

Press Release

Fortune REIT enters Singapore with S\$88 million Acquisition of Stars of Kovan Property

7 August 2022 - **ARA Asset Management (Fortune) Limited** (the “**Manager**”), the manager of **Fortune Real Estate Investment Trust** (“**Fortune REIT**”; SEHK: 778), announces today that Fortune REIT (through a wholly-owned subsidiary) has entered into a sale and purchase agreement to acquire the Stars of Kovan Property in Singapore (“the **Property**”) for S\$88 million (approximately HK\$501 million¹) (“the **Acquisition**”). The consideration represents a 7.4% discount from the independent valuation² as at 30 June 2022. This marks Fortune REIT’s first foray into an overseas market.

The Property is located in the north-east region of Singapore within a residential neighbourhood in the Hougang area. It consists of 36 shop units and a public car park within Stars of Kovan. Within a 5-minute walking distance to the Kovan MRT station, the mixed-use development comprises 395 luxurious residential units, ground floor shops and a basement carpark. The 22,638 square feet retail space together with 80 car parking spaces offer a 3.4% net property yield. Stars of Kovan was developed by CK Assets Holding Limited and completed in 2019.

Singapore is widely regarded as an APAC hub for wealth and asset management. The transparent and business friendly environment, coupled with a robust legal and regulatory framework have made it a highly attractive investment destination.

Justina Chiu, Chief Executive Officer of the Manager, said, “We are pleased to expand our footprint outside of Hong Kong as we look to diversify and enhance the stability of Fortune REIT’s income. The Stars of Kovan Property is a strategic fit with our existing portfolio of 16 neighbourhood retail assets in Hong Kong. With a 100% occupancy underpinned by a stable income stream from non-discretionary trade sectors, the Property is expected to improve Fortune REIT’s earnings and distributions upon completion of the Acquisition.”

The Acquisition will be predominantly funded with Singapore dollar bank borrowings, a S\$100 million five-year sustainability-linked revolving facility, to provide a natural currency hedge. Based on Fortune REIT’s consolidated financial position as at 30 June 2022, the pro-forma gearing ratio is expected to increase slightly from 22.4% to 23.4% upon completion of the transaction, scheduled for October 2022.

Ms Chiu concluded, “This first overseas acquisition is a significant milestone for Fortune REIT and demonstrates our commitment to driving sustainable returns for our Unitholders. We are delighted about the Acquisition as it further advances Fortune REIT’s position as the leading investor and manager of neighbourhood retail assets.”

¹ Based on the exchange rate (SGD 1: HKD 5.69) quoted on Bloomberg as at 1 August 2022.

² By Colliers International (Hong Kong) Limited.

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Pictures of the Stars of Kovan Property



Summary of Acquisition

Property description	36 Shop units and public car park, Stars of Kovan
Address	988 Upper Serangoon Road, Singapore 534733
Building completion	November 2019
Land tenure	99 leasehold from 2015
Purchase price	S\$88 million (approximately HK\$501 million)
Valuation	S\$95 million (approximately HK\$541 million)
Gross rentable area	22,638 sq.ft.
Number of parking space	80
Retail occupancy	100%
Net property yield	3.4%

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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. 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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