

Press Release

Fortune REIT announces 2021 full year results

Resilience anchored by high occupancy and tenant retention

1 March, 2022 - **ARA Asset Management (Fortune) Limited** (the “Manager”), the manager of **Fortune Real Estate Investment Trust** (“Fortune REIT”; SEHK: 778), announces the annual financial results of Fortune REIT for the year ended 31 December 2021 (“FY2021” or the “Reporting Year”).

Income available for distribution resumed growth. Hong Kong’s economy was gradually improving throughout much of 2021 until the recent outbreak of the Omicron variant. For FY2021, Fortune REIT reported a revenue of HK\$1,806.4 million and net property income of HK\$1,381.6 million, representing a year-on-year decrease of 2.0% and 2.6% respectively. Although rental income was dampened by negative rental reversion and lower portfolio occupancy due to two AEIs underway, increased carpark income and lower rental concession have helped to cushion the shortfall. Thanks to a 21.4% reduction in finance cost, income available for distribution resumed growth and recorded an increase of 1.1% year-on-year to HK\$981.1 million. In anticipation of the challenges ahead and as a prudent measure, the Board has decided on a 90% distribution payout ratio for the Reporting Year to conserve cash. Accordingly, the full year DPU was down by 4.9% year-on-year to 44.83 HK cents, representing a distribution yield of 5.6%¹.

Operations exhibited resiliency. With a strong focus on necessity trade mix, Fortune Malls enjoyed resilient demand for non-discretionary goods amid better local consumption. However, negative rental reversions were still inevitable in 2021 as the leases renewed were mostly off a higher rent level set two-to-three years ago. Nevertheless, the flexible leasing strategy approach have been successful in maintaining steady income streams from the portfolio as Fortune Malls concluded FY2021 with a tenant retention of 74% and portfolio occupancy of 94.3%. We continued to support our tenants’ business via sales-driven marketing campaigns and rewards through our Fortune Malls mobile APP. Online-to-offline marketing campaigns have been launched to capture the spending power brought by the government’s Consumption Voucher Scheme. In tandem with the easing of COVID-19 protocols, daily average footfall and hourly carpark income increased by 11.3% and 29.3% year-on-year respectively in the second half of 2021.

Enhancement initiatives to capture eventual upturn. In 2021, renovation works have commenced to upgrade Phase 2 of +WOO and revamp the food court at Fortune Metropolis. These two flagship malls are well positioned to capitalize on the demand from the expanding population and improving transportation network in Tin Shui Wai and Hung Hom respectively. At +WOO, the renovation will be undertaken by phases, affected areas will re-open in stages beginning from mid-2022. The mall will be revitalised through an enhanced layout and inclusive facilities while infusing interactive digital touches and recreational elements, making it a desirable destination for shoppers of all-ages. We believe these AEIs programmes will position Fortune Malls well for the eventual market upturn.

¹ Based on the closing unit price of HK\$8.01 as at 31 December 2021.

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Strong balance sheet to withstand market headwinds. Fortune REIT further strengthened its financial position during the Reporting Year. There are no refinancing needs until end of 2023 with average debt maturity extended to 3.9 years. In anticipation of upcoming rate hikes, additional interest rate swaps were entered to raise the hedging ratio to 70% as at 31 December 2021. With a gearing at 22.4% and an ample debt headroom of HK\$21.9 billion, Fortune REIT possessed a strong balance sheet to withstand market headwinds and to capture opportunities as they arise.

Ms Justina Chiu, Chief Executive Officer of the Manager, said, “The steady income stream anchored by our ability to retain quality tenants, have once again demonstrated the resilience of our neighbourhood malls portfolio in Hong Kong. We remain positive on the long-term outlook in the sector and believe the two AEIs at +WOO and Fortune Metropolis would strengthen Fortune Malls’ market positioning and lay a solid foundation for future growth. In the near term, with the surge of Omicron variant and the fluidity of the COVID-19 situation, Hong Kong’s economic recovery is likely to experience a setback with the government having implemented its toughest social distancing measures since the start of the pandemic. The temporary Rental Enforcement Moratorium announced under HKSAR’s 2022-23 budget may adversely affect landlord’s ability to collect rent and hence bring uncertainty to operating cashflows in the near term. We will closely monitor the implications on our business so as to react to the changing market conditions swiftly.”

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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 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.

About ARA Asset Management (Fortune) Limited, the Manager

Fortune REIT is managed by ARA Asset Management (Fortune) Limited, a part of the ESR Group (the "ESR"). ESR is APAC's largest real asset manager powered by the New Economy and the third largest listed real estate investment manager globally. With US\$140 billion in gross assets under management (AUM), ESR's fully integrated development and investment management platform extends across key APAC markets, including China, Japan, South Korea, Australia, Singapore, India, New Zealand and Southeast Asia, representing over 95% of GDP in APAC, and also includes an expanding presence in Europe and the U.S. ESR provides a diverse range of real asset investment solutions and New Economy real estate development opportunities across its private funds business, which allows capital partners and customers to capitalise on the most significant secular trends in APAC. With 14 listed REITs managed by ESR and its associates, ESR is the largest sponsor and manager of REITs in APAC with a total AUM of US\$45 billion. ESR's purpose – Space and Investment Solutions for a Sustainable Future – drives ESR to manage sustainably and impactfully and it considers the environment and the communities in which it operates as key stakeholders of its business. Listed on the Main Board of The Stock Exchange of Hong Kong, ESR is a constituent of the FTSE Global Equity Index Series (Large Cap), Hang Seng Composite Index and MSCI Hong Kong Index. More information can be found at www.esr.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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