

## **Prosperity REIT proposed to acquire 410 Kwun Tong Road for HK\$1,875 million**

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**Hong Kong, 12 September 2016** – ARA Asset Management (Prosperity) Limited (the “REIT Manager”), as manager of Prosperity Real Estate Investment Trust (“Prosperity REIT”) [SEHK: 808], announced today that Prosperity REIT and Ultra Champion Holdings Limited (“Vendor”) entered into the Share Purchase Agreement to acquire 100% interest in 410 Kwun Tong Road (the “Target Property”) for a purchase consideration of HK\$1,875 million (the “Consideration”). Upon completion, Prosperity REIT will through Diamond Champ Enterprises Limited (“Purchaser”), Ultimate Joy International Limited (“Target Company”) and Loyal Surplus Holdings Limited (“Target Subsidiary”) hold the Target Property.

### **Benefits of the Acquisition**

- ❖ **Expected to be yield accretive and improve the earnings of Prosperity REIT and distribution per unit (“DPU”) to existing unitholders.**
- ❖ **Quality asset strategically located in a matured decentralized business district of Kowloon East (“CBD2”), close to the Kwun Tong MTR station.**
- ❖ **Diversification of the tenant base of Prosperity REIT’s portfolio and enhancement of Prosperity REIT’s strong presence in Kowloon East.**
- ❖ **Strong rental upside potential through leveraging on the benefits from the major transformation and redevelopment projects in Kowloon East.**
- ❖ **Achieving greater operating synergies and economies of scale in operation.**

Prosperity REIT will acquire the Target Property, which comprises a 24-storey plus basement, 37 private car parking spaces, 5 motorcycle spaces and 5 lorry spaces, is located in Kwun Tong, Kowloon, Hong Kong. The basement floor to second floor are for retail use; ground floor and the third floor to sixth floor (the fourth floor is omitted) contain car parking spaces; and the remaining 18 floors are designated for office use.

The acquisition is expected to be yield accretive and improve the earnings of Prosperity REIT and DPU to existing unitholders. Based on the pro forma financials as set out in section 6 of the Circular headed “Financial Effects of the acquisition”, if the acquisition was completed on 1 January 2016 and based on the other assumptions in section 6, Prosperity REIT’s pro forma DPU would have increased by 3.6% from HK\$0.0906 to HK\$0.0939 for the six months ended 30 June 2016, due to the stable income generated from the Target Property.

The Target Property is a commercial building on Kwun Tong Road. It enjoys excellent accessibility as it is close to the Eastern Cross Harbour Tunnel, public bus stops with 18 bus lines and the Kwun Tong MTR Station is just a minute’s walk away. The first floor of the Target Property where the retail tenants are located is directly linked

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to a pedestrian overhead bridge. The bridge connects to both sides of the main street, Kwun Tong Road. The Target Property is also in close proximity to the largest shopping mall in the area.

The acquisition of the Target Property will 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), 9 Chong Yip Street (office use) and will include, upon Completion, the Target Property (retail and office use). The broadened tenant base will reinforce Prosperity REIT's stable income stream in the long term.

Kwun Tong District is currently undergoing a major transformation to be the new commercial centre of Hong Kong with the completion of high quality office buildings in the area. An increasing number of multinational firms have chosen to acquire office spaces in Kwun Tong for their own-use or investment purposes.

Also of significant note is the large-scale Yue Man Square redevelopment project undertaken by the Urban Renewal Authority, which aims to develop a modern community with residential, leisure and iconic commercial development. The project is on-going and is expected to increase the population and footfall in the area in the long term, and consequently, uplift the retail environment of the Kwun Tong District and support the district's retail property rental growth.

Prosperity REIT will benefit from the increased portfolio size that will create a larger platform to spread fixed operating costs over an enlarged portfolio, thus achieving greater operating synergies and economies of scale in operation.

Prosperity REIT will enter into a mandate letter with DBS Bank Ltd ("Mandated Lead Arranger") for the provision of an unsecured term loan facilities up to an aggregate amount of HK\$1,950 million ("New Facilities") to finance the acquisition. The New Facilities will bear interest at a margin of 0.905% per annum over HIBOR, and will mature and become repayable in 4 years from the date on which the New Facilities are drawn down. Based on pro forma consolidated statement of financial position of the Enlarged Group, the REIT Manager expects the gearing ratio of Prosperity REIT to increase from 26.5% (as at 30 June 2016) to approximately 37.1% as a result of the acquisition and financing thereof. Such gearing ratio is below the 45% limit permitted under the REIT Code.

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| About 410 Kwun Tong Road   |   |
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| Address  | 410 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong   |
| Date of Completion   | March 2002  |
| Government Lease Expiry  | 30 June 2047  |
| Gross Rentable Area (excluding parking spaces)                           | Office: 117,159 sq.ft.<br>Retail: 27,621 sq.ft.<br><b>Total: 144,780 sq.ft.</b>                             |
| Number of parking spaces   | 37 private car parking spaces<br>5 motorcycle spaces<br>5 lorry spaces                                      |
| Number of tenants  | 27  |
| Monthly rental per leased sq.ft. for office and retail <sup>(1)</sup>    | HK\$37.44   |
| Monthly rental for parking spaces (for the month of July 2016)           | HK\$105,000   |
| Occupancy rate <sup>(2)</sup>  | Office: 85.9%<br>Retail: 100%<br><b>Office and Retail Overall: 88.6%</b><br><br><b>Parking spaces: 100%</b> |
| Net Property Income for the six months ended 30 June 2016 <sup>(3)</sup> | HK\$25,630,000  |
| Appraised Value as at 31 July 2016                                       | HK\$1,985,000,000   |



*Notes:*

- (1) The monthly rental per leased sq.ft. is calculated by dividing Gross Rental Income for the month ended 31 July 2016 by leased Gross Rentable Area as at 31 July 2016.
- (2) The occupancy rate for office and retail space is calculated based on leased Gross Rentable Area excluding the parking spaces as at 31 July 2016.
- (3) Calculated by deducting property operating expenses from Gross Revenue based on information provided by the Vendor.

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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 eight high-quality properties in the decentralized business districts of Hong Kong, comprising all, or a portion of, three Grade A office buildings, two commercial buildings, two industrial/office buildings and one industrial building, with a total gross rentable area of about 1.35 million sq. ft..

Website: [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 (“ARA”), Asia’s premier integrated real estate fund manager which is listed on the Main Board of the Singapore Exchange Securities Trading Limited since November 2007.

ARA currently manages real estate investment trusts (“REITs”) and private real estate funds that are invested in the office, retail, logistics/industrial, hospitality and residential sectors in the Asia Pacific region, complemented by its in-house real estate management services and advisory services.

Established in 2002, to date it has over 1,200 professionals in 18 cities managing total assets of close to S\$30 billion.

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

### **Disclaimer**

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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