

Press Release

Fortune REIT Continues to Achieve Healthy Growth DPU up by 3.2% year-on-year

*13.6% portfolio rental reversion
5.8% dividend yield¹*

Financial Results Overview

	1H2018	1H2017	% Change
Revenue (HK\$ million)	978.1	956.7 ²	2.2%
Net property income (HK\$ million)	748.6	727.0	3.0%
Income available for distribution (HK\$ million)	505.2	487.3	3.7%
Distribution per unit (HK cents)	26.34	25.53	3.2%

27 July 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 interim financial results of Fortune REIT for the six months ended 30 June 2018 ("1H2018" or the "Reporting Period").

Sustainable growth in distribution. Fortune REIT has once again delivered steady growth for 1H2018, with total revenue and net property income increasing by 2.2% and 3.0% year-on-year to HK\$978.1 million and HK\$748.6 million respectively. The growth was mainly attributed to the positive rental reversion but partially offset by Provident Square which was divested on 28 February 2018. Excluding the effect of Provident Square, total revenue and net property income for the 16 properties increased by 4.2% and 4.6% year-on-year respectively. With our disciplined cost control and continued efforts in energy saving, cost-to-revenue ratio² improved further to 21.1% (1H2017: 21.7%).

Income available for distribution for the Reporting Period was HK\$505.2 million, representing a year-on-year increase of 3.7%. DPU for 1H2018 was up by 3.2% year-on-year to 26.34 HK cents (1H2017: 25.53 HK cents), representing an annualised distribution yield of 5.8%¹.

Steady operational performance. The operating matrix of Fortune REIT's portfolio neighborhood malls remained steady during the Reporting Period. A rental reversion of 13.6% was achieved from renewals. Despite some minor disruption to the operations of Fortune Kingswood due to AEIs, portfolio occupancy still registered a healthy 96.0% as at 30 June 2018 while tenant retention rate was moderated to 60.7% due to some tenants' reshuffling at Fortune Kingswood. With a strong focus on daily necessities, Fortune Malls' well-diversified trade mix continues to sustain Fortune REIT's long-term growth and resilience.

¹ Based on the closing unit price of HK\$9.22 in Hong Kong as at 29 June 2018.

² There has been a reclassification for "Revenue" and "Property Operating Expenses".

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HK\$150 million AEs commenced at Fortune Kingswood. Fortune REIT has embarked on its AEs at Fortune Kingswood, the largest asset in its portfolio. We have made good progress and started works at the West Block in June 2018. With an estimated capex of HK\$150 million, the renovation of West Block is expected to be completed in phases by end of 2019. The West Block will be equipped with some enriched retail and food and beverage offerings, a modernized ambiance and more shoppers-friendly facilities. This will be an important first step towards the reshaping of Fortune Kingswood into a regional shopping mall within the greater Yuen Long Area.

Enhanced financial position with strategic divestment. During the Reporting Period, Fortune REIT has successfully completed the divestment of Provident Square for HK\$2.0 billion. HK\$1.1 billion from the divestment proceeds has been applied for early repayment of a bank loan due 2019 which has reduced its gearing and eliminated refinancing needs until 2020. As at 30 June 2018, Fortune REIT's gearing ratio and aggregate leverage decreased to 22.3% (31 December 2017: 27.4%).

Ms Justina Chiu, Chief Executive Officer of the Manager, said, "We are delighted that Fortune REIT's portfolio of neighborhood malls has delivered a satisfactory financial performance in 1H2018. The robust and broad-based recovery in the Hong Kong retail sales has been generally an encouraging sign for shopping malls operation and we are hopeful of seeing a positive leasing market to follow. Looking ahead, we remain focused on proactive leasing management and enhancing the tenant mix, adding value to our malls through AEs, prudently seeking yield-accretive investment opportunities and maintaining a healthy capital structure, with an aim to deliver long-term sustainable 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-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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