

## **Prosperity REIT 2018 Interim Results**

- **Prudent capital management to reduce finance cost.**
- **Steady organic growth to continue supported by positive rental reversion and stable occupancy rate.**
- **Robust leasing activities managed to mitigate the short term impact of lease replacement at The Metropolis Tower.**
- **A defensive investment tool proven in different economic cycles since listing.**

Hong Kong, 14 August 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 interim results of Prosperity REIT for the six months ended 30 June 2018 (the "Reporting Period").

### **Prudent capital management to reduce finance cost.**

Our capital management measure in restructuring and refinancing the term loan in November 2017 proved to be a positive in lowering finance cost. The reduced loan size and lower interest margin attributed to a substantial saving in finance cost in the first half of 2018. With such savings, DPU increased by 0.5% year on year to HK\$ 0.0920, represent distribution yield of 5.8% in the first half of the year.

### **Steady organic growth to continue supported by positive rental reversion and stable occupancy rate.**

During the Reporting Period, Prosperity REIT achieved a rental reversion rate of 6.6%, complemented with a stable occupancy rate of 96.0%. We strategically built in the step up rent structure in our existing tenancies which accounted for approx. 20% of portfolio GRA. It provided revenue growth during the normal tenancy tenure. The average effective unit rent of Prosperity REIT's portfolio recorded a year on year growth of 1.9% to HK\$24.58 per sq. ft..

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**Robust leasing activities managed to mitigate the short term impact of lease replacement at The Metropolis Tower.**

Revenue and net property income in 1H2018 slightly dropped by 0.6% and 0.3% respectively. This is a short term impact from the replacement leases at The Metropolis Tower, 60% of these vacant spaces have been committed. If adjust the transitory downtime from the Metropolis Tower, the revenue and net property income across the portfolio would be a positive growth in the reporting period.

**A defensive investment tool proven economic cycles since listing.**

Prosperity REIT has demonstrated the ability to capture market opportunities and to effectively manage the operation throughout different economic cycles. Being a strong presence participant in Kowloon East district, Prosperity REIT is well-positioned to gain further benefits from Kowloon East maturing to CBD2.

**Prospects**

Barring the uncertainties ahead, such as trade protectionism and the potential interest rate hike, Hong Kong economic outlook remains stable. On the back of a recovery in retail and tourism sector and a low cost of capital, Hong Kong property market is robust. In fact, Chinese enterprises continue to boost up the office market with strong demand for office space in Hong Kong. New Grade A office buildings in decentralized districts accommodated high quality tenants looking for good value office space. Prosperity REIT is well-positioned to gain further benefits from the Kowloon East transformation, together with the Express Rail Link completion in this year and the upcoming Shatin to Central Link.

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## **Press Release**

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

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