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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

INTEREST RATE FIXED FOR 80% OF THE TERM LOAN FOR A PERIOD FROM 16 DECEMBER 2010 TO 16 JUNE 2015

The board of directors (the “**Board**”) of ARA Asset Management (Prosperity) Limited (the “**REIT Manager**”) announces that Prosperity Real Estate Investment Trust (“**Prosperity REIT**”), has on 1 November 2010, through its special purpose vehicle, entered into a plain vanilla interest rate swap agreement (the “**Interest Rate Swap Agreement**”) with DBS Bank Ltd for fixing the interest rate for 80% of its term loan of HK\$1,770 million (the “**Term Loan**”) until 16 June 2015. The Term Loan will mature and become payable on 16 August 2015.

Reference is made to the announcement issued by Prosperity REIT dated 16 August 2010 in connection with the new banking facilities of up to an aggregate principal amount of HK\$2,200 million (the “**New Facilities**”) comprising a HK\$1,770 million term loan facility and a HK\$430 million revolving credit facility. The New Facilities will bear interest at a floating interest rate of HIBOR plus 0.81% per annum and will mature and become payable on 16 August 2015.

In order to hedge against interest rate fluctuations, Prosperity REIT has on 1 November 2010, through its wholly owned subsidiary, Progain Group Limited (the “**Interest Rate Swap Company**”), entered into the Interest Rate Swap Agreement with an independent third party of Prosperity REIT, being DBS Bank Ltd (the “**Interest Rate Swap Counterparty**”), for fixing the interest rate with respect to 80% of the Term Loan, being HK\$1,416 million, for a period from 16 December 2010 to 16 June 2015.

In accordance with the Interest Rate Swap Agreement, the Interest Rate Swap Company agreed to pay a fixed interest rate of 1.335% (the “**Swap Rate**”), and will receive interest at 3-month HIBOR from the Interest Rate Swap Counterparty for a period from 16 December 2010 to 16 June 2015. The Swap Rate is the plain vanilla swap rate as at the date for entering into the Interest Rate Swap Agreement. The Interest Rate Swap Agreement does not cover the remaining 20% of the Term Loan and the period of 2 months from 17 June 2015 to 16 August 2015. The Term Loan has a partial unhedged position, which is subject to interest rate fluctuations.

Entering into the Interest Rate Swap Agreement does not require the approval of the unitholders of Prosperity REIT (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 the first supplemental deed dated 12 December 2005, the second supplemental deed dated 15 May 2007, the third supplemental deed dated 14 May 2008 and the fourth supplemental deed dated 23 July 2010 (collectively referred to as the “**Trust Deed**”), it is within the REIT 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 REIT Manager believes that entering into the Interest Rate Swap Agreement 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 Agreement, 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)
Stephen Henry Chu
Executive Director and Chief Executive Officer

Hong Kong, on 11 November 2010

The Directors of the REIT 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. Stephen Henry Chu 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.