

Press Release

Fortune REIT Announces 2024 Interim Results

Improved Occupancy underpinned by Stable Leasing Demand 9.7% Annualized Distribution Yield

6 August 2024 - ESR 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 2024 (“**1H2024**” or the “**Reporting Period**”).

Attractive 9.7% annualized yield. Retail sales in Hong Kong saw an initial boost in early 2023 but the momentum weakened as outbound travel rebounded at a faster pace than inbound. As we stepped into 2024, the retail market’s recovery protracted and concluded 15 months of consecutive growth in March 2024.

Fortune REIT reported revenue and net property income of HK\$871.8 million and HK\$633.1 million for 1H2024. Compared to the second half of 2023 (“**2H2023**”), revenue dropped slightly by 0.6%. Besides, finance cost remained stable and was lowered by 0.3% compared to 2H2023 with an effective borrowing cost of 4.1%. Approximately 55% of our debt are swapped into fixed rates as at 30 June 2024. Income available for distribution was HK\$369.5 million, with a 100% payout ratio, the interim Distribution Per Unit (“**DPU**”) was 18.23 Hong Kong cents, which equates to an annualized distribution yield of 9.7%.

Stable leasing demand with improved occupancy amid headwinds. The portfolio occupancy has shown an upward trajectory over the past year, climbing to 94.8% as of 30 June 2024, from 94.1% a year ago. Despite negative rental reversions in some sectors impacting our rental performance during the Reporting Period, Fortune Malls continues to see stable leasing demand. This is evident by signing 424,000 sq.ft. of leases and maintaining a tenant retention rate of 83%. The F&B sector, along with Services & Education – our two predominant business categories – have seen a slight uptick in rent upon renewals.

The competition from neighbouring Mainland cities and the shift in consumer preferences necessitate ongoing innovation and adaptation to evolving market trends. Fortune Malls has risen to the occasion by refining our tenant mix, modernizing our shopping malls, and enhancing our services to heighten our competitive edge.

Adds New F&B Tenants to Boost Customer Appeal. Fortune Malls has enriched its F&B offerings by introducing some well-liked eateries over the Reporting Period. Included among them are Mammy Pancake (媽咪雞蛋仔), which is recommended by Michelin, as well as Bai Fung Bento (百芳池上便當), a purveyor of authentic Taiwanese boxed meals, Mizi (米籽), which offers traditional Yunnan noodles and dishes, and the esteemed Japanese yakiniku restaurant Gyu-Kaku (牛角), all of which have rapidly become popular dining spots with consistently long queues.

Exploring more repositioning opportunities following completion of +WOO Phase 2 AEs. The HK\$300 million enhancements for +WOO Phase 2 were essentially completed in July 2024. With a refreshed brand and improved amenities, we have reinforced +WOO as the leading shopping destination in Tin Shui Wai, in particular, expanding its offerings in lifestyle, entertainment, and food & beverage sectors. As we continue to lease out the remaining spaces after the AEs, occupancy for +WOO is expected to climb further from the current 93.4% as at 30 June 2024.

In addition, we see potential for repositioning to align our portfolio with evolving market trends and consumer needs. We have reduced reliance on real estate agencies since last year and are exploring repositioning and reconfiguration opportunities in our portfolio, especially for larger spaces. We will continue to refine our tenant assortment to maintain Fortune Malls’ competitiveness.

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Ms. Justina Chiu, Chief Executive Officer of the Manager, said, "The evolution and transformation of the retail landscape has necessitated corresponding adjustments for both retailers and us in our role as landlord. Our strategy to be adaptive in leasing and continuing to invest in shopping mall enhancements has allowed us to keep abreast, amid a subdued retail environment. Despite a decline in revenue for the Reporting Period, finance cost was stable while portfolio occupancy rate has improved with a high tenant retention. The completed AEs at +WOO will further boost its occupancy and rental income in the second half of this year. With our prudent capital management and sound financials, Fortune REIT is well positioned to seize opportunities as they arise in this rapidly evolving retail landscape."

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Photo 1: Ms. Justina Chiu, Chief Executive Officer (left), and Ms. Jenny Hung, Deputy Chief Executive Officer (right) of ESR Asset Management (Fortune) Limited, attended the 2024 Interim Results Press Conference.

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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 approximately 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, Belvedere Square, Laguna Plaza, Fortune Metropolis, Waldorf Avenue, Caribbean Square, Jubilee Square, Tsing Yi Square, Smartland, Stars of Kovan Property, Hampton Loft, Centre de Laguna, 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 ESR Asset Management (Fortune) Limited, the Manager

Fortune REIT is managed by ESR Asset Management (Fortune) Limited, a part of the ESR Group (the “ESR”). ESR is Asia-Pacific's leading New Economy real asset manager and one of the largest listed real estate investment managers globally. ESR's fully integrated fund management and development platform extends across Australia/New Zealand, Japan, South Korea, Greater China, Southeast Asia and India, including a presence in Europe and the United States. ESR provides investors with a diverse range of real asset investment and development solutions across private and public investment vehicles. ESR focuses on New Economy real assets offers customers modern solutions for logistics, data centres, life sciences, infrastructure, and renewables. ESR's purpose, Space and Investment Solutions for a Sustainable Future, drives them to manage sustainably and impactfully for the communities where it operates and the spaces it develops to thrive for generations to come. ESR is listed on The Stock Exchange of Hong Kong (HKSE: 1821.HK). Visit www.esr.com for more information.

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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