

## Press Release

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### **Prosperity REIT proposed to acquire 9 Chong Yip Street in Kwun Tong for HK\$1,010 million**

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#### **Capture the benefits from the developments in Kowloon East and benefit from positive impact on distributable income**

**Hong Kong, 15 December 2013** – ARA Asset Management (Prosperity) Limited (the "REIT Manager"), as manager of Prosperity Real Estate Investment Trust ("Prosperity REIT") [SEHK: 808], announced today that HSBC Institutional Trust Services (Asia) Limited (the Trustee), on behalf of Prosperity REIT and acting on the instructions of the REIT Manager entered into the Share Purchase Agreement to acquire 100% interest in 9 Chong Yip Street (Chong Yip Property) for a purchase consideration of HK\$1,010 million (the Consideration). Upon Completion, Prosperity REIT will through the Clifton Properties Limited (Target Company) hold the Chong Yip Property.

#### **Benefits of the Acquisition**

- **Expected to be yield accretive and improve the earning and distribution per unit (DPU)**
- **Strategically located in the matured decentralized business district of Kowloon East (CBD2)**
- **Diversifying the tenant base of Prosperity REIT's portfolio in Kowloon East**
- **Increasing the portfolio size and spread the fixed operating costs effectively**

Prosperity REIT will acquire the Chong Yip Property, which comprises a 25-storey Grade-A office building, 64 private car parking spaces, 5 motor cycle parking spaces and 4 loading/unloading spaces located at 9 Chong Yip Street, Kwun Tong, Kowloon. The ground floor to third floor of the Chong Yip Property are allocated to car parking spaces, while the remaining upper floors are designated for office use.

The Chong Yip Property 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, the Chong Yip Property is adjacent to one of Prosperity REIT's existing property named Prosperity Center and is only 10 minutes away from another Prosperity REIT's flagship property, being Prosperity Place. Operating synergies can be achieved through the established property management teams carrying out leasing and building management functions for Prosperity REIT's two existing properties in the Kowloon East district.

The Acquisition will also diversify the tenant base of Prosperity REIT's portfolio in the Kowloon East district, which currently includes Prosperity Place (commercial use), Prosperity Center (industrial and office use) and will include, upon completion, the Chong Yip Property (office use). The broadened tenant base will reinforce Prosperity REIT's stable income stream in the long term.

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Kwun Tong is a matured decentralized business district with many new high specifications office developments. A decentralization trend has been prevalent since 2009, with many multi-national corporations having relocated to the Kwun Tong business district. Other developments such as shopping malls and hotels have also been established in the area. There are more hotels and redevelopment projects in the pipeline. As a result, the Kwun Tong district is evolving into a well-developed business district. In 2011, the Hong Kong Government has implemented strategies to develop the Kwun Tong and Kowloon East district into another central business district in Hong Kong (“CBD2”).

With the Kai Tak Development and Kwun Tong Town Centre renewal projects and transportation infrastructure including the Shatin-Central-Link connecting Shatin to Central via the Kai Tak Development and the monorail running within the Kowloon East area being established, Kowloon East is poised to further leverage on and benefit from these upcoming developments. Since the Kowloon East district has matured, it has lured more cost-conscious corporations to relocate. Reputable banks, insurance companies and multi-national corporations are also settling in the district.

Ms. Mavis Wong, Chief Executive Officer of the REIT Manager added, “The Acquisition is expected to be yield accretive and improve the earning and DPU to existing unitholders. The relatively low initial net property income of the Chong Yip Property is a result of over 50% of the tenancies being due for expiry in 2014, which are below current market rental, thus offering substantial reversionary upside.”

The REIT Manager currently expects to finance the Consideration for the Chong Yip Property by debt financing a) drawing down approximately HK\$784 million under the New Facilities and b) drawing down approximately HK\$226 million from the Existing Revolving Credit Facility, and the Other Acquisition Fees and Expenses will be financed by bank balances, internal cash and drawing down on the Existing Revolving Credit Facility. Based on the Consideration and Other Acquisition Fees and Expenses, the Gearing Ratio of Prosperity REIT will increase from 20.9% (as at 30 June 2013) to approximately 29.4% immediately following Completion. Such Gearing Ratio is below the 45% limit permitted under the REIT Code.

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### About Chong Yip Property

<b>Address</b>	9 Chong Yip Street, Kwun Tong, Kowloon
<b>Year of completion</b>	2004
<b>Government Lease Expiry</b>	30 June 2047
<b>Gross Rentable Area</b>	136,595 sq. ft.
<b>Number of car parking spaces</b>	64 private car parking spaces 5 motor cycle parking spaces 4 loading/unloading spaces
<b>Number of tenants <sup>1</sup></b>	41
<b>Monthly rental per leased sq. ft. <sup>2</sup></b>	HK\$16.8
<b>Occupancy rate <sup>3</sup></b>	94.1%
<b>Net Property Income for the nine months ended 30 September 2013</b>	HK\$18,012,541
<b>Appraised Value as at 30 September 2013</b>	HK\$1,064 million by Colliers International (Hong Kong) Limited

### Chong Yip Property



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- (1) As at 30 September 2013
- (2) The monthly rental per leased sq. ft. is calculated by dividing gross rental income for the month ended 30 September 2013 by leased Gross Rentable Area as at 30 September 2013
- (3) The occupancy rate is calculated based on leased Gross Rentable Area over the total Gross Rentable Area excluding the car parking spaces as at 30 September 2013

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### About Prosperity REIT

Prosperity REIT [SEHK: 808] is a Hong Kong collective investment scheme authorized under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Prosperity REIT owns a diverse portfolio of seven high-quality properties in the decentralized business districts of Hong Kong, comprising all, or a portion of, two Grade A office buildings, two commercial buildings, two industrial/office buildings and one industrial building, with a total gross rentable area of about 1.22 million sq. ft..

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

### About ARA Asset Management (Prosperity) Limited

Prosperity REIT is managed by ARA Asset Management (Prosperity) Limited, a wholly-owned subsidiary of ARA Asset Management Limited, which is listed on the Main Board of the Singapore Exchange Securities Trading Limited.

[www.ara-asia.com](http://www.ara-asia.com)

### Disclaimer

The completion of the Acquisition is subject to and conditional upon satisfaction of certain conditions, which includes Independent Unitholders' approval being obtained at the EGM, and accordingly, may or may not complete. Unitholders, as well as any prospective investors of Prosperity REIT, are advised to exercise caution when dealing in the Units.

The terms and conditions of the New Facilities described in this document are indicative only, and may be subject to change, depending on the market conditions at the time the New Facilities are finalized and the relevant loan agreement(s) are signed, and do not represent the complete set of the actual terms and conditions.

The information contained in this press release does not constitute an offer or invitation to sell or the solicitation of an offer or invitation to purchase or subscribe for units in Prosperity REIT in Hong Kong or any other jurisdiction.

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