

## Press Release

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# Fortune REIT Announces FY2020 Interim Results

## *Resilient Amidst a Challenging Retail Environment Launches Fortune Malls APP to Capitalise on Local Consumption*

24 July 2020. **ARA Asset Management (Fortune) Limited** (the “Manager”), the manager of **Fortune Real Estate Investment Trust** (“Fortune REIT”; SEHK: 778), announces the interim financial results of Fortune REIT for the six months ended 30 June 2020 (“1H2020” or the “Reporting Period”).

**A challenging retail environment.** The first half of 2020 marked a particularly challenging time for the Hong Kong economy. The retail market was hard hit by prolonged local social incidents since June 2019 and saw further deterioration upon the outbreak of the COVID-19 pandemic in early 2020. Fortune Malls have a major focus on non-discretionary trades, with more than 58% of monthly rent coming from supermarkets, food and beverages as well as services and education trades. However, the portfolio was not immune to the current downturn.

During the Reporting Period, Fortune REIT recorded a revenue of HK\$951.8 million and net property income of HK\$718.2 million, down by 2.3% and 4.1% year-on-year respectively. The drop in performance was attributable to negative rental reversion, lower carpark income as well as increased expense in response to the COVID-19 situation. Income available for distribution was HK\$489.7 million, a decrease of 3.1% year-on-year. In anticipation of challenges ahead and as a prudent measure, the Board has decided on a 90% distribution payout ratio to increase cash reserves. Accordingly, the distribution per unit for the Reporting Period was 22.60 HK cents, representing an annualised distribution yield of 6.5%<sup>1</sup>.

**Long term sustainability.** In an effort to counter the dampened economic environment and to ensure financial stability during these challenging times, Fortune REIT has focused on retaining existing tenants by striking a balance between rental reversion and occupancy. As such, tenant retention remained strong at 77% while portfolio occupancy stood at a healthy level of 95% as at 30 June 2020. Nonetheless, it was inevitable that newly committed rents decreased on average as the portfolio concluded the Reporting Period with a negative rental reversion for the first time.

**Enhancement initiatives to boost competitiveness.** In June, Fortune Malls Mobile APP was launched to enhance the customer experience by serving them online-to-offline in a complementary manner. The APP not only integrates all 16 Fortune Malls in Hong Kong but also features a loyalty programme, Fortune+ membership scheme, where members can convert spending into auspicious rewards. The APP has been well-received by customers and we are hopeful that it will drive more businesses and footfall into Fortune Malls.

In addition, further to the successful asset enhancement initiatives completion at +WOO Phase 1 in 2019, the renovation at +WOO Phase 2 is currently under planning. It aims to further strengthen +WOO’s position as the leading one-stop leisure and shopping destination in Tin Shui Wai.

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<sup>1</sup> Based on the closing unit price of HK\$6.97 as at 30 June 2020.

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***Index inclusion signifies a key milestone.*** Fortune REIT has been included in the MSCI Hong Kong Small Cap index, effective as of market close on 29 May 2020. This marks an important milestone to raise Fortune REIT's profile in global capital markets and to enhance the trading liquidity further.

**Ms Justina Chiu, Chief Executive Officer of the Manager,** said, "Fortune REIT takes pride in its resilience and track record of delivering growth for more than a decade. The wellbeing of employees, tenants and customers have always been our top priority and we have taken a wide range of health and safety precautionary measures at Fortune Malls to mitigate the impact of the pandemic. To navigate the difficult time, we have been working hard to support our tenants and stimulate sales with a series of marketing promotions. Looking ahead, we remain cautiously optimistic on the long-term prospect of Fortune Malls and are well poised to embark on market opportunities when they arise. Regardless of the near-term challenges, we remain focused on safeguarding the long-term value for Unitholders through proactive asset management, effective cost control, robust balance sheet management and prudent acquisitions."

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**About Fortune REIT.** Established in 2003, Fortune REIT is a real estate investment trust constituted by a trust deed (as amended, supplemented or otherwise modified from time to time). It is the first REIT to hold assets in Hong Kong and is currently listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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, +WOO, Ma On Shan Plaza, Metro Town, Fortune Metropolis, Belvedere Square, Laguna Plaza, 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, the manager of Fortune REIT. The Manager is a wholly-owned subsidiary of ARA Asset Management Limited, a leading APAC real assets fund manager with a global reach. 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 or related financial instruments in Fortune REIT in Hong Kong or any other jurisdiction.

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