

Press Release

Fortune REIT reports FY2022 DPU of 44.15 HK cents on 100% payout ratio

7.0% dividend yield backed by steady income and prudent financials

2 March, 2023 - **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 2022 (“FY2022” or the “Reporting Year”).

100% payout ratio offers attractive yield. Fortune REIT reported a slight drop of 2.3% in revenue (HK\$1,764.4 million) for the Reporting Year in the context of a challenging operating environment as a result of the fifth wave of COVID-19 in Hong Kong in early 2022. Rental concessions were granted in the first half of 2022 as social distancing measures were tightened to the strictest level, forcing many tenants to suspend operations during the most severe months. On the other hand, ongoing asset enhancement initiatives (“AEIs”) resulted in lower portfolio occupancy, which also impacted rental income. The second half of 2022 saw a turnaround with revenue increasing by 3.4% over the first half. In particular, rental concessions were no longer needed as most tenants were able to resume business following the subsequent easing of social distancing measures. Despite the increase in operating expenses and borrowing costs, the full-year DPU recorded a slight decrease of 1.5% to 44.15 HK cents as the distribution payout ratio returned to 100%. The DPU for FY2022 represents an attractive distribution yield of 7.0%¹.

Steady income underpinned by strong tenant retention. Amid the business uncertainty at the start of 2022, Fortune REIT focused on retaining quality tenants and maintaining a steady income stream. Its strategy of granting relief to tenants in order to encourage prompt rent payments worked well, as rent collection rates quickly rebounded and a strong tenant retention rate of 78% was recorded for the full year. Negative rental reversion continued, but generally showed a narrowing trend throughout 2022. As at 31 December 2022, the portfolio occupancy rate remained healthy at 93.9% despite the frictional vacancy at Fortune REIT’s largest property, +WOO.

+WOO AEIs to drive organic growth. The HK\$300 million AEIs at +WOO continued to progress well in 2022. The first stage of the renovation, covering up to 44% of the area within +WOO Phase 2, was completed in July. The project is expected to make further progress in 2023 with an overall completion by the first half of 2024. +WOO will delight shoppers with a brand-new image and a more engaging shopping experience. Fortune REIT is confident that +WOO will solidify its leading position in Tin Shui Wai and be well positioned to capture the new demand from the growing population fuelled by the government’s Northern Metropolis development plan.

¹ Based on Fortune REIT’s closing unit price of HK\$6.34 as at 30 December 2022

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Ms Justina Chiu, Chief Executive Officer of the Manager, said, "Amid the various headwinds in 2022, we continued to strengthen Fortune REIT's long-term competitiveness on multiple fronts. We have entered the overseas market with the acquisition of the Stars of Kovan Property in Singapore, a strategic fit to our existing portfolio. We are also pleased to see that the AEIs at +WOO are progressing well and have already attracted more visitors, with new tenants gradually entering the completed zone. Serving as Fortune Malls' CRM platform, the APP and its loyalty programme had a few major upgrades, including the launch of the Fortune Malls e-Voucher. These online presences enabled us to stay connected with our customers and members during the COVID downtime. Great strides were also made in sustainability, including the certification of our entire Hong Kong portfolio as green buildings and the securing of HK\$1.8 billion new sustainability-linked loans."

Ms Chiu concluded, "The full reopening of the border will allow Hong Kong to finally reconnect with the Mainland and the world. The continued disbursement of Consumption Voucher Scheme in 2023 will boost spending sentiment. With economic activities returning to normal and the retail market picking up as the labour market improves and tourists return, we are optimistic about the prospects for Fortune REIT's portfolio of neighbourhood malls. In 2023, +WOO is expected to make a positive contribution to our top line as its AEIs progress further, while Stars of Kovan Property will also contribute a full year of revenue. Lastly, with a gearing of 23.9%, and 62% of our debt hedged at fixed interest rates, we expect our balance sheet to remain resilient while providing ample debt headroom for any good investment opportunities."

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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 17 retail properties, with 16 private housing estate retail properties in Hong Kong and 1 neighbourhood mall in Singapore, comprising 3 million sq. ft. of retail space and 2,793 car parking spaces. The retail properties are Fortune City One, +WOO, Ma On Shan Plaza, Metro Town, Fortune Metropolis, Laguna Plaza, Belvedere Square, Waldorf Avenue, Caribbean Square, Jubilee Square, Tsing Yi Square, Smartland, Stars of Kovan Property, 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 over US\$140 billion in total 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. 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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