

Press Release

Fortune REIT Reports 6.0% Growth in 1H2023 Net Property Income

8%¹ annualised dividend yield backed by steady income and prudent financials

8 August 2023. **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 2023 (“1H2023” or the “Reporting Period”).

Improved revenue and an attractive yield. Gross revenue and net property income increased 4.7% and 6.0% year-on-year to HK\$908.7 million and HK\$671.9 million respectively. The positive performance was driven by an improvement recorded in all major revenue streams including base rent, car park income, charge-out income and turnover rent; as well as the absence of rental rebate in the Reporting Period. The operational gain was however eroded by a sharp increase in borrowing cost. As a result, income available for distribution for the Reporting Period decreased 2.0% year-on-year to HK\$447.7 million. With a 100% distribution payout ratio, the interim DPU was 22.36 HK cents, representing an annualized distribution yield of 8.0%¹.

Healthy occupancy and improved mall traffic. Fortune Malls witnessed a pick-up in leasing momentum during 1H2023 and signed leases for a total of 378,000 sq.ft., representing 12.5% of total portfolio area. More than half of the leases expiring in 2023 have already been renewed or re-let. Tenant retention rate was 77% with some sectors continued to see a gradual improvement in rental. Despite the major AEs underway at +WOO, Fortune REIT’s portfolio occupancy remained healthy at 94.1% as at 30 June 2023. With the gradual recovery in Hong Kong’s retail market and the Government’s multiple economic stimulus including the first disbursement of 2023 Consumption Voucher Scheme, Fortune Malls saw notable growth in mall traffic during the first half of 2023. Footfall and hourly car park income increased by 20.3% and 26.1% respectively year-on-year.

+WOO AEs on track for completion in 2024. The HK\$300 million AEs at +WOO Phase 2 made further progress during the Reporting Period, with the second stage of the three-stage project approaching its phased completion in the third quarter of 2023. Reconfigured with modernized atriums, enhanced store layout and various facilities, the refurbished zones have already boosted footfall and attracted new tenants from a wide range of sectors, including food and beverage, sports and wellness and leisure and entertainment. The final phase of the refurbishment will follow, and it is expected to be fully completed in the first half of 2024.

Metro Town space reconfiguration yields good returns. The Manager took the opportunity to reconfigure a 8,500 sq.ft. vacant kindergarten space at Metro Town into 3 brand new shops, along the main corridor with the highest foot traffic. With a more efficient layout and attractive retail offerings, the enhanced area generated a satisfactory return on investment of 11%.

¹ Based on the closing unit price of HK\$5.64 as at 30 June 2023.

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63% of debt hedged to fixed rates cushioning impact from rate hikes. Fortune REIT's resilience has always been underpinned by its prudent capital management. As at 30 June 2023, Fortune REIT reported a healthy gearing of 23.8% and an interest coverage ratio of 4.6 times. Approximately 63% of Fortune REIT's borrowings are hedged to fixed rates through interest rate swaps of varying maturities. The proportion of debt hedged is expected to stay around the current levels throughout 2023 and continues to protect Fortune REIT from interest rate hikes. In addition, upon the refinancing of a HK\$1.5 billion loan in October 2023, there will be no further refinancing needs until late 2025.

Ms Justina Chiu, Chief Executive Officer of the Manager, said, "We are pleased to have delivered higher revenue and net property income for the first half of 2023 with the interim DPU representing an attractive 8.0% annualised yield. With interest rates likely to remain high for an extended period and operating cost pressures coming into play, we will guard by a tight budget and proactively look to mitigate the negative impacts. We remain cautiously positive on the long-term prospect for Fortune REIT's portfolio of neighborhood malls and believe the AEIs at our flagship mall +WOO coupled with other enhancement opportunities across the portfolio would strengthen Fortune Malls' market positioning and lay a solid foundation for future growth."

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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 neighborhood 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\$150 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\$46 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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