater collection system at The Metropolis Tower to help foster an environmentally friendly future.

As at 31 December 2021, the occupancy rate of the property was 98.2%.

<sup>1</sup> Top 5 tenants are measured based on tenant's contribution to the rental income of the property in December 2021





## 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)	: 2,136
Number of Tenancies	: 83



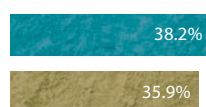
## TOP 5 TENANTS

Tenants	Trade	GRA (sq.ft.)	% of GRA	% of GRI
Prenetics Limited	Electronic/Technology	11,058	5.1%	5.9%
JDB Holdings Limited	Consultancy/Research	8,867	4.1%	5.1%
The Hong Kong & China Gas Company Limited	Others	8,314	3.8%	4.5%
Hakuhodo Hong Kong Limited	Advertising/Media	8,314	3.8%	4.4%
iClick Interactive Asia Limited and other	Advertising/Media	7,818	3.6%	4.0%

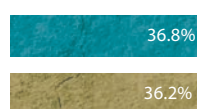
## LEASE EXPIRY PROFILE

(as at 31 December 2021)

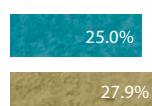
As at 31 December 2021 and 2022



2023



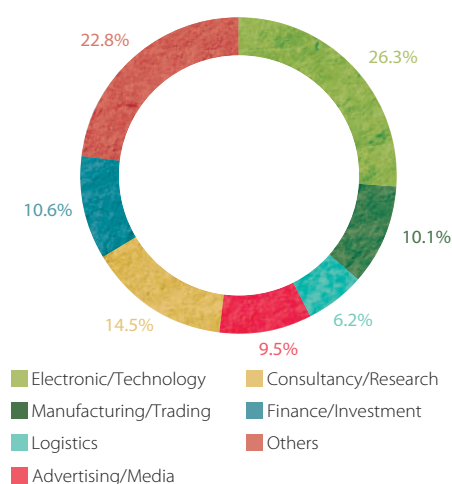
2024 and Beyond



■ By Gross Rental Income  
■ By Gross Rentable Area

## TRADE MIX BY GROSS RENTABLE AREA

(as at 31 December 2021)



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

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

As at 31 December 2021, the occupancy rate of the property was 95.5%.





## 9 CHONG YIP STREET

Location	: 9 Chong Yip Street, Kwun Tong, Kowloon
Year of Completion	: 2004
Gross Rentable Area (sq.ft.)	: 136,595
No. of Car Park Spaces	: 68
Appraised Value (HK\$ million)	: 1,003
Number of Tenancies	: 43



## TOP 5 TENANTS

Tenants	Trade	GRA (sq.ft.)	% of GRA	% of GRI
Tenant <sup>note</sup>	Others	6,580	4.8%	5.3%
Plan International Hong Kong Limited	Others	6,580	4.8%	5.3%
Televoice Technology Asia Limited	Electronic/Technology	6,580	4.8%	5.1%
Stanford Swim School Company Limited	Others	6,580	4.8%	5.1%
Totes Isotoner Corporation (H.K.) Limited	Manufacturing/Trading	6,580	4.8%	5.1%

Note: Tenant requested for anonymity

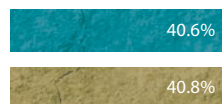
## LEASE EXPIRY PROFILE

(as at 31 December 2021)

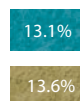
As at 31 December 2021 and 2022



2023



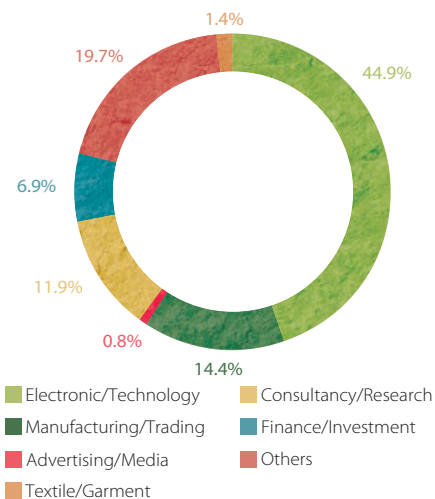
2024 and Beyond



■ By Gross Rental Income  
■ By Gross Rentable Area

## TRADE MIX BY GROSS RENTABLE AREA

(as at 31 December 2021)



9 Chong Yip Street is located in the Kwun Tong district of Kowloon East, which is a maturing decentralized business district with many new high specifications office developments. The Hong Kong Government has implemented strategies to develop Kowloon East into another business district in Hong Kong. With the implementation of Kai Tak Development, Kwun Tong Town Centre Renewal Projects and transportation infrastructure including the Tuen Ma Line via the Kai Tak Development being established in phases, Kowloon East is poised to further leverage on and benefit from these upcoming developments.

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

As the community becomes more aware 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 to get in-line with the latest design of office buildings in the vicinity.

As at 31 December 2021, the occupancy rate of the property was 98.6%.





## 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)	: 1,650
Number of Tenancies	: 129



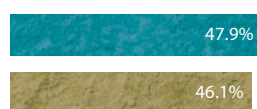
## TOP 5 TENANTS

Tenants	Trade	GRA (sq.ft.)	% of GRA	% of GRI
Dickson Yoga Company Limited	Retail/Services	10,000	4.2%	4.4%
I Dance Enterprise Limited	Retail/Services	10,000	4.2%	4.2%
Evlite Electronics Company Limited	Electronic/Technology	10,000	4.2%	3.4%
Gain Long Group Limited	Retail/Services	5,402	2.3%	3.3%
Bai Communications Limited	Electronic/Technology	8,157	3.4%	3.1%

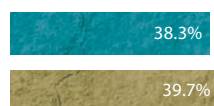
## LEASE EXPIRY PROFILE

(as at 31 December 2021)

As at 31 December 2021 and 2022



2023



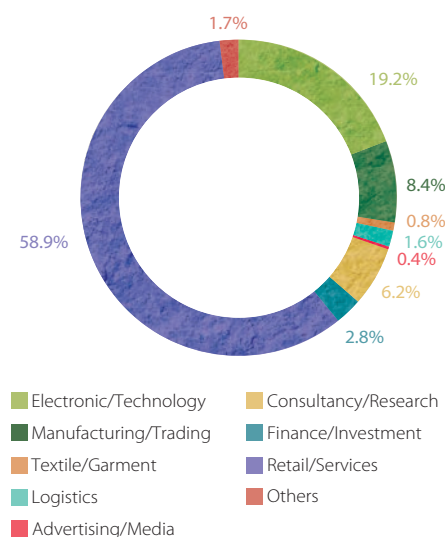
2024 and Beyond



■ By Gross Rental Income  
■ By Gross Rentable Area

## TRADE MIX BY GROSS RENTABLE AREA

(as at 31 December 2021)



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 implementation of Kai Tak Development and Kwun Tong Town Centre Renewal Projects by the Government, the district is undergoing significant change by uplifting of transport 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 set up an urban rooftop farm at Prosperity Place to groom an environmentally friendly ecosystem.

As at 31 December 2021, the occupancy rate of the property was 98.1%.





## 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)	: 1,026
Number of Tenancies	: 160



## TOP 5 TENANTS

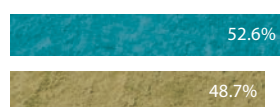
Tenants	Trade	GRA (sq.ft.)	% of GRA	% of GRI
Tenant <sup>note</sup>	Others	8,761	5.0%	4.8%
Lush Asia Limited	Manufacturing/Trading	1,718	1.0%	4.2%
Madrid Group Limited	Others	708	0.4%	2.6%
Amidas Hong Kong Limited	Electronic/Technology	4,113	2.4%	2.4%
Lisat Limited	Textile/Garment	3,118	1.8%	1.8%

Note: Tenant requested for anonymity

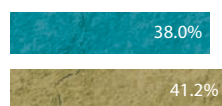
## LEASE EXPIRY PROFILE

(as at 31 December 2021)

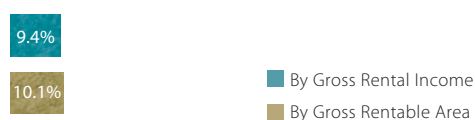
As at 31 December 2021 and 2022



2023

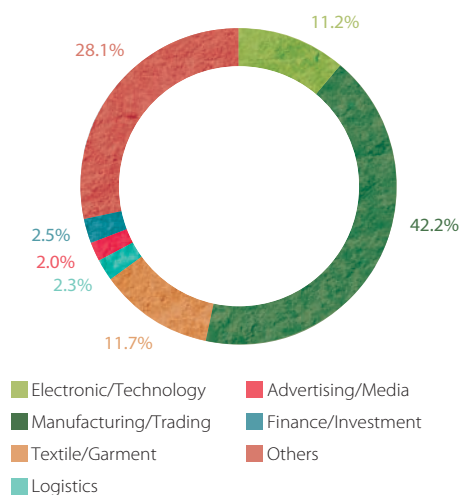


2024 and Beyond



## TRADE MIX BY GROSS RENTABLE AREA

(as at 31 December 2021)



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 19 million TEUs (twenty-foot equivalent units) annually.

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

As at 31 December 2021, the occupancy rate of the property was 98.8%.





## 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)	: 826
Number of Tenancies	: 74

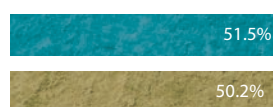
## TOP 5 TENANTS

Tenants	Trade	GRA (sq.ft.)	% of GRA	% of GRI
Senko Advanced Components (Hong Kong) Limited	Electronic/Technology	11,733	7.9%	8.7%
OpSec Delta (HK) Limited	Manufacturing/Trading	10,528	7.1%	7.5%
Edvance Technology (Hong Kong) Limited	Electronic/Technology	10,528	7.1%	6.5%
Barco Limited	Electronic/Technology	4,597	3.1%	3.0%
Light Tec Limited	Manufacturing/Trading	4,493	3.0%	3.0%

## LEASE EXPIRY PROFILE

(as at 31 December 2021)

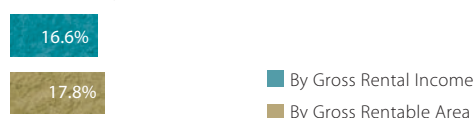
As at 31 December 2021 and 2022



2023

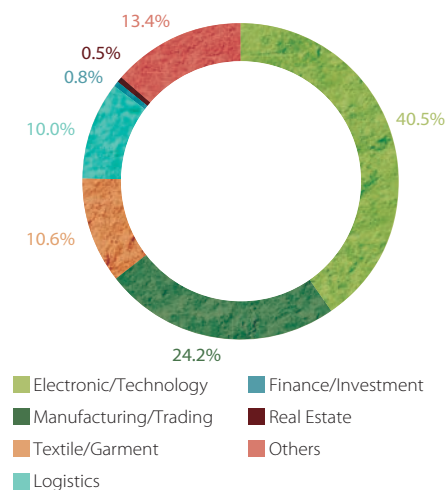


2024 and Beyond



## TRADE MIX BY GROSS RENTABLE AREA

(as at 31 December 2021)



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

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

As at 31 December 2021, the occupancy rate of the property was 97.9%.





## 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)	: 333
Number of Tenancies	: 52

## TOP 5 TENANTS

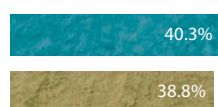
Tenants	Trade	GRA (sq.ft.)	% of GRA	% of GRI
Goodwell Property Management Limited*	Others	12,404	14.4%	12.7%
Reich Pharm Limited	Others	6,522	7.6%	8.1%
Builds Pro Design Limited	Others	2,496	2.9%	3.2%
Realtech Semiconductor Technology Limited	Electronic/Technology	2,386	2.8%	3.1%
World Hope Development Limited and other	Manufacturing/Trading	2,496	2.9%	2.9%

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

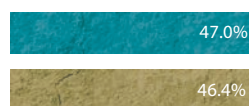
## LEASE EXPIRY PROFILE

(as at 31 December 2021)

As at 31 December 2021 and 2022



2023



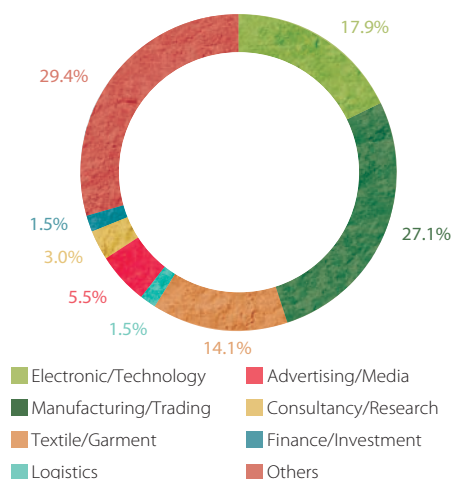
2024 and Beyond



■ By Gross Rental Income  
■ By Gross Rentable Area

## TRADE MIX BY GROSS RENTABLE AREA

(as at 31 December 2021)



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

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

As at 31 December 2021, the occupancy rate of the property was 97.2%.





**FOCUSED**  
**STRATEGY**



# Management Discussion and Analysis

## PERFORMANCE HIGHLIGHTS

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

	Year ended 31 December 2021	Year ended 31 December 2020	Percentage change Increase/(Decrease)
Income available for distribution	HK\$267.6 million	HK\$272.9 million	(1.9%)
Distribution per unit	HK\$0.1763	HK\$0.1791	(1.6%)
Operation data	Year ended 31 December 2021	Year ended 31 December 2020	Percentage change Increase/(Decrease)
Revenue	HK\$445.0 million	HK\$452.9 million	(1.7%)
Net property income	HK\$352.1 million	HK\$358.0 million	(1.6%)
Occupancy rate (as at 31 December)	97.7%	96.1%	1.6% <sup>2</sup>
Cost-to-revenue ratio	20.9%	20.9%	0%
Key financial figures	As at 31 December 2021	As at 31 December 2020	Percentage change Increase/(Decrease)
Net asset value per unit	HK\$4.83	HK\$4.95	(2.4%)
Property valuation	HK\$9,967 million	HK\$10,147 million	(1.8%)
Gearing ratio <sup>1</sup>	23.0%	22.3%	0.7% <sup>2</sup>

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

<sup>2</sup> Absolute change.



# Management Discussion and Analysis

## OPERATIONS REVIEW

As at 31 December 2021, Prosperity REIT owned a diverse portfolio of seven properties in the decentralized business districts of Hong Kong, comprising all, or a portion of, three Grade A office buildings, one commercial building, two industrial/office buildings and one industrial building. As at 31 December 2021, the total gross rentable area was 1,275,153 sq.ft., with a total of 498 car park spaces.

Information about the properties in the portfolio, as at 31 December 2021, was as follows:

	Location	Gross rentable area sq.ft.	No. of car park spaces	Valuation HK\$ million	Occupancy rate
<b>Grade A Office</b>					
The Metropolis Tower	Hung Hom	271,418	98	2,993	98.2%
Prosperity Millennia Plaza	North Point	217,955	43	2,136	95.5%
9 Chong Yip Street	Kwun Tong	136,595	68	1,003	98.6%
<b>Commercial</b>					
Prosperity Place	Kwun Tong	240,000	83	1,650	98.1%
<b>Industrial/Office</b>					
Trendy Centre	Lai Chi Kok	173,764	79	1,026	98.8%
Prosperity Center (portion)	Kwun Tong	149,253	105	826	97.9%
<b>Industrial</b>					
New Treasure Centre (portion)	San Po Kong	86,168	22	333	97.2%
<b>Total</b>		<b>1,275,153</b>	<b>498</b>	<b>9,967</b>	<b>97.7%</b>

With the REIT Manager's professional management expertise, Prosperity REIT was able to attain a stable occupancy rate of 97.7% as at 31 December 2021, reflecting the effectiveness of the leasing strategies deployed. With efficient streamlining of operations, the cost-to-revenue ratio was maintained at a relatively low level of 20.9%.



# 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
<b>Grade A Office</b>				
The Metropolis Tower	105,976	22,984	128,960	103,301
Prosperity Millennia Plaza	77,637	15,131	92,768	75,118
9 Chong Yip Street	35,311	4,535	39,846	31,509
<b>Commercial</b>				
Prosperity Place	67,539	7,333	74,872	59,974
<b>Industrial/Office</b>				
Trendy Centre	45,742	7,186	52,928	40,913
Prosperity Center (portion)	34,708	3,678	38,386	28,574
<b>Industrial</b>				
New Treasure Centre (portion)	14,754	2,467	17,221	12,697
<b>Total</b>	<b>381,667</b>	<b>63,314</b>	<b>444,981</b>	<b>352,086</b>

# Management Discussion and Analysis

## Revenue

During the Reporting Year, revenue decreased to HK\$445.0 million, being HK\$7.9 million or 1.7% lower than that of 2020. The decrease was mainly due to negative rental reversion rates recorded across the portfolio as well as the lower average occupancy rate in The Metropolis Tower. Part of the negative impact was offset by the increase in carpark income from HK\$27.4 million to HK\$31.0 million from rising demand for hourly parking.

## Net Property Income

For the Reporting Year, net property income was HK\$352.1 million, being HK\$5.9 million or 1.6% lower than that of 2020 mainly as a result of the decrease in revenue. The cost-to-revenue ratio was 20.9%.

## Distributable Income

The annual distributable income of Prosperity REIT to unitholders for the Reporting Year, amounted to HK\$267.6 million, representing a total DPU of HK\$0.1763. The distributable income for the Reporting Year is calculated by the REIT Manager as 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\$8.0 million (equivalent to HK\$0.0053 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 2021. 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 2021 to 31 December 2021 is HK\$129.5 million, equivalent to a DPU of HK\$0.0862. The interim DPU from 1 January 2021 to 30 June 2021 was HK\$0.0901. The total DPU for the Reporting Year is HK\$0.1763, which represents a distribution yield of 5.7%<sup>3</sup>. The DPU decreased by 1.6% YoY.

The distribution for the half year from 1 July 2021 to 31 December 2021 will be paid on 11 April 2022 (Monday).

<sup>3</sup> Based on Prosperity REIT's closing unit price of HK\$3.08 as at 31 December 2021.



# Management Discussion and Analysis

## Liquidity and Financing

As at 31 December 2021, Prosperity REIT had facilities in aggregate of HK\$2,770 million, comprising:

- (i) A term loan and revolving credit facility of up to an aggregate principal amount of HK\$1,970 million (the “HK\$1,970 Million Facilities”) comprising a HK\$1,540 million unsecured term loan facility and a HK\$430 million unsecured revolving credit facility, which bear interest at a margin of 0.82% per annum over Hong Kong Interbank Offered Rate (“HIBOR”). The term loan facility will mature and become repayable 5 years from 30 November 2017, and the revolving credit facility will be repaid on each maturity date and can be redrawn upon maturity; and
- (ii) A HK\$800 million unsecured sustainability-link term loan which bears interest at a margin of 1.05% per annum over HIBOR, and will mature and become repayable 5 years from 31 August 2021 (the “HK\$800 Million Facility”). The interest margin is linked to the sustainability performance of Prosperity REIT, which may be reduced depending on the extent of pre-determined key performance indicators being met.

In relation to the HK\$1,970 Million Facilities, the term loan facility of HK\$1,540 million was fully drawn on 30 November 2017. None of the revolving credit facility was drawn as at 31 December 2021.

The HK\$800 Million Facility was fully drawn on 31 August 2021.

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 2021, the interest costs for approximately 70% (31 December 2020: 70%) of Prosperity REIT’s outstanding term loans have been hedged through interest rate swaps.

The total borrowings of Prosperity REIT, excluding the bank facilities origination fees, as a percentage of Prosperity REIT’s total assets was 23.0% as at 31 December 2021 (31 December 2020: 22.3%), whereas the total liabilities of Prosperity REIT as a percentage of Prosperity REIT’s total assets was 28.7% as at 31 December 2021 (31 December 2020: 28.2%).

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.

# Management Discussion and Analysis

## Investment Properties and Property Valuation

For the Reporting Year, Prosperity REIT's portfolio recorded an investment property revaluation loss of HK\$186.5 million, based on a professional valuation performed by an independent qualified external valuer, Jones Lang LaSalle Limited. The movements of fair values are tabulated below:

	31 December 2021 HK\$'000	31 December 2020 HK\$'000
Fair value at the beginning of the year	10,147,000	11,126,000
Additional expenditure	6,518	3,856
Change in fair value of investment properties	(186,518)	(982,856)
Fair value at the end of the year	9,967,000	10,147,000

## Charges on Assets

As at 31 December 2021, all bank loan facilities of Prosperity REIT are unsecured. None of the investment properties of Prosperity REIT were pledged to secure bank loan facilities of the 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 29 March 2022 (Tuesday) to 30 March 2022 (Wednesday), 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 28 March 2022 (Monday). The payment date of the final distribution will be on 11 April 2022 (Monday).



# 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\$5,096,000. The commission paid to the top five real estate agents, summarized as follows, was HK\$3,267,000 and accounted for 64.1% of the total commission paid:

Real Estate Agents	Nature of Services	Commission Paid HK\$'000	Percentage of Total Commission Paid
Jones Lang LaSalle Limited	Leasing	1,552	30.5%
Centaline Property Agency Limited	Leasing	602	11.8%
Savills (HK) Limited	Leasing	394	7.7%
Prime Property Consultants Limited	Leasing	372	7.3%
Chief Property Agency Company	Leasing	347	6.8%
		3,267	64.1%

### Top Five Contractors

The total value of service contracts of contractors engaged by Prosperity REIT during the Reporting Year was HK\$66,119,000. The value of contracts of the top five contractors, summarized as follows, was HK\$59,235,000 and accounted for 89.6% 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	40,432	61.1%
Goodwell-Prosperity Property Services Limited	Building management	10,542	15.9%
Citybase Property Management Limited	Building management	4,348	6.6%
E-Park Parking Management Limited	Carpark operation	3,417	5.2%
Technica Integrated Engineering Company Limited	Repairs and maintenance	496	0.8%
		59,235	89.6%





**SUSTAINABLE**  
**PHILOSOPHY**



# Environmental, Social and Governance 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.



### Mission Statement

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



Reducing our impact on environment and society



Ensuring our business operates and grows responsibly and sustainably



Bringing value to the community

# Environmental, Social and Governance Report Summary

## SUSTAINABILITY GOVERNANCE STRUCTURE



The Board of Directors (the “Board”) of the REIT Manager provides strategic guidance and identification on the overall ESG and climate-related matters and risks regularly. In 2020, the Board endorsed a total of 22 ESG targets during the formulation of “Vision 2030”. To aid the progress of defining long-term targets and annual priorities, a Sustainability Steering Committee which consists of our senior executives was established. Four Sustainability Working Sub-Groups were formed by the key managers of Prosperity REIT and our property manager to work closely with the Board and Committee on four key areas (green, digital, wellness and urban farms) and conduct monitoring and reporting on these focal areas.



# Environmental, Social and Governance Report Summary

## 2021 PERFORMANCE REVIEW

We have placed great efforts to make the most significant environmental, social and governmental impact whilst maintaining the quality of services provided. In the Reporting Year, we have received a 3-star performance rating, an A-grade public disclosure rating and Green Star accreditation in GRESB. On top of our achievements, we have proudly signed our first 5-year sustainability linked loan amounting to HK\$800 million.

As we face the climate crisis together, we fully comprehend the negative impact our business operations may have on the environment and have been implementing practices to reduce our GHG emissions. Compared to 2017, we have achieved a 32% reduction in GHG emissions and a 10% reduction in energy use. At the same time, we actively explore opportunities to utilize natural resources more responsibly and power our buildings with renewable energy. In 2021, apart from completing the installation of solar panels at Prosperity Place, we have also finished building the rainwater collection system at The Metropolis Tower.

We strive to continuously better the working environment at all our managed properties. We have implemented rooftop urban farms at 3 of our properties, and Prosperity Place was accredited “Excellent Class” and four other properties were accredited “Good Class” under the Indoor Air Quality Certificate Scheme. Through these efforts, we have attained a 99% tenant satisfaction rate.

As our business grows, we continue to give back to the community. We actively engaged in charity work together with our staff, achieving a total of 447 volunteering hours this year. We have been awarded the “10 years plus caring company” by The Hong Kong Council of Social Service and “6 years plus Corporate Partnership” by the Evangelical Lutheran Church of Hong Kong.

We highly value our employees as we see people as the fundamental dimension of business development. Nothing is more important to us than promoting diversity, employee satisfaction and providing career development within the workplace. In the Reporting Year, we have provided over 500 hours of training to our employees, and achieved an overall rate of 80% employee satisfaction.

For details of the sustainability performance and progress of Prosperity REIT in the Reporting Year, please refer to our Environmental, Social and Governance Report 2021 on our corporate website [www.prosperityreit.com](http://www.prosperityreit.com).

# Directors and Senior Management Biographical Information

## DIRECTORS



**Chiu Kwok Hung,  
Justin**  
Chairman and  
Non-executive  
Director

**Dr. CHIU Kwok Hung, Justin**, aged 71, is the Chairman of ARA Asset Management (Prosperity) Limited (the "REIT Manager"). He is also a Non-executive Director of ESR Cayman 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.

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 Council Member and a Fellow of The Hong Kong Institute of Directors, a Fellow of Hong Kong Institute of Real Estate Administrators, a Vice Chairman of the Board of Governors of Hong Kong Baptist University Foundation, an Honorary Associate Member of Business of Trent University, Canada, a member of the Singapore Management University's International Advisory Council in China, an Adjunct Professor and a Member 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 65, is a Non-executive Director of the REIT Manager. He is the Chairman of JL Family Office. He is also the Senior Advisor and Non-executive Director of ESR Cayman 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 40 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, 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 49, is an Executive Director, the Chief Executive Officer and a Responsible Officer of the REIT Manager. She is also the Chairman of the Disclosures Committee and a member of the Designated (Finance) Committee of the REIT Manager. Ms. Wong has led and/or been a key member of the Investment and Asset Management Team of the REIT Manager since Prosperity REIT was listed in December 2005. 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 been a Responsible Officer of the REIT Manager since July 2007.

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 Member of The Hong Kong Institute of Directors.

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

## Directors and Senior Management Biographical Information



**Ma Lai Chee,  
Gerald**  
Non-executive  
Director

Mr. MA Lai Chee, Gerald, aged 54, is a Non-executive Director of the REIT Manager and a member of the Designated (Finance) Committee. He is a Non-executive Director of ARA Asset Management (Fortune) Limited as the manager of Fortune REIT (listed in Hong Kong) and 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). He was the Vice Chairman and Non-executive Director of Goldin Financial Holdings Limited (listed in Hong Kong) from 23 July 2020 to 9 October 2020.

Mr. Ma has over 32 years of management experience in different industries. He is a member of the Hospitality Services Committee of Caritas Hong Kong. He is also a member of the President's Circle, the Dean's Advisory Board for the Faculty of Arts and the Faculty Advisory Board of the UBC 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 81, is an Independent Non-executive Director, Chairman of the Audit Committee and a member of each of the Disclosures Committee and Designated (Finance) Committee of the REIT Manager. He is an Independent Non-executive Director of 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 (formerly The Hong Kong Institute of Chartered Secretaries) 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, ARA Asset Management (Fortune) Limited as the manager of Fortune REIT and China Oceanwide Holdings Limited, and also Non-executive Director and Co-Chairman of Aurum Pacific (China) Group Limited. He was a Senior Advisor of Mitsui & Company (Hong Kong) Limited for 19 years until 31 March 2019 and also the President of the International Institute of Management for 7 years until his retirement in June 2019.



## Directors and Senior Management Biographical Information

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.



**Sng Sow-Mei**  
(alias Poon Sow  
Mei)

Independent  
Non-executive  
Director

**Mrs. SNG Sow-Mei (alias Poon Sow Mei)**, aged 80, is an Independent Non-executive Director and a member of the Audit Committee of the REIT Manager. She is an Independent Non-executive Director of CK Infrastructure Holdings Limited (listed in Hong Kong), 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).

Mrs. Sng has over 24 years of real estate industry experience. She was an Independent Non-executive Director of ARA Asset Management (Fortune) Limited as the manager of Fortune REIT (listed in Hong Kong) from 2003 to 2016, and an Independent Non-executive Director of ARA Trust Management (Suntec) Limited as the manager of Suntec REIT (listed in Singapore) from 2004 to 2013. Prior to her appointments with Singapore Technologies Pte. Ltd. where she was Director of Special Projects (North East Asia) in 2000, and Senior Consultant (International Business) of Singapore Technologies Electronics Limited from 2001 to 2013, Mrs. Sng was the Managing Director of CapitaLand Hong Kong Ltd. for investment in Hong Kong and the region including Japan and Taiwan. In Hong Kong, Mrs. Sng was a Director of INFA Systems Ltd. from 2007 to 2013, the Centre Director and then Regional Director of the Singapore Economic Development Board and Trade Development Board respectively from 1983 to 1997. She was Singapore's Trade Commissioner in Hong Kong from 1990 to 1997.

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

## Directors and Senior Management Biographical Information



**Wong Kwai Lam**

Independent  
Non-executive  
Director

**Mr. WONG Kwai Lam**, aged 72, is an Independent Non-executive Director and a member of each of the Audit Committee and Designated (Finance) Committee of the REIT Manager. He is an Independent Non-executive Director of 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, and Hutchison Port Holdings Management Pte. Limited as the trustee-manager of Hutchison Port Holdings Trust (listed in Singapore). Mr. Wong is currently the Chairman of Hong Kong Grand Opera Company Limited and an Advisor to The Chamber of Hong Kong Listed Companies (as the Chairman from June 2019 to June 2021), Vice Chairman of the Board of Trustees and a member of the Investment Committee of the Board of Trustees of New Asia College of the Chinese University of Hong Kong, a member of the Board of Directors 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.

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 one year. Prior to joining Merrill Lynch (Asia Pacific) Ltd., Mr. Wong had been a Director in the investment banking division of CS First Boston (Hong Kong) Ltd. and a Director and the Head of Primary Market in Standard Chartered Asia Limited.

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

## EXECUTIVE OFFICERS

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

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



## Directors and Senior Management Biographical Information

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

From 2000 to 2006, Mr. Cheung was the Chief Financial Controller and Company Secretary of Joinn Holdings Limited (“Joinn”) (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 also an associate of the Hong Kong Institute of Certified Public Accountants, and of the Taxation Institute of Hong Kong.

**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.

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

**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.

## Directors and Senior Management Biographical Information

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.

**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) 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.

### 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 parent 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** — embracing 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 (the “Board”) 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’s Code of Ethics 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 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 reprisals or victimization for whistleblowing in good faith and without malice.

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

# Corporate Governance

## AUTHORIZATION STRUCTURE

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

The Trustee, HSBC Institutional Trust Services (Asia) Limited, is registered as a trust company under section 77 of the Trustee Ordinance (Cap. 29). 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 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, 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:

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

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

The Board presently comprises seven members with five male and two female, three of whom are Independent Non-executive Directors ("INEDs"). 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.

## Corporate Governance

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

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

Members of the Board	Attendance
<i>Chairman and Non-executive Director</i>	
Dr. Chiu Kwok Hung, Justin	4/4
<i>CEO and Executive Director</i>	
Ms. Wong Lai Hung, Mavis	4/4
<i>Non-executive Directors</i>	
Mr. Lim Hwee Chiang	4/4
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

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, at the REIT Manager's expense upon reasonable request. During the Reporting Year, all Directors (including INEDs) have participated in all Board meetings 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 before the Board Meeting of the REIT Manager for the full Board's review and consideration.

Notwithstanding the length of service for more than nine years of all INEDs, the Board is of the view that such length of service will not diminish the independence of 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.



The Board also believes that 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 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 policy of Board composition and diversity 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. All Directors have provided the REIT Manager with their records of continuous professional development programmes during the Reporting Year.

During the Reporting Year, an anti-corruption training for Directors has been arranged with our external legal adviser. Besides, the external auditor of Prosperity REIT also gave briefings on updates of accounting standards and principles to the members of the Audit Committee.

# Corporate Governance

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

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

Note:

Types of Training

A — Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

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

## Corporate Governance

The Audit Committee meets on a half yearly basis and otherwise on an as-needed basis. The Audit Committee held two meetings during the Reporting Year for considering and reviewing, among others, the 2020 final results, 2021 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 also established a Disclosures Committee to assist the Board in reviewing matters relating to the disclosure of information to unitholders and public announcements. The Disclosures Committee also works with the management team of the REIT Manager to ensure the disclosure of information is accurate and complete.

The Disclosures Committee's responsibilities also include:

- (1) reviewing and recommending to the Board on matters of corporate disclosure issues and announcements regarding (without limitation) financial reporting, connected party transactions, and potential areas of 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 members are appointed by the Board from among the Directors. The Disclosures Committee presently consists of three members, namely, Dr. Chiu Kwok Hung, Justin, Chairman and a Non-executive Director, Ms. Wong Lai Hung, Mavis, CEO and an Executive Director, and Dr. Lan Hong Tsung, David, an INED. Ms. Wong Lai Hung, Mavis is the chairman of the Disclosures Committee.



The Disclosures Committee meets on a half yearly basis and otherwise on an as-needed basis. The Disclosures Committee held two meetings during the Reporting Year for considering and reviewing, among others, the 2020 final results announcement and 2021 interim results announcement, the 2020 annual report and 2021 interim report of Prosperity REIT, and other corporate disclosure issues of Prosperity REIT. The Disclosures Committee also reviewed all public announcements issued by Prosperity REIT throughout the Reporting Year. The attendance record of the Disclosures Committee meetings is as follows:

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

### DESIGNATED (FINANCE) COMMITTEE

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

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

The meetings of the Designated (Finance) Committee are convened as and when necessary. Although no physical meeting of the Designated (Finance) Committee was held during the Reporting Year, the Designated (Finance) Committee considered and resolved the entering into the HK\$800 million sustainability-linked loan by way of circulating written resolutions.

### 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.

# Corporate Governance

## 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. 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 and property tours
- (2) Regular unitholder reports (such as interim reports and annual reports) and sustainability reports
- (3) Newsletters



## Corporate Governance

This Stakeholder Engagement Policy will be reviewed from time to time to ensure an effective communication with our stakeholders.

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

The 2021 Annual General Meeting ("AGM") was held on 21 May 2021 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	1/1
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

The Chairman of the Board and chairmen of the respective board committees, as well as the legal adviser and 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](http://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.

# Corporate Governance

## 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 2020 annual report and 2021 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 2021. 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 10 of the Listing Rules. The Units Dealing Code has been extended to apply to executive officers and other employees of the REIT Manager.



Pursuant to the Units Dealing Code, Management Persons wishing to deal in any securities of Prosperity REIT must first have regard to the provisions of Parts XIII and XIV of the SFO with respect to market misconduct and insider dealing, as if the SFO applies to the securities of Prosperity REIT. In addition, Management Persons must not make any unauthorized disclosure of confidential information or make any use of such information for the advantage of himself, itself or others. Management Persons who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which are notifiable transactions under Chapter 14 of the Listing Rules or connected party transactions under the REIT Code or any inside information (as defined in the 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, executive officers and other employees of the REIT Manager, who confirmed that they have complied with the required standard set out in the Units Dealing Code.

The REIT Manager has also adopted procedures for monitoring disclosure of interests by the REIT Manager, the Directors and the chief executive of the REIT Manager. The provisions of Part XV of the SFO shall be deemed to apply to the REIT Manager, the Directors, the chief executive of the REIT Manager and each unitholder and all persons claiming through or under him/her.

The Trust Deed contains provisions to deem the application of Part XV of the SFO. Accordingly, unitholders with a holding of 5% or more of the units in issue have a notifiable interest and will be required to notify the HKEx and the REIT Manager of their holdings in Prosperity REIT. The REIT Manager shall then send copies of such notifications received by it to the Trustee. The REIT Manager keeps a register for the purposes of maintaining disclosure of interests in units of Prosperity REIT, which is available for inspection by the Trustee and any unitholder at any time during business hours upon reasonable notice to the REIT Manager.

# Corporate Governance

## MATTERS TO BE DECIDED BY UNITHOLDERS BY SPECIAL RESOLUTION

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

## CHANGES OF DIRECTORS' INFORMATION

Subsequent to publication of the 2021 Interim Report of Prosperity REIT, the REIT Manager received notifications regarding the following changes of Directors' information:

- (1) Dr. Chiu Kwok Hung, Justin was appointed as Non-executive Director of ESR Cayman Limited (listed in Hong Kong) on 20 January 2022 and was conferred with the degree of Doctor of Business Administration by Hong Kong Baptist University in November 2021; and his appointment as Honorary Professor of School of Pharmaceutical Sciences, Sun Yat-Sen University has expired in November 2021.
- (2) Mr. Lim Hwee Chiang was appointed as Non-executive Director of ESR Cayman Limited (listed in Hong Kong) on 20 January 2022; and ceased to be a Patron of Jurong Spring Citizens' Consultative Committee and Chairman of LOGOS Group with effect from 1 July 2021 and 20 January 2022 respectively.
- (3) Mr. Wong Kwai Lam was appointed as an Advisor of The Chamber of Hong Kong Listed Companies with effect from 1 September 2021.

## **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 2021.



# Connected Party Transactions

Set out below is the information in respect of the connected party transactions involving Prosperity REIT and its connected persons as defined in paragraph 8.1 of the REIT Code during the Reporting 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 <sup>1</sup>	Relationship with Prosperity REIT	Nature of the Connected Party Transaction	Rental and charge out collection (excluding rental deposit, if applicable) for the year ended	Rental deposit received as at
			31 December 2021 HK\$	31 December 2021 HK\$
E-Park Parking Management Limited	Subsidiary of a substantial holder <sup>2</sup>	Tenancy of property of Prosperity REIT <sup>3</sup>	663,456	175,464
Goodwell Property Management Limited	Subsidiary of a substantial holder <sup>2</sup>	Tenancy of property of Prosperity REIT <sup>4</sup>	1,933,852	551,430
<b>Total</b>			<b>2,597,308</b>	<b>726,894</b>

Notes:

1. The definition of connected persons in the REIT Code has been amended with effect from 4 December 2020. The disclosure in this Annual Report is in accordance with the definition in the amended REIT Code.
2. Substantial holder being CK Asset Holdings Limited ("CK Asset").
3. For Unit 2805, Prosperity Place.
4. 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 2021 HK\$
Goodwell Property Management Limited <sup>1</sup>	Subsidiary of a substantial holder <sup>3</sup>	Remuneration of DMC Manager	599,756
Goodwell Property Management Limited <sup>2</sup>	Subsidiary of a substantial holder <sup>3</sup>	Remuneration of Carpark Manager	53,964
Citybase Property Management Limited <sup>2</sup>	Subsidiary of a substantial holder <sup>3</sup>	Remuneration of Carpark Manager	40,174
<b>Total</b>			<b>693,894</b>

Notes:

1. It is the manager appointed under the respective deeds of mutual covenant of the properties of Prosperity REIT (the "DMC Manager").
2. They are the carpark managers of certain properties of Prosperity REIT (the "Carpark Manager") as delegated by Goodwell-Prosperity Property Services Limited, the property manager of Prosperity REIT pursuant to a property management agreement dated 29 November 2005, as modified, amended and/or extended from time to time.
3. Substantial holder being CK Asset.

## Connected Party Transactions

### CONNECTED PARTY TRANSACTIONS — EXPENSES

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

Name of Connected Person	Relationship with Prosperity REIT	Nature of the Connected Party Transaction	Expenses for the year ended 31 December 2021 HK\$
Goodwell-Prosperity Property Services Limited	Subsidiary of a substantial holder <sup>1</sup>	Property management and lease management fee	10,541,959
Goodwell-Prosperity Property Services Limited	Subsidiary of a substantial holder <sup>1</sup>	Marketing service fee	11,511,210
E-Park Parking Management Limited	Subsidiary of a substantial holder <sup>1</sup>	Carpark lease agency fee	3,417,414
<b>Total</b>			<b>25,470,583</b>

Note:

1. Substantial holder being CK Asset.

### CONNECTED PARTY TRANSACTION WITH HSBC GROUP\* FOR BANK DEPOSITS

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

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



# Connected Party Transactions

## 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 2021 were as follows:

Name of Connected Person	Amount payable HK\$
Goodwell-Prosperity Property Services Limited	2,517,156
Goodwell Property Management Limited	4,645,930
E-Park Parking Management Limited	297,111
Citybase Property Management Limited	759,282
<b>Total</b>	<b>8,219,479</b>

## 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 2021 HK\$
ARA Asset Management (Prosperity) Limited	REIT Manager	Base fee and variable fees	50,580,043
HSBC Institutional Trust Services (Asia) Limited	Trustee	Trustee fee	3,010,334
<b>Total</b>			<b>53,590,377</b>

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

## CONFIRMATION BY THE AUDITOR OF PROSPERITY REIT

Messrs. Deloitte Touche Tohmatsu, auditor of Prosperity REIT, was engaged to report on Prosperity REIT and its subsidiaries' continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (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 64 to 68 of the Annual Report in accordance with the waiver from strict compliance with disclosure requirements under Chapter 8 of the REIT Code granted by the SFC. A copy of auditor's letter has been provided by Prosperity REIT to the SFC.

## CONFIRMATION BY THE REIT MANAGER AND THE TRUSTEE OF CORPORATE FINANCE TRANSACTION WITH THE HSBC GROUP

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

## 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 39,143,000 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\$118.7 million (excluding expenses). Details of units bought back are summarised as follows:

Month of bought back	Number of Units bought back	Purchase price per unit		Aggregate Consideration (excluding expenses) HK\$'000
		Highest HK\$	Lowest HK\$	
<b>2021</b>				
May	684,000	2.75	2.73	1,875
June	4,702,000	3.00	2.86	13,906
July	—	—	—	—
August	3,066,000	3.09	2.96	9,287
September	14,601,000	3.10	2.89	44,556
October	3,267,000	3.10	2.97	9,995
November	7,355,000	3.10	3.00	22,390
December	5,468,000	3.10	3.02	16,661
	39,143,000			118,670

38,504,000 units bought back were cancelled prior to the Reporting Year end and 639,000 units bought back were cancelled subsequent to the Reporting Year end on 11 February 2022.

Save as disclosed above and other than the disposal of 30,859,000 units of Prosperity REIT by the REIT Manager which the REIT Manager had received as payment of its management fee, there was no other repurchase, sale or redemption of units by Prosperity REIT or its subsidiaries during the Reporting Year.



## Connected Party Transactions

### HOLDING OF CONNECTED PERSONS IN THE UNITS OF PROSPERITY REIT

The following persons, being connected persons (as defined under the REIT Code) of Prosperity REIT, held units of Prosperity REIT:

Name	As at 31 December 2021		As at 31 December 2020
	Number of Units	Percentage of Unitholdings <sup>6</sup>	Number of Units
Total Win Group Limited <sup>1</sup>	176,328,129	11.73%	176,328,129
Wide Option Investments Limited <sup>1</sup>	98,883,559	6.58%	98,883,559
HKSCC Nominees Limited <sup>2</sup>	1,109,060,091	73.75%	1,126,556,369
HSBC <sup>3</sup>	—	—	94,250
ARA Asset Management (Prosperity) Limited <sup>4</sup>	6,425,968	0.43%	19,101,672
Lan Hong Tsung, David <sup>5</sup>	350,000	0.02%	350,000

*Notes:*

1. 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 2021. Total Win was an indirect wholly-owned subsidiary of CK Asset, which was therefore deemed to hold 176,328,129 units held by Total Win as at 31 December 2021.

Wide Option Investments Limited ("Wide Option") was a connected person of Prosperity REIT as it was an indirect wholly-owned subsidiary of CK Asset, which was therefore deemed to hold 98,883,559 units held by Wide Option as at 31 December 2021.

Therefore, CK Asset was deemed to hold 275,211,688 units as at 31 December 2021, of which 176,328,129 units were held by Total Win and 98,883,559 units were held by Wide Option.

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 2021. So far as the REIT Manager is aware of, HKSCC Nominees Limited held such units as a nominee.
3. HSBC Holdings plc. and other members of its group ("HSBC") were connected persons of Prosperity REIT as HSBC Institutional Trust Services (Asia) Limited, the Trustee, was an indirect subsidiary of HSBC Holdings plc. So far as the REIT Manager is aware of, the Trustee had no beneficial interest in any units as at 31 December 2021 and 31 December 2020. The Trustee's directors, chief executives and their associates (as defined in the REIT Code) had no beneficial interest in any units as at 31 December 2021 and 31 December 2020. The Trustee's associates (as defined in the REIT Code) had no beneficial interest in any units as at 31 December 2021 and were beneficially interested in 94,250 units as at 31 December 2020.
4. ARA Asset Management (Prosperity) Limited was a connected person of Prosperity REIT as it was the management company (as defined under the REIT Code) of Prosperity REIT as at 31 December 2021.
5. Dr. Lan Hong Tsung, David was a connected person of Prosperity REIT as he was a director of the management company (as defined under the REIT Code) of Prosperity REIT as at 31 December 2021.
6. The total number of issued units as at 31 December 2021 was 1,503,747,330.

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 2021.

## Connected Party Transactions

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

As at 31 December 2021, the interests of the REIT Manager, Directors and chief executive of the REIT Manager in the units of Prosperity REIT as recorded in the Register of Interests maintained by the REIT Manager under clause 30.3 of the Trust Deed were as follows:

<b>Name</b>	<b>Number of Units</b>	<b>Percentage of Unitholdings<sup>1</sup></b>
ARA Asset Management (Prosperity) Limited	6,425,968	0.43%
Lan Hong Tsung, David	350,000	0.02%

*Note:*

1. The total number of issued units as at 31 December 2021 was 1,503,747,330.

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 2021.

# Valuation Summary

A summary of the market value of each property, subject to the existing tenancies, as at 31 December 2021, is as follows:

No.	Property Name	Approximate Gross Area (sq.ft.)	No. of Car Parking Space (lots)	Market Value as at 31 December 2021 (HK\$)
1	The Metropolis Tower	271,418	98	2,993,000,000
2	Prosperity Millennia Plaza	217,955	43	2,136,000,000
3	9 Chong Yip Street	136,595	68	1,003,000,000
4	Prosperity Place	240,000	83	1,650,000,000
5	Trendy Centre	173,764	79	1,026,000,000
6	Prosperity Center Property	149,253	105	826,000,000
7	New Treasure Centre Property	86,168	22	333,000,000
<b>Total</b>		<b>1,275,153</b>	<b>498</b>	<b>9,967,000,000</b>

The market value of the unencumbered leasehold interest of the Portfolio, subject to the existing tenancies, as at 31 December 2021, was in the sum of HK\$9,967,000,000 (HONG KONG DOLLARS NINE BILLION NINE HUNDRED AND SIXTY SEVEN MILLION).

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



# Valuation Summary

## VALUATION

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 31 December 2021
1. The Metropolis Tower, 10 Metropolis Drive, Hung Hom, Kowloon  24,734/247,769th equal and undivided parts or shares of and in Kowloon Inland Lot No. 11077	<p>The Metropolis Tower is a 15-storey office building comprising 11th to 28th Floors (13th, 14th and 24th floor numbers are omitted) built over a multi-storey retail/carparking podium on a registered site area of approximately 50,058 sq.m. (538,824.3 sq.ft.). The building was built in 2001.</p> <p>The Metropolis Tower is the office portion of the comprehensive mixed-use complex, called The Metropolis. The Metropolis comprises other components including a shopping centre (Fortune Metropolis), two 18-storey residential towers (The Metropolis Residence) and a 12-storey hotel (Harbour Plaza Metropolis).</p> <p>The Metropolis Tower comprises the entire office units from the 11th to 28th Floors with a total gross area of approximately 25,215.3 sq.m. (271,418 sq.ft.). The total saleable area is approximately 18,832.87 sq.m. (202,717 sq.ft.).</p> <p>The property also comprises of 98 carparking spaces within the retail/carparking podium of the development.</p> <p>Kowloon Inland Lot No. 11077 is held under Conditions of Grant No. 12444 from 14 February 1997 to 30 June 2047. The Government rent payable is at 3% of the rateable value of the property.</p>	<p>The office portion of the property is let under various tenancies for various terms with the latest expiry in November 2024, yielding a total monthly rental income of approximately HK\$8,802,525, exclusive of Government rates and rent, management fees and utility charges.</p> <p>The occupancy rate of the property as at date of valuation (excluding carparking spaces) was about 98.2%.</p> <p>The carparking spaces of the property were let on monthly and hourly basis yielding an average net monthly income of approximately HK\$321,000 during the period from January 2021 to December 2021.</p>	<p>HK\$2,993,000,000</p> <p>(HONG KONG DOLLARS TWO BILLION NINE HUNDRED AND NINETY THREE MILLION)</p> <p>Estimated net property yield was approximately 3.7%.</p>

## Valuation Summary

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 31 December 2021
2. Prosperity Millennia Plaza, 663 King's Road, North Point, Hong Kong  3,741/10,000th equal and undivided parts or 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. (36,640.7 sq.ft.). The property was built in 1999.</p> <p>The 2-level basement of the property is for carparking and ancillary purposes. The 1st Floor (Ground Floor is omitted from floor numbering) is used for lobby and circulation purposes whereas the remaining upper floors from the 2nd to 32nd Floors (4th, 13th, 14th and 24th floor numbers are omitted) are for office uses.</p> <p>The property comprises the entire office units with a total gross area of approximately 20,248.51 sq.m. (217,955 sq.ft.). The total saleable area is approximately 14,551.28 sq.m. (156,630 sq.ft.).</p> <p>The property also consists of 43 carparking spaces within the 2-level basement.</p> <p>Inland Lot No. 8885 is held under Conditions of Exchange No. 12374 for a term from 24 January 1996 to 30 June 2047. The Government rent payable is at 3% of the rateable value of the property.</p>	<p>The office portion of the property is let under various tenancies for various terms with the latest one expiring in October 2025, yielding a total monthly rental income is approximately HK\$6,187,846, exclusive of Government rates and rent, management fees and utility charges.</p> <p>The occupancy rate of the property as at the date of valuation (excluding carparking spaces) was about 95.5%.</p> <p>The carparking spaces of the property are let on monthly and hourly basis yielding an average net monthly income of approximately HK\$321,000 during the period from January 2021 to December 2021.</p>	<p>HK\$2,136,000,000  (HONG KONG DOLLARS TWO BILLION ONE HUNDRED AND THIRTY SIX MILLION)</p> <p>Estimated net property yield was approximately 3.7%.</p>

## Valuation Summary

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 31 December 2021
3. 9 Chong Yip Street Kwun Tong, Kowloon  Kwun Tong Inland Lot No. 444	<p>9 Chong Yip Street is a 25-storey Grade A office building with ancillary parking erected on a registered site area of approximately 965.6 sq.m. (10,393.8 sq.ft.). The property was built in 2004.</p> <p>Portion of the Ground Floor and 1st to 3rd Floors are for carparking and mechanical plant room whereas the remaining portion of the Ground Floor is used for a lobby. The upper floors from the 5th to 27th Floors (4th, 14th and 24th floor numbers are omitted) are designated for office purposes.</p> <p>The total gross area of the property (excluding parking lots) is approximately 12,690.0 sq.m. (136,595 sq.ft.). The total saleable area is approximately 9,229.7 sq.m. (99,349 sq.ft.).</p> <p>The property also consists of 64 carparking spaces, 4 loading/unloading spaces and 5 motor cycle parking spaces.</p> <p>Kwun Tong Inland Lot No. 444 is held under Government Lease for a term of 99 years less the last 3 days thereof commencing from 1 July 1898. The lease has been extended to expire on 30 June 2047. The Government rent payable is at 3% of the rateable value of the property.</p>	<p>The office portion of the property is let under various tenancies for various terms with the latest one expiring in November 2024, yielding a total monthly rental of approximately HK\$2,730,812, exclusive of Government rates and rent, management fees and utility charges.</p> <p>The property was also subject to a licence yielding monthly licence fee of approximately HK\$3,800.</p> <p>The occupancy rate of the property as at the date of valuation (excluding carparking spaces) was about 98.6%.</p> <p>The carparking spaces of the property are let on monthly and hourly basis yielding an average net monthly income of approximately HK\$180,000 during the period from January 2021 to December 2021.</p>	<p>HK\$1,003,000,000  (HONG KONG DOLLARS ONE BILLION AND THREE MILLION)</p> <p>Estimated net property yield was approximately 3.5%.</p>



## Valuation Summary

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 31 December 2021
4. Prosperity Place, 6 Shing Yip Street, Kwun Tong, Kowloon	<p>Prosperity Place is a 27-storey commercial building with ancillary parking and loading/unloading facilities erected on a registered site area of approximately 1,858.05 sq.m. (20,000.1 sq.ft.). The building was built in 1996.</p> <p>Prosperity Place has been granted a waiver letter in September 2012 with conversion from industrial/office uses to commercial uses under the revitalization of industrial buildings policy by the Government.</p> <p>Ground Floor of the building is for entrance lobby, commercial and loading/unloading purposes; 1st and 2nd Floors of the building are for carparking and/or loading/unloading purposes; whereas the remaining upper floors from the 3rd to 29th Floors (4th, 14th and 24th floor numbers are omitted) are for commercial purposes.</p> <p>The property comprises the entire commercial units with a total gross area of approximately 22,296.5 sq.m. (240,000 sq.ft.). The total saleable area is approximately 14,754.09 sq.m. (158,813 sq.ft.). The property also consists of a total of 83 carparking spaces.</p> <p>Kwun Tong Inland Lot No. 62 is held under a Government Lease for a term of 21 years and renewable for another 21 years commencing from 1 July 1955. The lease has been extended to expire on 30 June 2047. The Government rent payable is at 3% of the rateable value of the property.</p>	<p>The commercial portion of the property is let under various tenancies for various terms with the latest one expiring in September 2024, yielding a total monthly rental income of approximately HK\$4,951,184, exclusive of Government rates and rent, management fees and utility charges.</p> <p>The property was also subject to various licences yielding a total monthly licence fee of approximately HK\$148,800.</p> <p>The occupancy rate of the property as at the date of valuation (excluding carparking spaces) was about 98.1%.</p> <p>The carparking spaces of the property are let on monthly and hourly basis yielding an average net monthly income of approximately HK\$501,000 during the period from January 2021 to December 2021.</p>	<p>HK\$1,650,000,000</p> <p>(HONG KONG DOLLARS ONE BILLION SIX 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 as at 31 December 2021
5. Trendy Centre, 682 Castle Peak Road, Lai Chi Kok, Kowloon  New Kowloon Inland Lot No. 6224	<p>Trendy Centre is a 30-storey industrial/office building with ancillary parking and loading/unloading facilities erected on a registered site area of approximately 1,393.5 sq.m. (15,000.0 sq.ft.). The property was built in 1998.</p> <p>Portion of the Ground Floor and 1st to 3rd Floors are for carparking and/or loading/ unloading purposes whereas the remaining portion of the Ground Floor is used for lobby and retail shops. The upper floors from the 5th to 33rd Floors (4th, 13th, 14th and 24th floor number is omitted) are designed for industrial/office purposes.</p> <p>The property comprises the entire units within the building with a total gross area of approximately 16,143.1 sq.m. (173,764 sq.ft.). The total saleable area is approximately 10,934.23 sq.m. (117,696 sq.ft.).</p> <p>The property also consists of 79 carparking spaces.</p> <p>New Kowloon Inland Lot No. 6224 is held under Conditions of Exchange No. 12399 for a term from 24 July 1996 to 30 June 2047. The Government rent payable is at 3% of the rateable value of the property.</p>	<p>The industrial/office portion of the property is let under various tenancies for various terms with the latest expiry in November 2024, yielding a total monthly rental income of approximately HK\$3,393,602, exclusive of Government rates and rent, management fees and utility charges.</p> <p>The property was also subject to a licence yielding monthly licence fee of approximately HK\$3,800.</p> <p>The occupancy rate of the property as at date of valuation (excluding carparking spaces) was about 98.8%.</p> <p>The carparking spaces of the property were let on monthly and hourly basis yielding an average net monthly income of approximately HK\$508,000 from January 2021 to December 2021.</p>	<p>HK\$1,026,000,000  (HONG KONG DOLLARS ONE BILLION AND TWENTY SIX MILLION)</p> <p>Estimated net property yield was approximately 4.6%.</p>

## Valuation Summary

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 31 December 2021
6. Portion of Prosperity Center, 25 Chong Yip Street, Kwun Tong, Kowloon  12,014/22,510th equal and undivided parts or 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 registered site area of approximately 1,889 sq.m. (20,333.2 sq.ft.), and was built in 1999.</p> <p>Portion of the Ground Floor, 2nd to 5th Floors of the building (1st and 4th floor numbers are omitted) are for carparking and/or loading/unloading purposes whereas the remaining portion of the Ground Floor and upper floors from the 6th to 30th Floors (13th, 14th and 24th floor numbers are omitted) are for office/workshop purposes.</p> <p>The property comprises portion of Prosperity Center with a total gross area of approximately 13,865.9 sq.m. (149,253 sq.ft.). The total saleable area is approximately 10,095.60 sq.m. (108,669 sq.ft.).</p> <p>The property also consists of 105 carparking spaces comprising 91 private carparking spaces, 13 lorry parking spaces and 1 container parking space within the building.</p> <p>Kwun Tong Inland Lot No. 729 is held under Conditions of Exchange No. 12317 for a term from 6 August 1994 to 30 June 2047. The Government rent payable is at 3% of the rateable value of the property.</p>	<p>The office/workshop portion of the property is let under various tenancies for various terms with the latest one expiring in November 2025, yielding a total monthly rental income of approximately HK\$2,509,394, exclusive of Government rates and rent, management fees and utility charges.</p> <p>The occupancy rate of the property as at date of valuation (excluding carparking spaces) was about 97.9%.</p> <p>The carparking spaces of the property are let on monthly and hourly basis yielding an average net monthly income of approximately HK\$434,000 during the period from January 2021 to December 2021.</p>	<p>HK\$826,000,000</p> <p>(HONG KONG DOLLARS EIGHT HUNDRED AND TWENTY SIX MILLION)</p> <p>Estimated net property yield was approximately 4.3%.</p>



## Valuation Summary

Property	Description and Tenure	Particulars of Occupancy	Market Value as at 31 December 2021
7. Portion of New Treasure Centre, 10 Ng Fong Street, San Po Kong, Kowloon  11,163/26,198th equal and undivided parts or 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 registered site area of approximately 1,304.3 sq.m. (14,040 sq.ft.), and was built in 1995.</p> <p>Portion of the Ground Floor and Mezzanine Floor of the building are for carparking and/or loading/unloading purposes whereas the remaining upper floors from the 1st to 31st Floors (4th, 14th and 24th floor numbers are omitted) are used for factory purposes.</p> <p>The property has a total gross area of approximately 8,005.2 sq.m. (86,168 sq.ft.). The total saleable area is approximately 5,947.70 sq.m. (64,021 sq.ft.).</p> <p>The property also consists of flat roof areas on the 1st Floor with a total area of approximately 401.99 sq.m. (4,327 sq.ft.) and 22 carparking spaces within the building.</p> <p>New Kowloon Inland Lot No. 4864 is held under Government Lease for the residue of a term of 99 years less the last three days thereof commencing from 1 July 1898. The lease has been extended to expire on 30 June 2047. The Government rent payable is at 3% of the rateable value of the property.</p>	<p>The factory portion of the property is let under various tenancies for various terms with the latest expiry in October 2024, yielding a total monthly rental income of approximately HK\$1,022,100, exclusive of Government rates and rent, management fees and utility charges.</p> <p>The occupancy rate of the property as at the date of valuation (excluding carparking spaces) was about 97.2%.</p> <p>The carparking spaces of the property were let on monthly and hourly basis yielding an average net monthly income of approximately HK\$178,000 from January 2021 to December 2021.</p>	<p>HK\$333,000,000 (HONG KONG DOLLARS THREE HUNDRED AND THIRTY THREE MILLION)</p> <p>Estimated net property yield was approximately 4.3%.</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 2021.

**HSBC Institutional Trust Services (Asia) Limited**

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

10 March 2022

# 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))*

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### 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 86 to 132, which comprise the consolidated statement of financial position as at 31 December 2021, 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 a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial disposition of the Group as at 31 December 2021, and of its financial transactions and 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
<p><b>Valuation of investment properties</b></p> <p>We identified the valuation of investment properties as a key audit matter as they represented 98% of total assets of the Group as at 31 December 2021 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 amounts of investment properties amounted to HK\$9,967.0 million as at 31 December 2021 and their change in fair value included in the loss for the year was HK\$186.5 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"><li>• Evaluating the competence, capabilities and objectivity of the Valuer;</li><li>• Obtaining an understanding of the valuation process and significant assumptions and critical judgements to assess if the approaches meet relevant accounting requirements and industry norms;</li><li>• Evaluating the appropriateness of the judgements made by the REIT Manager and the Valuer, in particular the capitalisation rates based on our knowledge of the property market in Hong Kong; and</li><li>• 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.</li></ul>

## 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 HKSAs 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 HKSAs, 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 Cheung Chung Yin Lawrence.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

10 March 2022

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 HK\$000	2020 HK\$000
Revenue	5	444,981	452,894
Property management fees		(10,542)	(10,977)
Property operating expenses	6	(82,353)	(83,879)
Total property operating expenses		(92,895)	(94,856)
<b>Net property income</b>		<b>352,086</b>	<b>358,038</b>
Interest income		580	4,572
Manager's fee		(50,580)	(53,267)
Trust and other expenses	7	(7,817)	(8,149)
Change in fair value of investment properties		(186,518)	(982,856)
Finance costs	8	(9,462)	(152,981)
<b>Profit/(Loss) before taxation and transactions with unitholders</b>		<b>98,289</b>	<b>(834,643)</b>
Taxation	9	(41,269)	(39,858)
<b>Profit/(Loss) for the year, before transactions with unitholders</b>		<b>57,020</b>	<b>(874,501)</b>
Distribution to unitholders		(267,619)	(272,922)
<b>Loss for the year, after transactions with unitholders</b>		<b>(210,599)</b>	<b>(1,147,423)</b>
<b>Total comprehensive expense for the year, after transactions with unitholders</b>		<b>(210,599)</b>	<b>(1,147,423)</b>
<b>Income available for distribution to unitholders</b>		<b>267,619</b>	<b>272,922</b>
Basic earnings/(loss) per unit (HK\$)	10	0.04	(0.58)

# Distribution Statement

For the year ended 31 December 2021

	2021 HK\$000	2020 HK\$000
<b>Profit/(Loss) for the year, before transactions with unitholders</b>	57,020	(874,501)
<b>Adjustments:</b>		
Manager's fee	49,504	52,123
Change in fair value of investment properties	186,518	982,856
Change in fair value of derivative financial instruments	(44,463)	94,320
Finance costs	7,979	8,013
Deferred tax	11,061	10,111
<b>Income available for distribution (note (i))</b>	267,619	272,922
Distributions to unitholders:		
HK\$0.0901 (2020: HK\$0.0899) per unit for the six months ended 30 June (note (ii))	138,110	136,513
HK\$0.0862 (2020: HK\$0.0892) per unit for the six months ended 31 December (note (iii))	129,509	136,409
	267,619	272,922
<b>Total distribution per unit (HK\$)</b>	0.1763	0.1791

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\$49,504,000 (2020: HK\$52,123,000) out of the total manager's fee of HK\$50,580,000 (2020: HK\$53,267,000) (the differences of HK\$1,076,000 (2020: HK\$1,144,000) are paid in cash);
- (b) change in fair value of investment properties of HK\$186,518,000 (2020: HK\$982,856,000) and increase in fair value of derivative financial instruments of HK\$44,463,000 (2020: decrease in fair value of HK\$94,320,000);
- (c) adjustment in respect of the accounting finance costs of HK\$9,462,000 (2020: HK\$152,981,000), adding back increase in fair value of derivative financial instruments of HK\$44,463,000 (2020: less decrease in fair value of HK\$94,320,000) and less the cash finance costs of HK\$45,946,000 (2020: HK\$50,648,000); and
- (d) deferred tax provision of HK\$11,061,000 (2020: HK\$10,111,000).
- (ii) The distribution per unit of HK\$0.0901 for the six months ended 30 June 2021 (six months ended 30 June 2020: HK\$0.0899) is calculated based on Prosperity REIT's income available for distribution of HK\$138,110,000 (six months ended 30 June 2020: HK\$136,513,000) over 1,532,773,868 units (30 June 2020: 1,518,303,244 units), representing units in issue as at 30 June 2021 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 and less 1,694,000 units (2020: nil) bought back and cancelled prior to the date of declaration of the distribution. The distribution was paid to unitholders on 8 September 2021.
- (iii) The distribution per unit of HK\$0.0862 for the six months ended 31 December 2021 (six months ended 31 December 2020: HK\$0.0892) is calculated based on Prosperity REIT's income available for distribution of HK\$129,509,000 (six months ended 31 December 2020: HK\$136,409,000) over 1,503,056,502 units (31 December 2020: 1,529,288,611 units), representing units in issue as at 31 December 2021 plus the number of units to be issued after the distribution period to the REIT Manager as payment of base fee and variable fee in the last quarter of the relevant distribution year, and less 4,678,000 units (2020: nil) bought back and cancelled prior to the date of declaration of the distribution.



# Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 HK\$000	2020 HK\$000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties	11	9,967,000	10,147,000
<b>Current assets</b>			
Trade and other receivables	13	12,663	13,029
Bank balances and cash	14	205,960	351,788
<b>Total current assets</b>		<b>218,623</b>	<b>364,817</b>
<b>Total assets</b>		<b>10,185,623</b>	<b>10,511,817</b>
<b>Non-current liabilities, excluding net assets attributable to unitholders</b>			
Derivative financial instruments	12	4,823	46,001
Borrowings	15	788,155	1,529,669
Deferred tax liabilities	16	231,108	220,047
<b>Total non-current liabilities, excluding net assets attributable to unitholders</b>		<b>1,024,086</b>	<b>1,795,717</b>
<b>Current liabilities</b>			
Derivative financial instruments	12	17,746	21,031
Trade and other payables	17	190,936	187,685
Amounts due to related companies	18	8,219	6,980
Borrowings	15	1,535,064	798,271
Provision for taxation		4,907	10,347
Manager's fee payable		12,553	12,871
Distribution payable		129,509	136,409
<b>Total current liabilities</b>		<b>1,898,934</b>	<b>1,173,594</b>
<b>Total liabilities, excluding net assets attributable to unitholders</b>		<b>2,923,020</b>	<b>2,969,311</b>
<b>Net assets attributable to unitholders</b>		<b>7,262,603</b>	<b>7,542,506</b>
Units in issue ('000)	19	1,503,747	1,524,068
<b>Net asset value per unit (HK\$) attributable to unitholders</b>	20	<b>4.83</b>	<b>4.95</b>

The consolidated financial statements on pages 86 to 132 were approved and authorised for issue by ARA Asset Management (Prosperity) Limited on 10 March 2022 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 2021

	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 2021	3,301,594	—	(91,278)	4,332,190	7,542,506
<b>OPERATIONS</b>					
Profit for the year, before transactions with unitholders	—	—	—	57,020	57,020
Distribution paid and payable	—	—	—	(267,619)	(267,619)
Total comprehensive expense for the year, after transactions with unitholders	—	—	—	(210,599)	(210,599)
<b>UNITHOLDERS' TRANSACTIONS OTHER THAN DISTRIBUTIONS</b>					
Units issued to REIT Manager (note 19)	49,819	—	—	—	49,819
Units bought back (note (i))	(117,150)	(1,973)	—	—	(119,123)
Net assets attributable to unitholders as at 31 December 2021	3,234,263	(1,973)	(91,278)	4,121,591	7,262,603

*Note (i):* During the year ended 31 December 2021, the REIT Manager bought back a total of 39,143,000 units of Prosperity REIT for an aggregate consideration of approximately HK\$118.7 million (excluding expenses), 38,504,000 units of which were cancelled prior to the reporting year end. The remaining 639,000 units bought back with a consideration of approximately HK\$1,973,000, which were not cancelled as at 31 December 2021, was recognised as other reserve. These units were cancelled subsequent to the reporting year end on 11 February 2022.

# Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the year ended 31 December 2020

	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 2020	3,248,419	(91,278)	5,479,613	8,636,754
<b>OPERATIONS</b>				
Loss for the year, before transactions with unitholders	—	—	(874,501)	(874,501)
Distribution paid and payable	—	—	(272,922)	(272,922)
Total comprehensive expense for the year, after transactions with unitholders	—	—	(1,147,423)	(1,147,423)
<b>UNITHOLDERS' TRANSACTIONS OTHER THAN DISTRIBUTIONS</b>				
Units issued to REIT Manager (note 19)	53,175	—	—	53,175
Net assets attributable to unitholders as at 31 December 2020	3,301,594	(91,278)	4,332,190	7,542,506



# Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 HK\$000	2020 HK\$000
<b>Operating activities</b>		
Profit/(Loss) before taxation and transactions with unitholders	98,289	(834,643)
Adjustments for:		
Impairment losses recognised under expected credit loss model, net of reversal	(32)	1,163
Manager's fees paid/payable in units	49,504	52,123
Change in fair value of investment properties	186,518	982,856
Interest income	(580)	(4,572)
Finance costs	9,462	152,981
Operating cashflow before working capital changes	343,161	349,908
Decrease/(Increase) in trade and other receivables	376	(2,563)
Increase/(Decrease) in amounts due to related companies	1,239	(6,162)
Increase/(Decrease) in trade and other payables	3,251	(3,692)
Decrease in Manager's fee payable	(3)	(25)
Cash generated from operations	348,024	337,466
Income tax paid	(35,648)	(51,665)
Net cash from operating activities	312,376	285,801
<b>Investing activities</b>		
Interest received	602	4,801
Additional expenditure to investment properties	(6,518)	(3,856)
Net cash (used in) from investing activities	(5,916)	945
<b>Financing activities</b>		
Interest payments of term loans	(45,946)	(50,648)
Payment of bank facility origination fees	(12,700)	—
Distributions to unitholders	(274,519)	(271,394)
Payments for units bought back	(119,123)	—
Cash used in financing activities	(452,288)	(322,042)
Net decrease in cash and cash equivalents	(145,828)	(35,296)
Cash and cash equivalents at beginning of the year	351,788	387,084
<b>Cash and cash equivalents at end of year</b>	<b>205,960</b>	<b>351,788</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 1 GENERAL

Prosperity REIT is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and its units have been listed on The Stock Exchange of Hong Kong Limited (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 addresses of the registered office of the REIT Manager and the Trustee is Unit 901, Level 9, Fortune Metropolis, 6 The Metropolis Drive, Hunghom, Kowloon, 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 2021

## 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

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

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial liabilities as a result of interest rate benchmark reform and the related disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* (“HKFRS 7”).

As at 1 January 2021, the Group has several HKD HIBOR borrowings and derivative financial instruments which may be subject to interest rate benchmark reform.

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for borrowings measured at amortised cost. Additional disclosures as required by HKFRS 7 are set out in note 22.

### New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments <sup>3</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>3</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 April 2021.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 2 APPLICATION OF 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 amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date.
- 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*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

The REIT Manager anticipates that the application of all above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES

### (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.

The REIT Manager is, at the time of approving the consolidated financial statements, negotiating with banks to obtain new bank facilities and/or contemplating to renew existing bank borrowing which will mature within one year from the end of the reporting period. Taking into account the headroom of the fair value of investment properties of HK\$9,967,000,000, presently available bank facilities and internal financial resources of the Group, the REIT Manager is of the opinion that the Group has sufficient working capital for its present requirements within one year from the end of the reporting period. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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 share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKFRS 16 *Leases*, and the measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (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 principle accounting policies are 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. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date Prosperity REIT gains control until the date when Prosperity REIT ceases to control the subsidiary.

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 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (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.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

### (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 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (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 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (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;
- 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;

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Financial instruments (Continued)

#### Financial assets (Continued)

##### *Impairment of financial assets (Continued)*

#### (i) Significant increase in credit risk (Continued)

- 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.

#### (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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Financial instruments (Continued)

#### Financial assets (Continued)

##### *Impairment of financial assets (Continued)*

#### (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.

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.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Financial instruments (Continued)

#### 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.

Unit issue costs are the transactions costs relating to issue of units in Prosperity REIT which are accounted for as a deduction from the proceeds raised to the extent they are incremental costs directly attributable to the transactions that otherwise would have been avoided. Other transaction costs are recognised as an expense.

##### *Financial liabilities*

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

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

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

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

Accordingly, the unitholders' funds are compound instruments in accordance with HKFRS 9. Unitholders' fund presented on the consolidated statement of financial position as net assets attributable to unitholders is classified as financial liabilities because the equity component is considered insignificant.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Financial instruments (Continued)

#### **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.

### (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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Leases (Continued)

#### The Group as lessor (Continued)

##### *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.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

### (g) Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (g) Revenue from contracts with customers (Continued)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

#### Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

##### *Output method*

The progress towards complete satisfaction of a performance obligation for car park income and rental related income is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

### (h) Borrowing cost

Borrowing costs directly attributable to the acquisition of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

### (i) Taxation

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit (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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (i) Taxation (Continued)

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 deductible 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

Current and deferred tax is recognised in profit or loss.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 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.

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 2021, the carrying amount of the Group's investment properties is HK\$9,967 million (2020: HK\$10,147 million).

## 5 REVENUE

	2021 HK\$000	2020 HK\$000
Rental income	350,659	363,860
Car park income	31,008	27,358
	381,667	391,218
Rental related income	63,314	61,676
	444,981	452,894

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 6 PROPERTY OPERATING EXPENSES

	2021 HK\$'000	2020 HK\$'000
Audit fee	1,288	1,288
Building management fees	39,566	38,185
Car park operating expenses	8,199	7,729
Government rent and rates	504	550
Impairment losses recognised under expected credit loss model, net of reversal	(32)	1,163
Lease commission	5,096	5,254
Legal cost and stamp duty	932	2,278
Marketing service fee	11,511	10,566
Others	1,312	1,537
Repairs and maintenance	7,306	8,965
Secretarial fee	664	671
Tax fees	153	161
Utilities	5,664	5,357
Valuation fees (paid to principal valuers)	190	175
	82,353	83,879

## 7 TRUST AND OTHER EXPENSES

	2021 HK\$'000	2020 HK\$'000
Audit fee	192	206
Bank charges	1,358	1,397
Legal and professional fees	512	571
Public relations-related expenses	156	253
Registrar fee	600	600
Trust administrative expenses	1,989	1,883
Trustee's fee	3,010	3,239
	7,817	8,149

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 8 FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000
Interest expense on bank borrowings	31,419	53,873
Interest rate swaps expenses realised	22,506	4,788
	53,925	58,661
Change in fair value of derivative financial instruments	(44,463)	94,320
	9,462	152,981

## 9 TAXATION

	2021 HK\$'000	2020 HK\$'000
Current tax	30,562	30,725
Over-provision in prior year	(354)	(978)
Deferred tax (note 16)	11,061	10,111
	41,269	39,858

Prosperity REIT's subsidiaries in Hong Kong are subject to Hong Kong Profits Tax at 16.5% (2020: 16.5%) for the year ended 31 December 2021.

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.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 9 TAXATION (Continued)

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

	2021 HK\$'000	2020 HK\$'000
Tax at income tax rate of 16.5%	16,218	(137,716)
Over-provision in prior year	(354)	(978)
Tax effect of non-taxable income	(7,432)	(754)
Tax effect of non-deductible expenses	34,164	181,900
Tax effect of tax loss not recognised	21	2
Tax effect of utilisation of tax losses previously not recognized	—	(42)
Tax effect of utilisation of deductible temporary differences not recognised	(1,339)	(1,541)
Others	(9)	(1,013)
Taxation for the year	41,269	39,858

## 10 BASIC EARNINGS/(LOSS) PER UNIT

The basic earnings/(loss) per unit is calculated by dividing the profit for the year, before transactions with unitholders of HK\$57,020,000 (2020: loss of HK\$874,501,000) by the weighted average of 1,528,106,100 (2020: 1,518,353,207) 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.

## 11 INVESTMENT PROPERTIES

	2021 HK\$'000	2020 HK\$'000
<b>FAIR VALUE</b>		
At beginning of the year	10,147,000	11,126,000
Additional expenditure	6,518	3,856
Change in fair value of investment properties	(186,518)	(982,856)
At end of the year	9,967,000	10,147,000

All of the Group's property interests in office buildings, commercial buildings, industrial/office buildings and industrial buildings 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 11 INVESTMENT PROPERTIES (Continued)

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 2021 and 31 December 2020, an independent valuation on the investment properties was undertaken by Jones Lang LaSalle Limited. The firm is an independent qualified external 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.

The adopted capitalisation rates in the valuation range from 3.7% to 4.3% (2020: 3.7% to 4.3%). The capitalisation rates is one of the key 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 2021 and 31 December 2020 was pledged to secure banking facilities granted to the Group.

## 12 DERIVATIVE FINANCIAL INSTRUMENTS

	2021 HK\$'000	2020 HK\$'000
Reflected on consolidated statement of financial position based on remaining contractual maturity as:		
Non-current liabilities	4,823	46,001
Current liabilities	17,746	21,031
	22,569	67,032

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 12 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

### Derivatives:

Contracts with total notional amount of HK\$1,640,000,000 (31 December 2020: HK\$1,640,000,000) will mature from September 2022 to September 2026 (31 December 2020: September 2022 to September 2026). These contracts have fixed interest payments at rates ranging from 1.254% to 1.918% (31 December 2020: 1.254% to 1.918%) per annum and have floating interest receipts at three months Hong Kong Interbank Offered Rate ("HIBOR") with HIBOR being repriced every three months for both years presented. At the end of the reporting period, HIBOR is expected to continue till maturity for all derivatives.

The total increase in fair value of the derivative financial instruments amounting to HK\$44,463,000 is recognised to profit or loss during the year ended 31 December 2021 (2020: decrease in fair value of HK\$94,320,000).

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.

## 13 TRADE AND OTHER RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables	5,254	5,774
Less: allowance for credit losses	(1,278)	(1,414)
	3,976	4,360
Deposit and prepayments and other receivables	8,687	8,669
	12,663	13,029

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

	2021 HK\$'000	2020 HK\$'000
Current – 1 month	54	153
2 – 3 months	3,922	4,207
	3,976	4,360

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 13 TRADE AND OTHER RECEIVABLES (Continued)

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$5,254,000 (2020: HK\$5,774,000) which are past due as at the reporting date. Out of the past due balances, amount of HK\$1,278,000 (2020: HK\$1,414,000) has been past due 90 days or more and considered as in default.

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

## 14 BANK BALANCES AND CASH

	2021 HK\$'000	2020 HK\$'000
Cash at bank	205,960	351,788

Cash at bank carries at the market interest rate, of which aggregate value of HK\$145,960,000 (2020: HK\$61,788,000) are placed with The Hongkong and Shanghai Banking Corporation Limited, a related company of the Trustee.

## 15 BORROWINGS

	2021 HK\$'000	2020 HK\$'000
Unsecured term loans	2,340,000	2,340,000
Bank facility origination fees	(16,781)	(12,060)
	2,323,219	2,327,940
Carrying amount repayable:		
Within one year	1,535,064	798,271
Within a period of more than one year but not exceeding five years	788,155	1,529,669
	2,323,219	2,327,940
Less: Amount due within one year shown under current liabilities	(1,535,064)	(798,271)
	788,155	1,529,669



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 15 BORROWINGS (Continued)

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 2021 and 31 December 2020 are as follows:

- (i) HK\$1,540,000,000 unsecured term loan bears interest at floating interest rate of HIBOR+0.82% per annum and is repayable in full on 30 November 2022. At the end of the reporting period, HIBOR is expected to continue till maturity;
- (ii) HK\$430,000,000 unsecured revolving loan bears interest at floating rate of HIBOR+0.82% per annum and is repayable on demand;
- (iii) A HK\$800,000,000 unsecured sustainability-link term loan which bears interest at a margin of 1.05% per annum over HIBOR, and will mature and become repayable 5 years from 31 August 2021 (the "HK\$800 Million Facility"). The interest margin is linked to the sustainability performance of Prosperity REIT, which may be reduced depending on the extent of pre-determined key performance indicators being met. The term loan facility includes clauses referencing a replacement benchmark and specific events on which the replacement benchmark rate to be used; and
- (iv) HK\$800,000,000 unsecured term loan bears interest at floating interest rate of HIBOR+1.05% per annum. This loan was fully repaid on 31 August 2021 of which HK\$800,000,000 was settled by the new facility as set out in (iii).

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:

	2021 HK\$'000	2020 HK\$'000
Balance at beginning of the year	12,060	20,073
Addition	12,700	—
Amortised during the year	(7,979)	(8,013)
Balance at the end of the year	16,781	12,060

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 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	Total HK\$'000
As at 1 January 2020	218,149	(8,213)	209,936
Charge to profit or loss	10,111	—	10,111
As at 31 December 2020	228,260	(8,213)	220,047
Charge to profit or loss	11,061	—	11,061
As at 31 December 2021	239,321	(8,213)	231,108

At the end of the reporting period, tax loss amounting to approximately HK\$18,217,000 (31 December 2020: HK\$18,090,000) 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\$12,603,000 (2020: HK\$14,198,000) 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.

## 17 TRADE AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Trade payables	2,893	1,960
Tenants' deposits		
— Outside parties	139,284	137,077
— Related parties (note 27)	727	3,596
Rental received in advance		
— Outside parties	4,913	5,869
Other payables	43,119	39,183
	190,936	187,685

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 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:

	2021 HK\$'000	2020 HK\$'000
Current – 1 month	895	715
2 – 3 months	1,306	607
Over 3 months	692	638
	2,893	1,960

Tenants' deposits represent the deposits refundable to tenants upon termination or cancellation of operating lease arrangements. The tenants' deposits are refundable to tenants within 45 days upon the termination of the tenancy agreement. The tenants' deposits to be settled after twelve months from the end of reporting year based on the lease terms amounted to HK\$81,996,000 (2020: HK\$82,205,000).

## 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 2020	1,502,622,001	3,248,419
Payment of manager's base fee and variable fee through issuance of new units during the year	21,446,033	53,175
Balance as at 31 December 2020	1,524,068,034	3,301,594
Payment of manager's base fee and variable fee through issuance of new units during the year	18,183,296	49,819
Units bought back and cancelled	(38,504,000)	(117,150)
Balance as at 31 December 2021	1,503,747,330	3,234,263

Subsequent to the end of the reporting period, 3,987,172 units (2020: 5,220,577 units) at HK\$3.0815 (2020: HK\$2.4137) per unit were issued to the REIT Manager as partial settlement of base fee and variable fee in the last quarter of the relevant distribution year. The unitholders' fund per unit, based on the closing market price of Prosperity REIT as at 31 December 2021 was HK\$3.08 (31 December 2020: HK\$2.42).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 19 UNITS IN ISSUE (Continued)

Details of the units bought back were as follows:

Month of bought back	Number of units bought back	Purchase price per unit		Aggregate consideration paid HK\$'000
		Highest	Lowest	
		HK\$	HK\$	
<b>2021</b>				
May	684,000	2.75	2.73	1,875
June	4,702,000	3.00	2.86	13,906
July	—	—	—	—
August	3,066,000	3.09	2.96	9,287
September	14,601,000	3.10	2.89	44,556
October	3,267,000	3.10	2.97	9,995
November	7,355,000	3.10	3.00	22,390
December	5,468,000	3.10	3.02	16,661
	<u>39,143,000</u>			<u>118,670</u>
Total expenses				<u>453</u>
				<u>119,123</u>

Pursuant to the general mandate to buy back units granted by unitholders, the REIT Manager bought back a total of 39,143,000 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\$118.7 million (excluding expenses). 38,504,000 units bought back were cancelled prior to the reporting year end and the remaining 639,000 units bought back were cancelled subsequent to the reporting year end on 11 February 2022.

## 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 1,503,747,330 units in issue as at 31 December 2021 (1,524,068,034 units in issue as at 31 December 2020).

## 21 MAJOR NON-CASH TRANSACTION

During the year, the REIT Manager earned manager's fee of HK\$50,580,000 (2020: manager's fee of HK\$53,267,000) of which HK\$49,504,000 (2020: HK\$52,123,000) was paid or payable through the issuance of units to the REIT Manager. An amount of HK\$37,217,000 (2020: HK\$39,521,000) had been settled through the issuance of units to the REIT Manager while the balance of HK\$12,287,000 (2020: HK\$12,602,000) were paid in units subsequent to the year end.

As described in note 15(iv), bank borrowings of HK\$800,000,000 was settled by the renewal of the new facility.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 22 FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	2021 HK\$000	2020 HK\$000
<i>Financial assets</i>		
Trade and other receivables	4,040	4,411
Bank balances and cash	205,960	351,788
At amortised cost	210,000	356,199
<i>Derivative instruments</i>		
Interest rate swaps, net	(22,569)	(67,032)
<i>Financial liabilities</i>		
Trade payables	(2,893)	(1,960)
Tenants' deposits	(140,011)	(140,673)
Amounts due to related companies	(8,219)	(6,980)
Term loans	(2,323,219)	(2,327,940)
Manager's fee payable	(12,553)	(12,871)
Distribution payable	(129,509)	(136,409)
At amortised cost	(2,616,404)	(2,626,833)
Unitholders' funds	(7,262,603)	(7,542,506)

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 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 pre-tax profit (loss) for the year would increase (decrease) as follows.

	Term loans HK\$'000	Derivative financial instruments HK\$'000
<b>2021</b>		
Profit for the year	(11,700)	20,519
<b>2020</b>		
Loss for the year	11,700	(28,056)

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 pre-tax profit (loss) 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 term loans, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the effect from reasonably possible change in interest rates.

#### *Interest rate benchmark reform*

As listed in note 15, several of the Group's HIBOR bank loans may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the Hong Kong Monetary Authorities.

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to replacement benchmark rates at different times. This risk may also arise where derivatives transition at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 22 FINANCIAL INSTRUMENTS (Continued)

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

#### (i) Interest rate risk (Continued)

##### *Interest rate benchmark reform (Continued)*

As part of the Group's risk management for transition, the Group ensured the relevant contracts include detailed clauses clearly referencing a replacement benchmark rate and specific events on which the replacement benchmark rate to be used.

The progress in completing the transition to replacement benchmark rates as at 31 December 2021 has been disclosed in notes 12 and 15.

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 22 FINANCIAL INSTRUMENTS (Continued)

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

#### (ii) Credit risk and impairment assessment (Continued)

##### *Trade receivables (Continued)*

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 upon application of HKFRS 9 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 2020	251
Impairment losses recognised	1,414
Impairment losses reversed	(126)
Written-off	(125)
As at 31 December 2020	1,414
Impairment losses recognised	4
Impairment losses reversed	(36)
Written-off	(104)
As at 31 December 2021	1,278

##### *Other receivables, bank balances and derivative financial instruments*

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

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

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



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 22 FINANCIAL INSTRUMENTS (Continued)

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

#### (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 2021, the Group has three bank loan facilities of HK\$2,770,000,000 (2020: HK\$2,770,000,000), comprising two term loans with total of HK\$2,340,000,000 (2020: HK\$2,340,000,000) and a revolving credit facility of HK\$430,000,000 (2020: HK\$430,000,000). None (2020: nil) of the revolving credit facility was drawn as at 31 December 2021. Details of the borrowing are set out in note 15.

As at 31 December 2021 and 31 December 2020, 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 negotiating with banks to obtain new bank facilities and/or contemplating to renew existing bank borrowing which will mature within one year from the end of the reporting period. Taking into account the headroom of the fair value of investment properties of HK\$9,967,000,000, presently available bank facilities and internal financial resources of the Group, the REIT Manager is of the opinion that the Group has sufficient working capital for its present requirements within one year from the end of the reporting period.

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

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. Undiscounted net cash flows are presented based on the expected interest payment. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 22 FINANCIAL INSTRUMENTS (Continued)

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

#### (iii) Liquidity risk (Continued)

	Weighted average interest rate %	Less than 1 month or on demand HK\$'000	1–3 months HK\$'000	3 months to 1 year HK\$'000	1 to 5 years HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amount at 31/12/2021 HK\$'000
<b>2021</b>							
<b>Non-derivative</b>							
Trade payables	—	895	1,306	692	—	2,893	2,893
Tenants' deposits	—	8,365	6,194	43,456	81,996	140,011	140,011
Amounts due to related companies	—	8,219	—	—	—	8,219	8,219
Term loans	1.09%	2,127	4,069	1,556,739	845,653	2,408,588	2,323,219
Manager's fee payable	—	12,553	—	—	—	12,553	12,553
Distribution payable	—	—	—	129,509	—	129,509	129,509
Cash outflow		32,159	11,569	1,730,396	927,649	2,701,773	2,616,404
<b>Derivatives — net settlement</b>							
Interest rate swaps	—	—	5,394	11,634	3,278	20,306	22,569
<b>2020</b>							
<b>Non-derivative</b>							
Trade payables	—	715	607	638	—	1,960	1,960
Tenants' deposits	—	8,797	1,562	48,109	82,205	140,673	140,673
Amounts due to related companies	—	6,980	—	—	—	6,980	6,980
Term loans	1.21%	2,401	4,569	817,307	1,573,804	2,398,081	2,327,940
Manager's fee payable	—	12,871	—	—	—	12,871	12,871
Distribution payable	—	—	—	136,409	—	136,409	136,409
Cash outflow		31,764	6,738	1,002,463	1,656,009	2,696,974	2,626,833
<b>Derivatives — net settlement</b>							
Interest rate swaps	—	—	5,086	15,340	49,478	69,904	67,032

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 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\$1,680,311,000 (2020: net current liabilities of HK\$808,777,000).

## 24 TOTAL ASSETS LESS CURRENT LIABILITIES

At the end of the reporting period, the Group's total assets less current liabilities amounted to HK\$8,286,689,000 (2020: HK\$9,338,223,000).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 25 SEGMENTAL REPORTING

During the year, Prosperity REIT invested in seven (2020: seven) office, commercial, industrial/office and industrial buildings located in Hong Kong, namely The Metropolis Tower, Prosperity Millennia Plaza, 9 Chong Yip Street, Prosperity Place, Trendy Centre, a portion of Prosperity Center and a portion of New Treasure Centre. These properties are the basis on which the REIT Manager, being the chief operating decision maker, reports Prosperity REIT's segment information for the purpose of resource allocation and performance assessment.

### Segment revenue and results

For the year ended 31 December 2021

	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	105,976	77,637	35,311	67,539	45,742	34,708	14,754	381,667
Rental related income	22,984	15,131	4,535	7,333	7,186	3,678	2,467	63,314
Segment revenue in Hong Kong	128,960	92,768	39,846	74,872	52,928	38,386	17,221	444,981
Segment profit	103,301	75,118	31,509	59,974	40,913	28,574	12,697	352,086
Interest income								580
Manager's fee								(50,580)
Trust and other expenses								(7,817)
Change in fair value of investment properties								(186,518)
Finance costs								(9,462)
Profit before taxation and transactions with unitholders								98,289



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 25 SEGMENTAL REPORTING (Continued)

### Segment revenue and results (Continued)

For the year ended 31 December 2020

	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	114,178	78,986	34,929	68,115	45,086	35,110	14,814	391,218
Rental related income	23,974	15,174	4,619	4,652	7,521	3,529	2,207	61,676
Segment revenue in Hong Kong	138,152	94,160	39,548	72,767	52,607	38,639	17,021	452,894
Segment profit	115,082	76,355	30,785	56,224	39,403	28,113	12,076	358,038
Interest income								4,572
Manager's fee								(53,267)
Trust and other expenses								(8,149)
Change in fair value of investment properties								(982,856)
Finance costs								(152,981)
Loss before taxation and transactions with unitholders								(834,643)

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 2021

## 25 SEGMENTAL REPORTING (Continued)

### Segment assets

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

	2021 HK\$'000	2020 HK\$'000
The Metropolis Tower	2,993,000	3,080,000
Prosperity Millennia Plaza	2,136,000	2,139,000
9 Chong Yip Street	1,003,000	1,032,000
Prosperity Place	1,650,000	1,684,000
Trendy Centre	1,026,000	1,036,000
Portion of Prosperity Center	826,000	848,000
Portion of New Treasure Centre	333,000	328,000
Total segment assets	9,967,000	10,147,000
Other assets	218,623	364,817
Consolidated assets	10,185,623	10,511,817

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.

	2021 HK\$'000	2020 HK\$'000
Undiscounted lease payments receivable on leases are as follows:		
Within one year	262,658	287,281
In the second year	134,880	128,077
In the third year	37,077	33,601
In the fourth year	4,004	4,731
In the fifth year	—	2,024
	438,619	455,714

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 27 CONNECTED AND RELATED PARTY TRANSACTIONS

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

	Notes	2021 HK\$'000	2020 HK\$'000
Rent and rental related income from			
E-Park Parking Management Limited	(a)	663	663
Goodwell Property Management Limited	(a)	1,934	2,056
Gama Aviation (HK) Limited	(b)	—	1,234
Hutchison Telephone Company Limited	(b)	—	351
Hutchison Whampoa (China) Limited	(b)	—	8,170
Carpark lease agency fee for the operations of the Group's carpark			
E-Park Parking Management Limited	(a)	3,417	3,012
Property management fee			
Goodwell-Prosperity Property Services Limited	(a)	10,542	10,977
Marketing service fee			
Goodwell-Prosperity Property Services Limited	(a)	11,511	10,566
Lease commission and consultancy service fee			
Colliers	(c)	—	215
Valuation Fee			
Colliers International (Hong Kong) Limited	(c)	—	65
Trustee's fee			
HSBC Institutional Trust Services (Asia) Limited	(d)	3,010	3,239
Manager's fee			
ARA Asset Management (Prosperity) Limited	(e)	50,580	53,267
Building manager's remuneration			
Goodwell Property Management Limited	(a)	600	583

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 27 CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

	Notes	2021 HK\$'000	2020 HK\$'000
Carpark manager's remuneration			
Goodwell Property Management Limited	(a)	54	52
Citybase Property Management Limited	(a)	40	40
Balances as at year end with connected and related parties are as follows:			
Amount due to			
Citybase Property Management Limited	(a)	759	486
E-Park Parking Management Limited	(a)	297	259
Goodwell-Prosperity Property Services Limited	(a)	2,517	2,624
Goodwell Property Management Limited	(a)	4,646	3,611
Deposits placed with the Group for the lease of the Group's properties			
E-Park Parking Management Limited	(a)	176	175
Goodwell Property Management Limited	(a)	551	551
Gama Aviation HK Limited	(b)	—	354
Hutchison Telephone Company Limited	(b)	—	167
Hutchison Whampoa (China) Limited	(b)	—	2,349

Notes:

- (a) These companies are 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) These companies cease to be connected persons of Prosperity REIT in the reporting period due to the change of definition of connected persons in the REIT Code with effect from 4 December 2020.
- (c) Colliers include Colliers International (Hong Kong) Limited and Colliers International Agency Limited. Colliers International (Hong Kong) Limited was the principal valuer of investment properties up to 30 November 2020.
- Principal valuer ceases to be a connected person of Prosperity REIT in the reporting period due to the change of definition of connected persons in the REIT code with effect from 4 December 2020.
- (d) HSBC Institutional Trust Services (Asia) Limited is the trustee of Prosperity REIT.
- (e) ARA Asset Management (Prosperity) Limited is the management company of Prosperity REIT.

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\$694,000 (2020: HK\$675,000).



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 28. 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 from financing activities.

	Borrowings (Note 15) HK\$'000	Distribution payable HK\$'000	Total HK\$'000
At 1 January 2020	2,319,927	134,881	2,454,808
Financing cash flows	(50,648)	(271,394)	(322,042)
Finance costs	58,661	—	58,661
Distribution to unitholders	—	272,922	272,922
At 1 January 2021	2,327,940	136,409	2,464,349
Financing cash flows	(45,946)	(274,519)	(320,465)
Bank facility origination fees paid	(12,700)	—	(12,700)
Finance costs	53,925	—	53,925
Distribution to unitholders	—	267,619	267,619
At 31 December 2021	2,323,219	129,509	2,452,728

# List of Subsidiaries

Name of company	Place of incorporation	Effective equity interest held by Prosperity REIT				Share capital	Principal activities in Hong Kong
		As at 31 December 2021		As at 31 December 2020			
		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

	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Gross rental from investment properties	381,667	391,218	404,603	395,388	393,905
Net property income	352,086	358,038	365,866	350,811	353,600
Profit/(loss) for the year, before transactions with unitholders	57,020	(874,501)	333,105	687,580	748,425
Distribution to unitholders	267,619	272,922	274,651	268,899	261,533
Earnings/(loss) per unit (HK\$)	0.04	(0.58)	0.22	0.46	0.51
Distribution per unit (HK\$)	0.1763	0.1791	0.1828	0.1810	0.1780

## MAJOR ASSETS AND LIABILITIES OF PROSPERITY REIT AS AT 31 DECEMBER

	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Investment properties	9,967,000	10,147,000	11,126,000	10,990,000	10,490,000
Borrowings, excluding bank facility origination fees	(2,340,000)	(2,340,000)	(2,340,000)	(2,340,000)	(2,340,000)
Net asset value	7,262,603	7,542,506	8,636,754	8,524,411	8,053,743
Net asset value per unit (HK\$) <sup>(1)</sup>	4.83	4.95	5.75	5.74	5.48
<b>Other Information</b>					
The highest traded price during the year (HK\$)	3.19	3.07	3.65	3.50	3.46
The discount of the highest traded price to net asset value	(34.0%)	(38.0%)	(36.5%)	(39.0%)	(36.9%)
The lowest traded price during the year (HK\$)	2.38	2.15	2.75	2.76	3.06
The discount of the lowest traded price to net asset value	(50.7%)	(56.6%)	(52.2%)	(51.9%)	(44.2%)
The net yield per unit based on market price at the end of year	5.7% <sup>(2)</sup>	7.4%	6.0%	6.0%	5.3%

<sup>1</sup> 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;

<sup>2</sup> Based on the distribution per unit of HK\$0.1763 for the year ended 31 December 2021 and the closing market price of HK\$3.08 as at 31 December 2021.

# Investment Properties Portfolio

As at 31 December 2021

Property	Type	Lease term	Lease expiry date	Location	Valuation 2021 HK\$ Million
The Metropolis Tower	O	Medium-term lease	30 June 2047	10 Metropolis Drive Hung Hom Kowloon Hong Kong	2,993
Prosperity Millennia Plaza	O	Medium-term lease	30 June 2047	663 King's Road North Point Hong Kong	2,136
9 Chong Yip Street	O	Medium-term lease	30 June 2047	9 Chong Yip Street Kwun Tong Kowloon Hong Kong	1,003
Prosperity Place	C	Medium-term lease	30 June 2047	6 Shing Yip Street Kwun Tong Kowloon Hong Kong	1,650
Trendy Centre	I/O	Medium-term lease	30 June 2047	682 Castle Peak Road Lai Chi Kok Kowloon Hong Kong	1,026
Prosperity Center (portion)	I/O	Medium-term lease	30 June 2047	25 Chong Yip Street Kwun Tong Kowloon Hong Kong	826
New Treasure Centre (portion)	I	Medium-term lease	30 June 2047	10 Ng Fong Street San Po Kong Kowloon Hong Kong	333
<b>Total</b>					<b>9,967</b>

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 2021:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 Dec 2021 HK\$'000	Year ended 31 Dec 2020 HK\$'000	Year ended 31 Dec 2019 HK\$'000	Year ended 31 Dec 2018 HK\$'000	Year ended 31 Dec 2017 HK\$'000
Revenue	444,981	452,894	462,314	446,814	446,242
Profit/(Loss) before taxation and transactions with unitholders	98,289	(834,643)	375,040	725,520	788,162
Taxation	(41,269)	(39,858)	(41,935)	(37,940)	(39,737)
Profit/(Loss) for the years, before transactions with unitholders	57,020	(874,501)	333,105	687,580	748,425
Distribution to unitholders	267,619	272,922	274,651	268,899	261,533
Distribution per unit (HK\$)	0.1763	0.1791	0.1828	0.1810	0.1780

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Non-current assets	9,967,000	10,147,000	11,153,288	11,011,065	10,510,341
Current assets	218,623	364,817	398,942	374,958	373,646
Current liabilities	1,898,934	1,173,594	385,613	352,297	338,091
Net assets attributable to unitholders	7,262,603	7,542,506	8,636,754	8,524,411	8,053,743

# Corporate Information

## BOARD OF DIRECTORS OF THE REIT MANAGER

CHIU Kwok Hung, Justin

*Chairman and Non-executive Director*

LIM Hwee Chiang

*Non-executive Director*

WONG Lai Hung, Mavis

*Executive Director and Chief Executive Officer*

MA Lai Chee, Gerald

*Non-executive Director*

LAN Hong Tsung, David

*Independent Non-executive Director*

SNG Sow-Mei (alias POON Sow Mei)

*Independent Non-executive Director*

WONG Kwai Lam

*Independent Non-executive Director*

## COMPANY SECRETARY OF THE REIT MANAGER

Tricor Corporate Secretary Limited

## TRUSTEE

HSBC Institutional Trust Services (Asia) Limited

## AUDITOR OF PROSPERITY REIT

Deloitte Touche Tohmatsu

*Registered Public Interest Entity Auditors*

## PRINCIPAL VALUER

Jones Lang LaSalle Limited

## PRINCIPAL BANKERS

DBS Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

## LEGAL ADVISER

Baker & McKenzie

## REGISTERED OFFICE

Unit 901, Level 9, Fortune Metropolis

6 The Metropolis Drive, Hung Hom, Kowloon

Hong Kong

## UNIT REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Rooms 1712–16, 17/F, Hopewell Centre

183 Queen's Road East, Wan Chai

Hong Kong

## STOCK CODE

The Stock Exchange of Hong Kong Limited: 808

## INVESTOR RELATIONS

Tel: +852 2169 0928

Fax: +852 2169 0968

Email: [prosperityenquiry@ara-group.com](mailto:prosperityenquiry@ara-group.com)

## WEBSITE

[www.prosperityreit.com](http://www.prosperityreit.com)

## KEY DATES

Annual Results Announcement	10 March 2022
Closure of Register of Unitholders for Final Distribution	29 March to 30 March 2022 (both days inclusive)
Payment of Final Distribution	11 April 2022
Closure of Register of Unitholders for Annual General Meeting	23 May to 26 May 2022 (both days inclusive)
Annual General Meeting	26 May 2022



This annual report 2021 (“Annual Report”) is available in both English and Chinese versions. Unitholders who have received either the English or the Chinese version of the Annual Report may request a copy on the other language by writing to Prosperity REIT’s unit registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, or email to [prosperityreit.ecom@computershare.com.hk](mailto:prosperityreit.ecom@computershare.com.hk).

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

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





[www.prosperityreit.com](http://www.prosperityreit.com)



Stock Code: 808

Manager



ARA Asset Management (Prosperity) Limited

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ARA Asset Management (Prosperity) Limited



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