

Press Release

Fortune REIT Achieves an Interim DPU of 26.13 HK cents With 4.9% Distribution Yield

*Fortune Kingswood AEs more than 90% pre-leased
Occupancy picked up satisfactorily to give momentum for 2H2019*

26 July 2019. **ARA Asset Management (Fortune) Limited** (the “Manager”), the manager of **Fortune Real Estate Investment Trust** (“Fortune REIT”; SEHK: 778), is pleased to announce the interim financial results of Fortune REIT for the six months ended 30 June 2019 (“1H2019” or the “Reporting Period”).

Net Property Income well supported by positive reversions and savings in expenses. Fortune REIT delivered steady financial performance in 1H2019 with a net property income of HK\$748.7 million. During the Reporting Period, revenue was affected by the Provident Square disposal in February 2018, certain on-going AEs and tenant repositioning at our major malls including Fortune Kingswood, Ma On Shan Plaza and Fortune Metropolis. Nevertheless, positive rental reversion across the portfolio, higher car park income, as well as savings in operating expenses have all contributed positively to the net property income. Excluding the impact from the Provident Square disposal and Fortune Kingswood AEs, net property income would have increased by 1.1% year-on-year on a like-for-like basis.

Income available for distribution for the Reporting Period was HK\$505.5 million. The distribution per unit (“DPU”) for 1H2019 was 26.13 HK cents, representing an annualised distribution yield of 4.9%¹.

Resilient operation continues. To start second half on higher occupancy. In spite of a soft consumer sentiment in Hong Kong, the operating performance of Fortune Malls has generally demonstrated resilience during the Reporting Period. Driven by the positive leasing results at our three major malls, portfolio occupancy rebounded to 97.4% as at 30 June 2019, a notable improvement from 93.1% at the end of 2018. With certain tenant repositioning and enhancement works gradually completed in the second quarter of 2019 and received good leasing commitments, the occupancies of Ma On Shan Plaza, Fortune Metropolis and Fortune Kingswood have all picked up satisfactorily from their 2018 year-end levels. Although most of these new tenants came in the later part of the Reporting Period, these rental uplift will be fully reflected in the second half of 2019.

Rental reversion has seen a moderation for renewals during the Reporting Period but nevertheless registered a healthy 7.8%. Tenant retention rate for the Reporting Period was high at 74.8%, demonstrating Fortune Malls as tenants’ preferred choice of business location.

¹ Based on the closing unit price of HK\$10.74 in Hong Kong as at 28 June 2019.

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More than 90% leasing commitment for AEIs at Fortune Kingswood. Fortune REIT has demonstrated its strength in adding value to Fortune Malls through many successful AEIs. Commencing in June 2018, the HK\$150 million renovation at the West Block of Fortune Kingswood is in its final phase and slated for completion in the second half of 2019. The leasing response has been encouraging with more than 90% of the West Block already committed. Expanded food and beverage offerings, a newly created education zone featuring quality operators as well as a greater variety of household products will inevitably strengthen the West Block as the leading shopping destination in Tin Shui Wai.

Balance sheet remains strong. Against external challenges, Fortune REIT remains prudent in capital management. In view of certain interest rate hedging contracts expiring in 2019, additional interest rate swaps were entered during the Reporting Period to maintain an adequate protection against interest rate fluctuations. The interest cost for approximately 59% (31 December 2018: 57%) of Fortune REIT's outstanding debts was hedged through interest rate swaps. Due to lower borrowing level and a higher property valuation, Fortune REIT's gearing ratio and aggregate leverage decreased to 20.5% (31 December 2018: 20.9%).

Ms Justina Chiu, Chief Executive Officer of the Manager, said, "Despite external uncertainties and a soften consumer sentiment, performance of Fortune Malls during the Reporting Period has generally been steady. As some repositioning and AEIs gradually completed in the second quarter of 2019, we start off the second half with a high portfolio occupancy. We would continue to remain proactive in asset management, upgrading our malls through AEIs, searching for yield-accretive acquisitions, as well as to remain prudent in capital management, so as to extend Fortune REIT's success over the past 15 years in generating steady returns to our Unitholders."

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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 16 private housing estate retail properties in Hong Kong, comprising of 3 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, 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 global integrated real assets fund manager driven by a vision to be the best-in-class real assets fund management company. More information can be found at www.ara-group.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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