

Prosperity REIT 2017 Annual Results

- **Capital recycling from the sales proceeds of the disposal of Harbourfront Landmark Property (“HFL”) to paydown portion of the term loan and restructure the loan profile.**
- **Positive rental reversion with stable occupancy rate across the portfolio to continue. Cost-to-revenue ratio remained at a relatively low level of 20.8%.**
- **The resumption of the industrial buildings revitalization scheme opens up opportunities to explore potentials of our properties, taking reference of the success from Prosperity Place.**

Hong Kong, 15 March 2018 – ARA Asset Management (Prosperity) Limited (the "REIT Manager"), as manager of Prosperity Real Estate Investment Trust ("Prosperity REIT") [SEHK: 808], is pleased to announce the annual results of Prosperity REIT for the year ended 31 December 2017 (the "Reporting Year").

Capital recycling and interest cost saving benefit unitholders in the long run.

We captured an opportunity to dispose the HFL during the Reporting Year at a premium of approximately 49.1% over valuation. Despite of the loss of revenue from HFL since its completion on 3 March, we registered a mild growth in distributable income to HK\$261.5 million, representing a growth of 1.2% year-on-year ("YoY").

Partial disposal proceeds is applied to paydown a portion of term loan and restructure of existing loan profile. The new term loan interest cost is reduced to HIBOR + 82 bps. Gearing ratio is lowered to 21.5%. The maturity date has been extended to year 2021. All term loans are on unsecured basis currently allowing greater flexibility for future growth.

Press Release

Positive rental reversion with stable occupancy rate across the portfolio to continue. Cost-to-revenue ratio remained at a relatively low level of 20.8%.

Prosperity REIT's asset performance is resilient in the Reporting Year. We achieved positive rental reversion at 7.6% and occupancy rate maintained at a stable level at 97.7%, reflecting the effectiveness of the leasing strategies deployed. With efficient streamlining of operations, the cost-to-revenue ratio was at a relatively low level of 20.8%. The Kowloon East new office supply serves as a best alternative for cost conscious corporates looking for high specification and value for money space. With an increasing number of high quality tenants relocating to the district, we foresee more business opportunities and prospect.

Potential benefits from the industrial buildings revitalization scheme by government.

Under the 2017 Policy Address, the government intended to re-activate the industrial buildings revitalization scheme. Prosperity REIT property portfolio focuses on office and industrial/ office buildings located in the decentralized areas. The re-activation of the scheme opens up opportunities to explore potentials of our properties, taking reference to the success of the conversion of Prosperity Place under the revitalization scheme in year 2012.

Prospects

Looking ahead in 2018, though interest rate hike is expected to continue, Prosperity REIT has hedging arrangements in place to mitigate the potential impact. We will closely monitor the interest rate movement and manage the hedging position.

The Kowloon East district is progressing to become a more mature commercial hub, thereby a priority destination for corporates looking for quality office space. Our portfolio retains a strong presence in the district over the years and we are all set for this opportunity.

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Press Release

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, three Grade A office buildings, one commercial building, two industrial/office buildings and one industrial building, with a total gross rentable area of about 1.28 million sq. ft..

www.prosperityreit.com

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