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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))*

(Stock Code: 808)

Managed by



ARA Asset Management (Prosperity) Limited

ANNOUNCEMENT

INTEREST RATE FIXED FOR 100% OF THE TERM LOAN

The board of directors (the “**Board**”) of ARA Asset Management (Prosperity) Limited (the “**Manager**”) announces that Prosperity Real Estate Investment Trust (“**Prosperity REIT**”), has recently, through its special purpose vehicle, entered into three separate plain vanilla interest rate swap agreements (the “**Interest Rate Swap Agreements**”) with JPMorgan Chase Bank, London NA. for fixing the interest rates for 100% of its term loan of HK\$1,770 million (the “**Term Loan**”) until 16 December 2010.

Reference is made to the announcement issued by Prosperity REIT dated 8 July 2008 in connection with the unwinding of the interest rate swap, pursuant to which the interest rate of the Term Loan granted to Prosperity REIT at the time of the initial public offering of units by Prosperity REIT in December 2005 was kept as floating with reference to the prevailing interest market rate at HIBOR plus the spread of 0.49%. Pursuant to the said announcement, the Manager would continue to monitor interest rate movements closely and put in place prudent financial arrangement, as and when necessary, for the benefit of the unitholders of Prosperity REIT (the “**Unitholders**”).

In order to hedge against interest rate fluctuations, Prosperity REIT has recently, through its wholly owned subsidiary, Progain Group Limited (the “**Interest Rate Swap Company**”), entered into the Interest Rate Swap Agreements with an independent third party of Prosperity

REIT, being JPMorgan Chase Bank, London NA (the “**Interest Rate Swap Counterparty**”) for fixing HIBOR, particulars of which are set out hereunder :

1. 50% of the Term Loan, being HK\$885,000,000, has been fixed at 2.65%, for a period from 22 September 2008 to 16 December 2010 (the “**Maturity Date**”), being the maturity date of the Term Loan;
2. 20% of the Term Loan, being HK\$354,000,000, has been fixed at 2.60%, for a period from 16 December 2008 to the Maturity Date; and
3. 30% of the Term Loan, being HK\$531,000,000, has been fixed at 2.09%, for a period from 20 November 2008 to the Maturity Date.

In accordance with the Interest Rate Swap Agreements, the Interest Rate Swap Company agreed to pay fixed interest rates of 2.65%, 2.60% and 2.09% (collectively referred to as the “**Swap Rates**”) respectively, and will receive interest at 3-month HIBOR from the Interest Rate Swap Counterparty. The Swap Rates are the plain vanilla swap rates as at the respective dates for entering into the Interest Rate Swap Agreements. After entering into the Interest Rate Swap Agreements, the weighted average swap rate for the Term Loan, excluding the spread of 0.49%, would be 2.472%.

Entering into the Interest Rate Swap Agreement does not require the approval of the Unitholders on the basis that under the Code on Real Estate Investment Trusts (the “**REIT Code**”) and the deed of trust constituting Prosperity REIT dated 29 November 2005, as amended by a first supplemental deed dated 12 December 2005, a second supplemental deed dated 15 May 2007 and a third supplemental deed dated 14 May 2008 (collectively referred to as the “**Trust Deed**”), it is within the Manager’s discretionary power to manage the financial arrangements of Prosperity REIT. Further, entering into the interest rate swap arrangements do not constitute connected party transactions as the Interest Rate Swap Counterparty is not a connected person of Prosperity REIT under the REIT Code.

The Manager believes that entering into the Interest Rate Swap Agreements is prudent and beneficial to Unitholders and Prosperity REIT under current market conditions.

With due consideration to the reasons for, terms of, and other relevant factors in connection with the Interest Rate Swap Agreements, the Board considers that the Interest Rate Swap Agreements are carried out at arm’s length on normal commercial terms, fair and reasonable, and in the interest of Prosperity REIT and the Unitholders as a whole.

By order of the board of directors of
ARA Asset Management (Prosperity) Limited
(as manager of Prosperity Real Estate Investment Trust)
Yip Kam Thai
Executive Director and Acting Chief Executive Officer

Hong Kong, on 21 November, 2008

The Directors of the Manager as at the date of this announcement are Mr. Chiu Kwok Hung, Justin (Chairman), Mr. Lim Hwee Chiang and Mr. Ma Lai Chee, Gerald as Non-executive Directors; Mr. Yip Kam Thai as Executive Director; Mr. Lan Hong Tsung, David, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Mr. Robert Douglas Pope as Independent Non-executive Directors.