

Press Release

Fortune REIT prides 14 years of sustainable growth Net Property Income and DPU up by 3.3% and 3.1% year-on-year

*12.8% portfolio rental reversion
5.3% dividend yield¹*

Financial Results Overview

	For the Year Ended 31 December		
	2017	2016	% Change
Revenue (HK\$ million)	2,030.2	1,975.4	2.8%
Net property income (HK\$ million)	1,456.7	1,409.8	3.3%
Income available for distribution (HK\$ million)	970.8	935.2	3.8%
Distribution per unit (HK cents)	50.78	49.23	3.1%

23 January 2018. ARA Asset Management (Fortune) Limited (the “Manager”), the manager of Fortune Real Estate Investment Trust (“Fortune REIT”; SEHK: 778; SGX: F25U), is pleased to announce the financial results of Fortune REIT for the year ended 31 December 2017 (“FY2017” or “Reporting Year”).

Fourteen years of sustainable growth. Fortune REIT achieved another year of excellence in FY2017, with total revenue and net property income up by 2.8% and 3.3% year-on-year to HK\$2,030.2 million and HK\$1,456.7 million respectively. The growth was attributable to improved occupancy and healthy rental reversions across the portfolio. Income available for distribution increased by 3.8% year-on-year to HK\$970.8 million for FY2017. The DPU for the Reporting Year was 50.78 HK cents (2016: 49.23 HK cents), representing an increase of 3.1%. Comprising an interim and final DPU of 25.53 HK cents and 25.25 HK cents respectively, the FY2017 DPU represented a distribution yield of 5.3%¹.

Solid operational performance. Fortune REIT’s portfolio of private housing retail properties continued to demonstrate strength during the Reporting Year. The Hong Kong retail market has seen improving signs since the beginning of 2017 and gradually picking up momentum in the second half of the year. Against such a favourable backdrop, Fortune Malls’ performance continued to improve in the second half of 2017. As at 31 December 2017, the occupancy rate of Fortune REIT’s portfolio rose to 98.1% (31 December 2016: 96.7%). Rental reversion of 12.8% was recorded from renewals during FY2017, accelerating from 10.7% in the first half of 2017. Tenant retention rate remained high at 78%, demonstrating Fortune Malls’ attractiveness to retailers as a preferred place for business. Fortune REIT will continue to retain quality tenants, secure early commitment to renewal before leases expire, as well as optimise its tenant mix at opportune time.

¹ Based on the closing unit price of HK\$9.66 in Hong Kong as at 29 December 2017.

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Embarking on the largest-ever AEs at Fortune Kingswood to drive future growth. Fortune Kingswood is currently the largest asset of Fortune REIT. With a thorough planning in the past two years and the solid recovery of retail market seen in recent months, Fortune REIT is ready to embark on a major AEs at Fortune Kingswood. The project aims to reposition the largest shopping mall in Tin Shui Wai with a more efficient layout and enhanced retail offering. Budgeted a CAPEX of approximately HK\$150 million, the first phase of the project involving the West Block is expected to commence in the second quarter of 2018. We are optimistic that Fortune Kingswood will continue to fuel growth for Fortune REIT.

Strengthened financial positions to pursue growth. Fortune REIT closed the Reporting Period with a gearing ratio of 27.4% while interest cost for approximately 60% of outstanding debts was hedged through interest rate swaps and caps. Fortune REIT announced on 19 December 2017 the disposal of Provident Square for HK\$2,000.0 million at 88.5% over its appraised value. Proceeds would be used for potential AEs and acquisition opportunities, in addition to general working capital purposes including debt repayment. At a reduced gearing, Fortune REIT will have greater financial capability to pursue higher-yielding opportunities going forward.

Ms. Justina Chiu, Chief Executive Officer of the Manager, said, "We are delighted that Fortune REIT achieved another set of encouraging results in FY2017. Fortune REIT is poised to benefit from the Hong Kong retail market recovery and we are excited to kick off our Fortune Kingswood AEs at this opportune time. The project will be carefully phased in order to minimize rental downtime. Looking ahead, we will continue to build on the strong foundation of our portfolio, execute effective leasing strategies, add value to our malls through AEs and trade mix optimisation, and seek yield-accretive investment opportunities so as to help Fortune REIT sustain long-term growth."

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About Fortune REIT. Fortune Real Estate Investment Trust ("Fortune REIT") is a real estate investment trust constituted by a Trust Deed entered into on 4 July 2003 (as amended) made between ARA Asset Management (Fortune) Limited, as the Manager of Fortune REIT, and HSBC Institutional Trust Services (Singapore) Limited, as the Trustee of Fortune REIT. Fortune REIT is primary listed on The Stock Exchange of Hong Kong Limited and secondary listed on the Singapore Exchange Securities Trading Limited. Fortune REIT is Asia's first cross-border REIT and also the first REIT to hold assets in Hong Kong.

Fortune REIT currently holds a portfolio of 17 private housing estate retail properties in Hong Kong, comprising of 3.18 million sq.ft. of retail space and 2,713 car parking spaces. The retail properties are Fortune City One, Fortune Kingswood, Ma On Shan Plaza, Metro Town, Fortune Metropolis, Laguna Plaza, Belvedere Square, Waldorf Avenue, Caribbean Square, Provident Square, Jubilee Square, Smartland, Tsing Yi Square, Centre de Laguna, Hampton Loft, Lido Avenue and Rhine Avenue. They house tenants from diverse trade sectors such as supermarkets, food and beverage outlets, banks, real estate agencies, and education providers. More information can be found at www.fortunereit.com.

About ARA Asset Management (Fortune) Limited, the Manager. Fortune REIT is managed by ARA Asset Management (Fortune) Limited, a wholly-owned subsidiary of ARA Asset Management Limited, a premier integrated real estate fund manager driven by a vision to be the best-in-class Asian real estate fund management company focused on the management of real estate investment trusts (REITs) and private real estate funds. More information can be found at 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 Fortune REIT in Hong Kong, Singapore or any other jurisdiction.

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