

## Press Release

# Fortune REIT records 15 years of sustainable growth Shaping for better growth through major AElS

*12.7% portfolio rental reversion  
 Attractive dividend yield of 5.7%<sup>1</sup>*

### Financial Results Overview

	For the Year Ended 31 December		
	2018	2017	% Change
Revenue <sup>2</sup> (HK\$ million)	1,940.1	1,935.4	0.2
Net property income (HK\$ million)	1,471.8	1,456.7	1.0
Income available for distribution (HK\$ million)	986.2	970.8	1.6
Distribution per unit (HK cents)	51.28	50.78	1.0

**28 January 2019.** 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 2018 (“FY2018” or “Reporting Year”).

**Organic growth drove increased distribution.** Fortune REIT continued to deliver satisfactory results for FY2018, demonstrating its sustainable growth. Despite the divestment of Provident Square and Asset Enhancement Initiatives (“AEIs”) at Fortune Kingswood, revenue and net property income reached a record high of HK\$1,940.1 million and HK\$1,471.8 million respectively. The growth was attributable to positive rental reversion from the retail portion as well as increased car park income. On a like-for-like basis<sup>3</sup>, total revenue and net property income increased by 3.9% and 4.5% year-on-year respectively, demonstrating healthy organic growth.

Income available for distribution for FY2018 was HK\$986.2 million, increasing by 1.6% year-on-year. Distribution per unit (“DPU”) for the Reporting Year was 51.28 HK cents (2017: 50.78 HK cents), representing an increase of 1.0%. The total DPU of FY2018 represented a distribution yield of 5.7%<sup>1</sup>.

**Positive operational performance.** Taken the advantage of the retail uptrend and resilient domestic spending during FY2018, Fortune REIT has achieved satisfactory operational performance. Positive rental reversions continued in 2018, registered a healthy 12.7% from renewals during FY2018. Portfolio occupancy of Fortune REIT stood at 93.1% despite major AEIs currently undergoing at our largest asset - Fortune Kingswood. Tenant retention rate remained strong at 68%, reflecting Fortune Malls as tenants’ preferred place for business.

<sup>1</sup> Based on the closing unit price of HK\$8.99 in Hong Kong as at 31 December 2018.

<sup>2</sup> “Revenue” and “Property operating expenses” have been reclassified according to the new accounting standard (i.e. IFRS 15 which is mandatory effective from 1 January 2018).

<sup>3</sup> Like-for-like basis is calculated by excluding Provident Square (which was divested on 28 February 2018) and Fortune Kingswood (which was undergoing AEIs since June 2018) during the periods under analysis.

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**Good progress of AEs at Fortune Kingswood.** Destined to be Fortune REIT's landmark AEs, Fortune Kingswood, commenced in June 2018. The HK\$150 million AEs currently underway at the West Block is set to bring enriched food and beverages and retail offerings upon its completion by end of 2019. Meanwhile, revitalization plan for East Block is now under planning, with an aim to synergize with the West Block through more experiential offerings in lifestyle and entertainment. The two blocks collectively, will be positioned to become one-stop leisure and shopping destination within the greater Yuen Long area, further elevating Fortune Kingswood's status from the largest shopping mall in Tin Shui Wai.

**Stronger financial position with prudent capital management.** Fortune REIT's financial position has been strengthened during the Reporting Year as it has applied HK\$1.95 billion from divestment proceeds of Provident Square for early repayment of certain bank borrowings. As at 31 December 2018, gearing ratio and aggregate leverage came down to 20.9% (31 December 2017: 27.4%) with no refinancing needs until 2020. With a stronger balance sheet coupled with the hedging already in place for 57% of interest cost, Fortune REIT is poised to weather challenges from external uncertainties.

**Ms. Justina Chiu**, Chief Executive Officer of the Manager, said, "We are delighted that Fortune REIT continued to deliver growing returns to our Unitholders in FY2018. The AEs at Fortune Kingswood is progressing well and we are excited to reveal its new face in 2019. Looking ahead, we will continue to strengthen our core competencies by executing a proactive leasing strategy, adding value to our malls through AEs, seeking yield-accretive investment opportunities as well as maintaining a healthy capital structure, so as to deliver consistent results and 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](http://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](http://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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