

Press Release

Fortune REIT records twelve years of sustainable growth Revenue and DPU up 13.7% and 12.5% year-on-year

*20.3% portfolio rental reversion
5.9% dividend yield¹*

Financial Results Overview

	For the Year Ended 31 December		
	2015	2014	% Change
Revenue (HK\$ million)	1,882.1	1,655.8	13.7%
Net property income (HK\$ million)	1,324.0	1,161.2	14.0%
Income available for distribution (HK\$ million)	884.6	780.8	13.3%
Distribution per unit (HK cents)	46.88	41.68	12.5%

21 January 2016. 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 2015 (“FY2015” or “Reporting Year”).

Twelve years of sustainable growth since listing. Fortune REIT successfully achieved another year of excellence in FY2015, with total revenue and net property income up by 13.7% and 14.0% year-on-year to HK\$1,882.1 million and HK\$1,324.0 million respectively. This outstanding performance was attributable to the precise execution of the three core strategies of *asset investment, asset management, and asset enhancement*. The additional income from Laguna Plaza acquired in January 2015, strong rental reversions across the entire portfolio as well as remarkable returns from the asset enhancement initiatives (“AEIs”) at Belvedere Square have all led to Fortune REIT’s exceptional results during the Reporting Year.

Consequently, income available for distribution increased by 13.3% year-on-year to HK\$884.6 million for FY2015. The DPU for FY2015 recorded a double-digit growth for the fourth consecutive year at 46.88 HK cents (FY2014: 41.68 HK cents), representing a distribution yield of 5.9%¹.

Strong resilience despite challenging market backdrop. Fortune REIT’s portfolio of private housing estates retail properties remained resilient despite the decline in overall retail sales in Hong Kong. The leasing momentum across the entire portfolio remained satisfactory in FY2015 with rental reversion for renewals sustaining at a high level of 20.3%. The occupancy rate improved to 98.8% while passing rent was HK\$40.0 per sq.ft. as at 31 December 2015, up by 6.8%² year-on-year. The Manager remains committed to retaining quality tenants, securing an early commitment for expiring leases, as well as upgrading the tenant mix when opportunities arise.

¹ Based on the closing unit price of HK\$7.98 in Hong Kong as at 31 December 2015.

² For the original portfolio excluding Laguna Plaza and Nob Hill Square.

Press Release

Successful completion of AEs brings remarkable returns. The major AEs at Belvedere Square have been well-executed and successfully completed during the Reporting Year, marking another strong testimony of Fortune REIT's constant efforts in optimising its portfolio. With capital expenditure of approximately HK\$80 million, this AEI project has yielded a satisfactory return on investment ("ROI") of 20.3%, exceeding target ROI of 15%. Passing rent increased by 12.8% year-on-year, drawing from the fully upgraded ground floor with a more efficient shopping layout, a revitalised wet market and an enhanced tenant mix. The Manager plans to embark on the next major AEs at Fortune Kingswood, aiming to reposition the mall into a regional shopping and entertainment attraction serving a wider spectrum of shoppers from beyond its immediate proximity.

Maiden asset recycling exercise to enhance return and unlock value. Striving to derive the maximum return and best value for its Unitholders, Fortune REIT successfully completed an asset recycling exercise during the Reporting Year, including the acquisition of Laguna Plaza and the disposal of Nob Hill Square. In particular, the acquisition of Laguna Plaza, as Fortune REIT's first acquisition from an independent third party, contributed additional income to Fortune REIT in FY2015. These transactions are significant milestones as Fortune REIT continues to expand and optimise its portfolio.

Healthy financial position with prudent financial management. Fortune REIT's financial position has been strengthened during the Reporting Year as it has entered into two new 5-year term loan facilities with an aggregate principal amount of HK\$3,200.0 million in December 2015. The new facilities, which are to be drawn around March 2016 to refinance the existing facilities due in April 2016, extend Fortune REIT's overall debt maturity profile and there will be no further refinancing needs until 2017. Fortune REIT closed the Reporting Year with a gearing ratio and aggregate leverage of 30.1% (31 December 2014: 29.4%).

The Manager has also stepped up its efforts to mitigate the impact of interest rate hikes. As at 31 December 2015, the interest cost for approximately 68% (31 December 2014: 55%) of Fortune REIT's outstanding debt has been hedged through interest rate swaps and caps. The Manager continues to closely monitor interest rate movements and constantly reviews Fortune REIT's hedging profile.

Ms. Justina Chiu, Chief Executive Officer of the Manager, said, "We are delighted to see Fortune REIT achieving another fruitful year in 2015 as evidenced by the value-added asset recycling exercise, successful completion of AEs at Belvedere Square with returns exceeding our target, as well as solid rental reversions. The satisfactory results were due to outperformance in executing our three core strategies – asset investment, asset management, and asset enhancement. Despite the headwinds continuing to buffet Hong Kong's retail sector, Fortune REIT successfully enhanced returns for its Unitholders by delivering a double-digit growth for distribution for the fourth consecutive year."

"Although Hong Kong's economy is expected to face ongoing internal and external challenges, we are confident that Fortune REIT's retail portfolio will continue to deliver resilient performance supported by full employment and rising income. Looking ahead, we will remain alert to economic uncertainties and dedicated to drive revenue growth by implementing effective leasing and tenant repositioning strategy as well as asset enhancement initiatives. We will also be attentive to potential investment opportunities for Fortune REIT's long-term sustainable development and the best interests of our Unitholders."

-End-

Press Release

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, Asia's premier integrated real estate fund manager 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.

Media and investor contacts

ARA Asset Management (Fortune) Limited

Justina Chiu
Chief Executive Officer
justinachiu@ara.com.hk

Jenny Hung
Director, Investments and Investor Relations
jennyhung@ara.com.hk

Frederick Chan
Manager, Investments and Investor Relations
frederickchan@ara.com.hk

Strategic Financial Relations Limited

Mandy Go
mandy.go@sprg.com.hk
+852 2864 4812

Maggie Au
maggie.au@sprg.com.hk
+852 2864 4815