

Press Release

Fortune REIT Sustains Strong DPU Growth of 12.0%

21.8% Portfolio Rental Reversion
6.4% Distribution Yield

Financial Results Overview

	YTD 3Q15	YTD 3Q14	% Change	3Q 2015	3Q 2014	% Change
Revenue (HK\$ million)	1,393.0	1,230.1	13.2%	470.5	416.6	12.9%
Net property income (HK\$ million)	983.3	867.7	13.3%	328.9	286.7	14.7%
Income available for distribution (HK\$ million)	658.1	583.6	12.8%	217.8	193.1	12.8%
Distribution per unit (HK cents)	34.92	31.18	12.0%	11.54	10.30	12.0%

Hong Kong and Singapore 3 November 2015. 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 nine months ended 30 September 2015 (“YTD 3Q15” or the “Reporting Period”).

Solid foundation for sustainable growth. Fortune REIT has recorded another strong set of financial results for YTD 3Q15, with total revenue and net property income increasing by 13.2% and 13.3% year-on-year to HK\$1,393.0 million and HK\$983.3 million respectively. The excellent performance was mainly driven by the strong rental reversion across the portfolio as well as the additional income contribution from Laguna Plaza acquired in January 2015. In addition, the asset enhancement initiatives (“AEIs”) at Belvedere Square began to contribute positively to the portfolio towards the end of the Reporting Period.

Income available for distribution for the Reporting Period was HK\$658.1 million. The distribution per unit (“DPU”) for YTD 3Q15 increased by 12.0% year-on-year to 34.92 HK cents, representing an annualised distribution yield of 6.4%¹.

Strong operational matrix demonstrates resilience. Fortune REIT’s portfolio of private housing estate retail properties has maintained robust performance, demonstrating its resilience against the slowdown in overall retail sales in Hong Kong. Thanks to the encouraging leasing commitment for Belvedere Square’s AEIs, portfolio occupancy increased to 98.0% as at 30 September 2015. Leasing progress remained positive in the past quarter. As at 30 September 2015, majority of the expiring leases in 2015 have been renewed and leases of only 10.7% of the portfolio gross rentable area remains to be re-negotiated in the fourth quarter. Rental reversion for renewals during the Reporting Period was 21.8%. Consequently, passing rent recorded a historical high of HK\$39.7 per sq.ft as at 30 September 2015, up by 8.0% year-on-year for the original portfolio excluding Laguna Plaza and Nob Hill Square.

¹ Based on HK\$7.285, the average closing unit price in Singapore and Hong Kong, as at 30 September 2015.

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AEIs at Belvedere Square achieved success. Fortune REIT continuously strives to optimize its portfolio through asset enhancement. The HK\$80 million AEIs project at Belvedere Square have achieved remarkable success in the past quarter, with committed occupancy increased notably to 94.9%. New tenants are currently fitting-out their shops and shoppers can expect the brand new look of the mall before the end of this year. We are pleased to further extend our strong track record in AEIs and once again outperformed our return on investment ("ROI") target. ROI of this project is expected to be more than 20%.

Maintaining a strong balance sheet. Fortune REIT's balance sheet remains healthy with a gearing of 30.4% as at 30 September 2015. During the past quarter, the Manager has stepped up its effort to mitigate the potential impact of the expected interest rate hike and entered into additional interest rate swap arrangements. As at 30 September 2015, the interest cost for approximately 69% of Fortune REIT's outstanding debt has been hedged through interest rate swaps and caps. Accordingly, the average all-in cost of debt edged up to 2.10% as compared with 2.04% as of 30 June 2015.

Ms. Justina Chiu, Chief Executive Officer of the Manager said, "Fortune REIT has achieved another set of strong results and once again proved its resilience amid weakness in overall Hong Kong retail market. We are delighted that the additional income contribution from Laguna Plaza, coupled with the AEIs at Belvedere Square, have contributed to further growth during the Reporting Period. The satisfactory performance has once again demonstrated the successful execution of our three core strategies – asset investment, asset management and asset enhancement – which are pivotal in optimizing our tenant mix, enhancing our income growth and delivering stable returns to our Unitholders. With a focused business strategy and proven track record, we are optimistic that Fortune REIT's portfolio of neighborhood malls will continue to deliver a sustainable performance."

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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 was listed on the Singapore Exchange Securities Trading Limited and The Stock Exchange of Hong Kong Limited on 12 August 2003 and 20 April 2010 respectively.

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, which is listed on the Main Board of the Singapore Exchange Securities Trading Limited. 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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