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Fortune Real Estate Investment Trust

*(a collective investment scheme authorized under section 104
of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))*

(Stock Code: 778)

**Managed by
ESR Asset Management (Fortune) Limited**

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024 AND RECORD DATE FOR DISTRIBUTION ENTITLEMENT

Fortune Real Estate Investment Trust ("**Fortune REIT**") is a real estate investment trust constituted by a trust deed ("**Trust Deed**") entered into on 4 July 2003 (as amended, supplemented or otherwise modified from time to time). Fortune REIT is listed on The Stock Exchange of Hong Kong Limited ("**SEHK**").

Fortune REIT holds a portfolio of 17 retail properties, with 16 private housing estate retail properties in Hong Kong and 1 neighborhood mall in Singapore, comprising approximately 3.0 million square feet ("**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, Centre de Laguna, Hampton Loft, Lido Avenue, Rhine Avenue and Stars of Kovan Property. They house tenants from diverse trade sectors such as supermarkets, food and beverage outlets, banks, real estate agencies, and education providers.

The board of directors of ESR Asset Management (Fortune) Limited, as the manager of Fortune REIT (the “**Manager**”) is pleased to announce the audited results of Fortune REIT for the year ended 31 December 2024 (the “**Reporting Year**” or “**FY2024**”) as follows:

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2024	Year ended 31 December 2023	% change
Revenue (HK\$ million)	1,746.3	1,785.9	-2.2%
Net property income (HK\$ million)	1,253.3	1,299.4	-3.5%
Income available for distribution (HK\$ million)	723.4	810.6	-10.8%
Distribution per unit (“ DPU ”) (HK cents)	35.59	40.38	-11.9%
Cost-to-revenue ratio	26.0%	25.0%	+1.0%
	As at 31 December 2024	As at 31 December 2023	% change
Property valuation (HK\$ million)	38,056	38,997	-2.4%
Net asset value per unit (HK\$)	13.21	13.94	-5.2%
Gearing ratio ^[1]	25.6%	24.6%	+1.0%

Note:

1. Gearing ratio is defined as total borrowings as a percentage of gross assets.

DISTRIBUTION

Fortune REIT’s distribution policy is to distribute no less than 90% of its audited annual net income after tax (before transactions with unitholders) for the relevant financial period adjusted to eliminate the effects of certain adjustments set out in the Trust Deed.

FINANCIAL REVIEW

In 2024, Hong Kong’s retail market faced significant challenges due to sales leakage to competitive markets and the changing consumption preference of both local customers and tourists.

Against these headwinds, Fortune REIT’s gross revenue decreased by 2.2% year-on-year to HK\$1,746.3 million for the Reporting Year (2023: HK\$1,785.9 million), with most of the decline occurring in the first half. Revenue was down by only 0.3% year-on-year in the second half, compared to a 4.1% drop in the first half. The decline was mainly due to negative rental reversions from certain sectors, albeit partially offset by an overall improvement in average occupancy.

Total property operating expenses (excluding the Manager’s performance fee) increased by 1.8% year-on-year to HK\$454.2 million (2023: HK\$446.2 million). In particular, building management expenses were higher due to increased staff costs and more expensive service contracts. Carpark expenses also increased as free parking was offered in our promotional campaigns. However, we managed to achieve saving in utilities as we reduced electricity usage and also thanks to lower fuel charges. Accordingly, net property income for the Reporting Year decreased by 3.5% year-on-year to HK\$1,253.3 million (2023: HK\$1,299.4 million) and the cost-to-revenue ratio was 26.0% (2023: 25.0%).

Finance cost (excluding changes in fair value of derivative financial instruments) rose by 13.1% year-on-year to HK\$396.9 million (2023: HK\$351.1 million), attributable to a higher HIBOR and the entry into a new interest rate swap at a higher fixed rate to maintain the hedging ratio. As interest rate cut began in September 2024, finance cost remained largely stable in the second half of 2024. More than half of our loans were hedged to fixed rates, resulting in an effective borrowing cost of 4.0% for the Reporting Year (2023: 3.6%).

Income available for distribution for the Reporting Year amounted to HK\$723.4 million (2023: HK\$810.6 million). The Manager elected to receive 20% cash and 80% units for the payment of base fee from the 2024 financial year onwards. This seeks to address investors' concern of losing value over time from the issuance of new units at big discounts, but led to lower cash distribution. With a distribution payout ratio of 100% for the Reporting Year (2023: 100%), the full year DPU was 35.59 HK cents (2023: 40.38 HK cents), representing a 11.9% decline year-on-year. Based on the closing unit price of HK\$3.99 as at 31 December 2024, the 2024 full year DPU implied a distribution yield of 8.9%.

The final DPU of 17.36 HK cents for the year ended 31 December 2024 will be paid on 25 April 2025 to Unitholders whose names appear on the register of Unitholders of Fortune REIT as at 21 March 2025.

Capital Management

Fortune REIT's balance sheet remained sound. As at 31 December 2024, the gearing ratio remained steady at a healthy level of 25.6% (2023: 24.6%), while gross liability as a percentage of gross assets was 30.0% (2023: 28.9%). As at 31 December 2024, approximately 55% of total debt has been hedged to fixed rates (2023: 62%).

Fortune REIT possesses sufficient resources to meet its financial commitments and working capital requirements. As at 31 December 2024, total loan facilities drawn down amounted to HK\$9,849.7 million (2023: HK\$9,715.9 million). Available liquidity amounted to HK\$718.3 million (2023: HK\$858.4 million), comprising committed but undrawn facilities of HK\$621.7 million (2023: HK\$751.7 million) and bank deposits of HK\$96.6 million (2023: HK\$106.7 million).

Net asset value per unit amounted to HK\$13.21 as at 31 December 2024 (2023: HK\$13.94).

Portfolio Valuation

As at 31 December 2024, the total value of Fortune REIT's investment properties was HK\$38,056 million (2023: HK\$38,997 million). The average capitalization rate of the Hong Kong assets remained unchanged at 4.3%.

Colliers International (Hong Kong) Limited, the principal valuer, has adopted the income capitalization approach to the valuation methodology, which is cross-referenced with a direct comparison approach.

PORTFOLIO HIGHLIGHTS

As at 31 December 2024, Fortune REIT owns a geographically diverse portfolio of 16 and 1 retail properties in Hong Kong and Singapore respectively, comprising approximately 3.0 million sq.ft. of retail space and 2,793 car parking lots.

Property	Gross Rentable Area ("GRA") (Sq. ft.)	Valuation (HK\$ million)	Occupancy	No. of car parking lots
Hong Kong Portfolio				
Fortune City One	414,469	7,808	95.2%	653
+WOO	665,244	7,529	94.7%	622
Ma On Shan Plaza	310,084	5,425	98.2%	290
Metro Town	180,822	3,446	100%	74
Fortune Metropolis	332,168	2,366	89.9%	179
Laguna Plaza	163,203	2,296	97.5%	150
Belvedere Square	276,862	2,299	91.0%	329
Waldorf Avenue	80,842	1,712	99.5%	73
Caribbean Square	63,018	1,171	98.6%	117
Jubilee Square	170,616	940	96.8%	97
Tsing Yi Square	78,836	788	96.9%	27
Smartland	123,544	777	96.5%	67
Centre de Laguna	43,000	300	66.4%	N.A
Hampton Loft	74,734	326	100%	35
Lido Avenue	9,836	200	100%	N.A
Rhine Avenue	14,604	130	100%	N.A
Singapore Portfolio				
Stars of Kovan Property	22,638	543	100%	80
Total / Overall average	3,024,520	38,056	95.0%	2,793

BUSINESS REVIEW

Hong Kong's economy expanded moderately in 2024, with gross domestic product increasing by 2.5% year-on-year. Despite tourism recovery, low unemployment, and wage growth boosting consumption, the retail market struggled due to intense competition from nearby markets and shifting spending patterns of residents and tourists. The strong Hong Kong dollar and ease of cross-border shopping further discouraged local spending.

Many Hong Kong residents travelled abroad during their holiday in 2024, with outbound travel surging by 45.0% year-on-year to a record high of 105 million departures in total. Conversely, inbound tourists fell short of expectation and grew by only 30.9%, totalling 45 million. Weaker tourist spending did not provide any relief to the retail market. In 2024, total retail sales value declined by 7.3% year-on-year, continuing a downward trend that began in March 2024. Luxury markets saw significant drops, while essential sectors fared relatively better.

To navigate the evolving economic landscape, the Manager implemented a proactive and flexible leasing strategy, focusing on maintaining stable occupancy, retaining quality tenants and seizing opportunities for trade mix upgrades. During the Reporting Year, leases of 1,043,000 sq.ft. were secured, representing 34.5% of total portfolio area. Tenant retention remained high at 79%. As at 31 December 2024, the occupancy rate improved to 95.0% (2023: 94.4%). Portfolio occupancy has been solid throughout the Reporting Year, which helped to stabilize rental income in a soft market.

Negative rental reversion continued for the portfolio in 2024 with loss primarily coming from three major sectors, namely real estate agents, kindergartens, and supermarkets. Having already been through a few tough years, the operating environment for both real estate agents and kindergartens saw improvements compared to a year ago. The lifting of demand-side management measures for residential properties is likely to boost market transactions, thereby supporting rent affordability for agents while kindergartens may receive new demand from children of incoming talents. Supermarkets, on the other hand, are experiencing structural competitions that affect their rents and demand for space. We are proactively assessing the impact of northbound travel on different sectors and seek opportunities to repurpose the spaces of non-performing sectors.

Strategic Trade Mix Enhancement

We constantly evaluate and optimize the tenant mix to keep our malls relevant to market trends and consumer preferences. To enhance shopping experience and extend customers' stay, we focus on refreshing our F&B lineup and expanding experiential and entertainment offerings at Fortune Malls.

The F&B sector, contributing 29% of our total rental, has been enriched with more than 10 brands entering Fortune Malls for the first time during the Reporting Year. For example, Metro Town saw Jollibean (石磨豆漿, a soy-based caterer from Singapore) opening its first Hong Kong store. Brands such as Dough Bros (a fast-expanding pizza and doughnut specialist), Gyu-Kaku (牛角, a popular Japanese yakiniku brand), Sukiya (Japan's largest gyudon chain) and Bai Fung Bento (百芳池上便當, authentic Taiwanese Bentos specialist) entered Fortune City One and Ma On Shan Plaza as they expanded their businesses in the Shatin area. +WOO, following its recent asset enhancement initiatives ("AEIs") completion, had eateries such as Mammy Pancake (媽咪雞蛋仔, Michelin-recommended) and Mizi (米籽, featuring traditional Yunnan noodles and dishes) opened their first stores in Tin Shui Wai.

We have also enhanced lifestyle choices within Fortune Malls by introducing GAC MOTOR AION's flagship store at Fortune Metropolis, adding three outdoor and sportswear shops at +WOO, and welcoming two travel agents at Waldorf Avenue.

Impactful Marketing Campaigns to Engage Customers

Impactful marketing campaigns have been instrumental in effectively engaging our customers. During the Reporting Year, we successfully launched four festival campaigns that captured attention –

- Duckyo Friends Celebrating the Year of the Dragon (Duck 心應手賀龍年)
- Gotte's Green Haven (助六之日常花園綠野悠)
- Kakao Friends Sport Mania (萌爆健兒運動會)
- Fortune Malls X Cheap Century Christmas Amazing (聖誕 Amaze 城)

These initiatives featured popular IP characters, festive displays and decorations, gift redemption, lucky draw, and live stage performances, all aimed at creating memorable experiences for our visitors while ultimately driving foot traffic and boosting tenants' sales. Additionally, thematic promotional campaigns targeted sectors such as education, food and beverages, and wet market were launched with attractive spending rewards while increasing free parking offers to extend customer stay at Fortune Malls. We hosted a series of Family Carnival Day (置富童樂日) with our education tenants, where all operators came together to showcase their offerings as families enjoyed the carnival while satisfying their educational needs. As we leveraged social media effectively, these promotions were amplified to reach a wider audience and enhance customer engagement.

The Fortune Malls App has made significant progress in enhancing customer satisfaction. App membership rose by a remarkable 52% year-on-year in 2024, boosting both sales and traffic to our malls. Following the successful launch of e-voucher in 2022, the redemption was made even more attractive, increasing both registered receipts and redemption by more than 20% year-on-year. Additionally, we introduced contactless entry and in-app payment options for carpark users, ensuring a seamless visit.

Despite the retail market being adversely impacted by a continued uptick in outbound travel in the latter half of 2024, which saw an 11.5% increase compared to the first half, our comprehensive efforts helped cushion the impact and stabilize footfall in our malls, with footfall in the second half showing a slight improvement of 0.1% compared to the first half. Meanwhile, hourly car park income demonstrated growth, increasing by 1.3% year-on-year in 2024, underscoring resilience and appeal of our neighborhood malls.

+WOO Revitalization Boosts Shopping Experience and Occupancy

The completion of the HK\$300 million AEs for Phase 2 of +WOO in July 2024 has elevated the shopping and dining experience, solidifying its reputation as the leading and most vibrant neighborhood mall in Tin Shui Wai.

With 270,000 residents in the immediate catchment and further expansion expected in the near future, +WOO now features a diverse range of new tenants in dining, retail, education, wellness, household goods, lifestyle and entertainment. F&B offerings has increased to over 30 brands, catering to a wide range of tastes including Western, Eastern, and refreshment selections. Additionally, it houses the only cinema and lottery centre in the district, along with a 24-hour fitness centre and game houses, offering various entertainment and lifestyle amenities. Retail offerings are also gaining tractions with the addition of several fashion and sportswear stores. +WOO saw occupancy picked up to 94.7% as at end of 2024. As leasing momentum continues, we are hopeful to further improve the occupancy at +WOO.

Sustainability in Action

Fortune REIT, the first REIT in Hong Kong to commit to the Science-Based Target Initiative targets, prioritizes initiatives that generate positive impacts for our communities and the environment. To cut Scope 1 and 2 greenhouse gas (“GHG”) emissions by 46% by 2030 (from a 2019 base year), we promote energy saving measures and enhance our sustainability practices. In 2024, we managed to cut Fortune Malls' electricity usage by 3%, a notable achievement in what has been Hong Kong's hottest year on record, thanks to our tireless property management team while supported by the smart building management system covering 85% of total floor area.

From Plate to Planet - Food Waste Management

As part of our comprehensive waste reduction and recycling programs across the portfolio, food waste management is a key focus area where we believe Fortune Malls can add significant value to the communities. Notably, with the expansion of our food waste collection scheme now covering eight Fortune Malls and the implementation of new measures aimed at more efficient collection, total food waste collection has significantly increased by 35% to a total of 351.5 tonnes for 2024.

Smart Naked Shopping – Green Bottle Movement

We partnered with Fill n' Go, a local green tech startup, to install smart self-service vending machines in three Fortune Malls. These machines provide eco-friendly personal care and household sanitary products, promoting a Bring-Your-Own-Bottle and naked shopping culture. The initiative has saved more than 2,300 bottles and avoided 0.14 tonnes of GHG emission.

Advancing E-Parking

We also made progress in promoting green mobility, expanding the installation of electric vehicle (“EV”) charging points to four additional Fortune Malls during the Reporting Year. The 83% increase in EV chargers, coupled with the earlier mentioned carpark upgrades including contactless entry and in-app payments, have largely enhanced customer experience.

Our ongoing commitment to sustainability has garnered us numerous awards and honours, including the prestigious 5-star rating in the Global Real Estate Sustainability Benchmark for the fourth consecutive year and a top ranking in Eastern-Asia Listed Retail. We have also been recognized as a constituent of the Hang Seng Corporate Sustainability Benchmark Index for the eighth consecutive year.

OUTLOOK

Looking ahead, escalating uncertainty from the Sino–U.S. geopolitical tensions and tariffs conflicts is affecting the revival of the Chinese economy. Meanwhile, a prolonged high-interest rate environment and strong Hong Kong dollar are hurting consumer sentiment and the recovery of Hong Kong’s retail market. Nevertheless, policy initiatives such as expanding the Individual Visit Scheme, resuming multiple-entry permits for Shenzhen residents, and various global schemes to attract incoming students and talents, aim to revive Hong Kong’s economy and long-term competitiveness. These measures are expected to drive tourist arrivals, population growth and capital inflows, thereby boosting demand and benefiting Hong Kong’s retail market.

The Manager will stay agile, focusing on sustainable long-term performance through active portfolio management, disciplined cost and capital management as well as capitalizing on growth opportunities.

EMPLOYEES

Fortune REIT is managed by the Manager and does not employ any staff itself.

NEW UNITS ISSUED

As at 31 December 2024, the total number of issued units of Fortune REIT was 2,032,611,195. A total of 23,958,436 new units were issued during the Reporting Year in the following manner:

- On 5 January 2024, 6,016,803 new units were issued to the Manager at the price of HK\$4.901 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's base fee of approximately HK\$29.5 million payable by Fortune REIT for the period from 1 October 2023 to 31 December 2023.
- On 22 April 2024, 6,556,997 new units were issued to the Manager at the price of HK\$3.558 per unit (being ascribed in the Trust Deed) as payment of 80% of the Manager's base fee of approximately HK\$23.3 million payable by Fortune REIT for the period from 1 January 2024 to 31 March 2024.
- On 8 July 2024, 6,080,134 new units were issued to the Manager at the price of HK\$3.810 per unit (being ascribed in the Trust Deed) as payment of 80% of the Manager's base fee of approximately HK\$23.2 million payable by Fortune REIT for the period from 1 April 2024 to 30 June 2024.
- On 10 October 2024, 5,304,502 new units were issued to the Manager at the price of HK\$4.418 per unit (being ascribed in the Trust Deed) as payment of 80% of the Manager's base fee of approximately HK\$23.4 million payable by Fortune REIT for the period from 1 July 2024 to 30 September 2024.

REPURCHASE, SALE OR REDEMPTION OF UNITS

During the Reporting Year, other than the disposal of 6,985,000 units by the Manager, there was no repurchase, sale or redemption of the units of Fortune REIT by Fortune REIT or its subsidiaries.

CORPORATE GOVERNANCE

With the objective of establishing and maintaining high standards of corporate governance, certain policies and procedures have been put in place to promote the operation of Fortune REIT in a transparent manner and with built-in checks and balances. The Manager has adopted a compliance manual (the "**Compliance Manual**") which sets out the key processes, systems, measures, and certain corporate governance policies and procedures applicable for governing the management and operation of Fortune REIT and for compliance with the applicable Hong Kong regulations and legislation.

Fortune REIT is a real estate investment trust listed on SEHK. Fortune REIT and/or the Manager are subject to the applicable laws, rules and regulations in Hong Kong, including the mandatory disclosure requirements and code provisions set out in the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix C1 to the Rules Governing the Listing of Securities on the SEHK.

The Manager confirms that Fortune REIT and the Manager have in material terms complied with the provisions of the Compliance Manual and have adhered to the principles and guidelines set out in the Corporate Governance Code which are applicable to Fortune REIT and/or the Manager throughout the Reporting Year.

RECORD DATE FOR DISTRIBUTION ENTITLEMENT

For the purpose of determining the distribution entitlement for the final distribution, the record date will be on Friday, 21 March 2025. In order to qualify for the final distribution, all unit certificates with completed transfer forms must be lodged with the unit registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 21 March 2025. The payment of final distribution will be made to unitholders on Friday, 25 April 2025.

REVIEW OF FINAL RESULTS

The final results of Fortune REIT for the Reporting Year have been reviewed by the Audit Committee and the Disclosures Committee of the Manager, and approved by the Board on 4 March 2025.

PUBLIC FLOAT

As far as the Manager is aware, more than 25% of the issued and outstanding units of Fortune REIT were held in public hands as at 31 December 2024.

ISSUANCE OF ANNUAL REPORT 2024

The 2024 Annual Report of Fortune REIT for the Reporting Year will be published on the websites of SEHK and Fortune REIT and (if requested) dispatched to unitholders on or before 30 April 2025.

By order of the board of directors of
ESR Asset Management (Fortune) Limited
(in its capacity as manager of Fortune Real Estate Investment Trust)
Chiu Yu, Justina
Chief Executive Officer

Hong Kong, 4 March 2025

The Directors of the Manager as at the date of this announcement are Mr. Chui Sing Loi (alias Tsui Sing Loi) as Chairman and Independent Non-executive Director; Dr. Chiu Kwok Hung, Justin, Mr. Lim Hwee Chiang, Ms. Yeung, Eirene and Mr. Ma Lai Chee, Gerald as Non-executive Directors; Ms. Chiu Yu, Justina as Executive Director; Ms. Cheng Ai Phing, Ms. Yeo Annie (alias Yeo May Ann) and Ms. Koh Poh Wah as Independent Non-executive Directors.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Revenue	5	1,746,262	1,785,894
Property operating expenses	6	<u>(454,183)</u>	<u>(446,245)</u>
Net property income before manager's performance fee		1,292,079	1,339,649
Manager's performance fee		<u>(38,773)</u>	<u>(40,200)</u>
Net property income		1,253,306	1,299,449
Manager's base fee		(116,190)	(118,182)
Interest income		357	355
Trust expenses		(7,051)	(8,262)
Change in fair value of investment properties	11	(1,011,039)	(629,447)
Finance costs	7	<u>(501,745)</u>	<u>(548,068)</u>
Loss before taxation and transactions with unitholders	8	(382,362)	(4,155)
Income tax expense	9	<u>(136,613)</u>	<u>(150,765)</u>
Loss for the year, before transactions with unitholders		(518,975)	(154,920)
Distributions to unitholders		<u>(723,430)</u>	<u>(810,619)</u>
Loss for the year, after transactions with unitholders		(1,242,405)	(965,539)
Other comprehensive income:			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange difference arising on translation of foreign operation		<u>106</u>	<u>156</u>
Net comprehensive expense for the year		<u>(1,242,299)</u>	<u>(965,383)</u>
Basic loss per unit (HK cents)	10	<u>(25.59)</u>	<u>(7.73)</u>

Distribution Statement

For the year ended 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
Loss for the year, before transactions with unitholders		(518,975)	(154,920)
Adjustments:			
Manager's base fee		92,952	118,182
Change in fair value of investment properties		1,011,039	629,447
Change in fair value of derivative financial instruments		104,825	197,009
Non-cash finance costs		23,094	17,334
Deferred tax		10,495	3,567
Income available for distribution	(i)	723,430	810,619
Distribution to unitholders			
Interim distribution		369,516	447,658
Final distribution		353,914	362,961
		723,430	810,619
Payout ratio	(ii)	100%	100%
Distribution per unit (HK cents)			
Interim distribution per unit	(iii)	18.23	22.36
Final distribution per unit	(iv)	17.36	18.02
		35.59	40.38

Notes:

- (i) The distribution policy of Fortune REIT is to distribute not less than 90% of consolidated net profit after tax (before transactions with unitholders) for the relevant financial period adjusted to eliminate the effects of certain adjustments in the Trust Deed.
- (ii) Distribution amount to unitholders of HK\$723.4 million for the year ended 31 December 2024 (2023: HK\$810.6 million), representing a payout ratio of 100% (2023: 100%) of Fortune REIT's income available for distribution of HK\$723.4 million for the year ended 31 December 2024 (2023: HK\$810.6 million).
- (iii) The distribution per unit of 18.23 HK cents for the six months ended 30 June 2024 (six months ended 30 June 2023: 22.36 HK cents) was calculated based on the interim distribution to unitholders of HK\$369.5 million (six months ended 30 June 2023: HK\$447.7 million) over 2,027,306,693 units (30 June 2023: 2,002,210,502 units), represented issued units as at 30 June 2024 of 2,021,226,559 units (30 June 2023: 1,996,969,182 units) plus the number of units issued after the distribution period to the Manager as payment of 80% of the Manager's base fee for its services in the second quarter of 2024 of 6,080,134 units (second quarter of 2023: payment in full of the Manager's base fee of 5,241,320 units). Interim distribution was paid on 17 September 2024 (2023 interim distribution: 22 September 2023).

- (iv) The distribution per unit of 17.36 HK cents for the six months ended 31 December 2024 (six months ended 31 December 2023: 18.02 HK cents) is calculated based on the final distribution to unitholders amount of HK\$353.9 million (six months ended 31 December 2023: HK\$363.0 million) over 2,038,349,280 units (31 December 2023: 2,014,669,562 units), representing issued units as at 31 December 2024 of 2,032,611,195 units (31 December 2023: 2,008,652,759 units) plus the number of units issued after the distribution period to the Manager as payment of 80% of the Manager's base fee for its services in the fourth quarter of 2024 of 5,738,085 units (fourth quarter of 2023: payment in full of the Manager's base fee of 6,016,803 units). Final distribution will be paid on 25 April 2025 (2023 final distribution: 19 April 2024).

Consolidated Statement of Financial Position

As at 31 December 2024

	Notes	2024 HK\$'000	2023 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	11	38,055,878	38,997,280
Derivative financial instruments		204,635	307,884
Total non-current assets		38,260,513	39,305,164
Current assets			
Derivative financial instruments		6,946	4,610
Trade and other receivables	12	95,332	93,806
Cash and cash equivalents		96,646	106,718
Total current assets		198,924	205,134
Total assets		38,459,437	39,510,298
Non-current liabilities			
Derivative financial instruments		3,912	-
Borrowings	13	6,516,104	8,998,374
Deferred tax liabilities		697,783	687,288
Total non-current liabilities		7,217,799	9,685,662
Current liabilities			
Trade and other payables	14	650,860	697,938
Borrowings	13	3,295,941	660,000
Distribution payable		353,914	362,960
Provision for taxation		10,170	23,638
Total current liabilities		4,310,885	1,744,536
Total liabilities, excluding net assets attributable to unitholders		11,528,684	11,430,198
Net assets attributable to unitholders		26,930,753	28,080,100
Units in issue and to be issued ('000)	15	2,038,349	2,014,670
Net asset value per unit attributable to unitholders (HK\$)	16	13.21	13.94

Notes

(1) General

Fortune Real Estate Investment Trust (“**Fortune REIT**”) is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and listed on The Stock Exchange of Hong Kong Limited (“**SEHK**”). Fortune REIT is governed by the Code on Real Estate Investment Trusts (the “**REIT Code**”) issued by the Securities and Futures Commission of Hong Kong (the “**SFC**”) and the Trust Deed made between ESR Asset Management (Fortune) Limited (the “**Manager**”) (formerly known as ARA Asset Management (Fortune) Limited) and HSBC Institutional Trust Services (Asia) Limited (the “**Trustee**”).

The principal activity of Fortune REIT is investment holding whereas its subsidiaries (together with Fortune REIT referred to as the “**Group**”) is to own and invest in a portfolio of retail shopping malls with the primary objective of producing stable distributions for unitholders and to achieve long term growth in the net asset value per unit.

(2) Basis of preparation

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the functional currency of Fortune REIT.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (the “**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”), and are drawn up in accordance with the applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK, the relevant provisions of the Trust Deed and the REIT Code issued by SFC.

The consolidated financial statements have been prepared on historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values at the end of each reporting period.

The Manager is of the opinion that, taking into account the headroom of the fair value of investment properties for obtaining additional banking facilities, internal financial resources of the Group and presently available undrawn banking facilities, the Group has sufficient working capital for its present requirements within one year from the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

(3) Principal Accounting Policies

Other than changes in accounting policies resulting from application of new and amendments to IFRSs, the accounting policies and methods of computation used in the consolidated financial statements for the year ended 31 December 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2023.

Application of amendments to IFRSs

In the current year, the Group has applied the following amendments to IFRSs issued by IASB for the first time, which are pertinent to the Group and is mandatorily effective for annual period beginning on or after 1 January 2024 for the preparation of the Group’s consolidated financial statements.

Amendments to IAS 1
Amendments to IAS 1

Classification of Liabilities as Current or Non-current
Non-current liabilities with Covenants

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial position and performance for the current and prior year and/or on the disclosures set out in the consolidated financial statements.

New IFRS in issue but not yet effective

The Group has not early applied the following new IFRS that have been issued and are pertinent to its operations but are not yet effective:

IFRS 18

Presentation and Disclosure in Financial Statements ¹

¹ Effective for annual periods beginning on or after 1 January 2027.

The Manager anticipates that the application of the above amendments to IFRS that is not yet effective will have no material impact on the Group's consolidated financial statements in the foreseeable future.

(4) Segmental reporting

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, which is the Manager, in order to allocate resources to segments and to assess their performance.

The Group owns 16 (2023: 16) and 1 (2023: 1) investment properties as at 31 December 2024 which are located in Hong Kong and Singapore respectively. Revenue and net property income of each property (which constitutes an operating segment) are the measures reported to the Manager for the purposes of resource allocation and performance assessment. The Manager considers that all existing properties held by the Group, consisting of retail shopping malls, have similar economic characteristics and have similar nature in providing leasing service to similar type of retail tenants for rental income. In addition, the cost structure and the economic environment in which they operate are similar. Therefore, the Manager concluded that each of the properties or operating segments are aggregated into a single reportable segment and no further analysis for segment information is presented.

For the year ended 31 December 2024, revenue of HK\$1,725.5 million (2023: HK\$1,766.1 million) is attributable to tenants from the Hong Kong investment properties and HK\$20.8 million (2023: HK\$19.8 million) is attributable to tenants from the Singapore investment property. As at 31 December 2024, investment properties of HK\$37,513.0 million (2023: HK\$38,439.0 million) are located in Hong Kong and HK\$542.9 million (2023: HK\$558.3 million) in Singapore.

(5) Revenue

	<i>2024</i> <i>HK\$'000</i>	<i>2023</i> <i>HK\$'000</i>
Revenue arising from operating leases:		
Fixed	1,361,651	1,406,406
Variable	10,247	11,293
Charge-out collections	245,350	243,898
Car park revenue	122,799	122,011
Other income	6,215	2,286
	<u>1,746,262</u>	<u>1,785,894</u>

(6) Property operating expenses

	<i>2024</i> <i>HK\$'000</i>	<i>2023</i> <i>HK\$'000</i>
Advertising and promotion	14,746	19,338
Building management expenses	248,662	234,525
Car park operating expenses	35,813	33,276
Government rents and rates	15,144	16,571
Leasing commission and marketing services fee	23,626	23,205
Legal and other professional fees	7,296	6,349
Property management fee	41,122	42,453
Utilities	44,010	49,871
Others	23,764	20,657
	<u>454,183</u>	<u>446,245</u>

(7) Finance costs

	<i>2024</i> <i>HK\$'000</i>	<i>2023</i> <i>HK\$'000</i>
Interest expenses on bank borrowings	541,129	510,840
Amortisation of front-end fees	19,766	19,501
Commitment fee	1,811	1,071
Interest rate swaps income realised	<u>(165,786)</u>	<u>(180,353)</u>
	396,920	351,059
Change in fair value of derivative financial instruments	<u>104,825</u>	<u>197,009</u>
	<u>501,745</u>	<u>548,068</u>

(8) Loss before taxation and transactions with unitholders

Loss before taxation and transactions with unitholders is arrived at after charging/(crediting):

	2024 HK\$'000	2023 HK\$'000
Fees to external auditor	3,132	3,132
Fees to internal auditor	450	450
Allowance/ (reversal of allowance) for credit losses	341	(855)
Valuation fees (paid to principal valuer)	520	520
	<u>520</u>	<u>520</u>

(9) Income tax expense

	2024 HK\$'000	2023 HK\$'000
Current tax:		
- Hong Kong	126,138	146,858
- (Over)/ under provision in prior years	(20)	340
	<u>126,118</u>	<u>147,198</u>
Deferred taxation:		
- Current year	10,535	4,052
- Over provision in prior years	(40)	(485)
	<u>10,495</u>	<u>3,567</u>
	<u>136,613</u>	<u>150,765</u>

Fortune REIT's subsidiaries in Hong Kong are subject to Hong Kong Profits Tax at 16.5% (2023: 16.5%) for the year ended 31 December 2024. Fortune REIT's subsidiary in Singapore is subject to Singapore income tax at 17% (2023: 17%) for the year ended 31 December 2024.

Deferred tax is provided on temporary differences in relation to accelerated tax depreciation using the current applicable rates.

(10) Loss per unit

Basic loss per unit for the year ended 31 December 2024 is calculated by dividing the loss before transactions with unitholders of HK\$519.0 million by the weighted average of 2,027,931,919 units outstanding during the year.

Basic loss per unit for the year ended 31 December 2023 is calculated by dividing the loss before transactions with unitholders of HK\$154.9 million by the weighted average of 2,003,830,042 units outstanding during the year.

No diluted loss per unit is presented as there are no potential units in issue during the financial year nor outstanding as at the end of the financial year which would result in issuance of potential units.

(11) Investment properties

	2024 HK\$'000	2023 HK\$'000
Fair Value		
At beginning of year	38,997,280	39,503,270
During the year:		
Capital expenditure incurred in upgrading investment properties	85,039	113,447
Change in fair value of investment properties	(1,011,039)	(629,447)
Exchange adjustments	(15,402)	10,010
At end of year	<u>38,055,878</u>	<u>38,997,280</u>

(12) Trade and other receivables

	2024 HK\$'000	2023 HK\$'000
Trade receivables	41,759	41,101
Less: allowance for credit losses	(2,678)	(4,364)
	<u>39,081</u>	<u>36,737</u>
Other receivables and prepayments		
Security deposits	25,740	25,847
Interest receivable	19,248	22,475
Other receivables	1,042	1,058
Prepayments	10,221	7,689
	<u>56,251</u>	<u>57,069</u>
	<u>95,332</u>	<u>93,806</u>

The following is an analysis of trade receivables (net of allowance for credit losses) by age, presented based on the invoice date.

	2024 HK\$'000	2023 HK\$'000
0 - 30 days	35,394	33,969
31 - 90 days	3,114	1,397
Over 90 days	573	1,371
	<u>39,081</u>	<u>36,737</u>

(13) Borrowings

	2024 HK\$'000	2023 HK\$'000
Unsecured term loans	7,100,000	7,100,000
Unsecured revolving loans	2,749,735	2,615,929
	<u>9,849,735</u>	<u>9,715,929</u>
Less: unamortised front-end fees	(37,690)	(57,555)
	<u>9,812,045</u>	<u>9,658,374</u>

Carrying amount repayable:		
Within one year	3,295,941	660,000
More than one year, but not more than two years	3,288,212	2,490,941
More than two years, but not more than five years	3,227,892	6,507,433
	<u>9,812,045</u>	<u>9,658,374</u>
Less: Amount due within one year shown under current liabilities	<u>(3,295,941)</u>	<u>(660,000)</u>
	<u>6,516,104</u>	<u>8,998,374</u>

(14) Trade and other payables

	<i>2024</i> <i>HK\$'000</i>	<i>2023</i> <i>HK\$'000</i>
Trade payables		
Tenants' deposits	422,712	446,326
Rental received in advance	49,071	47,470
	<u>471,783</u>	<u>493,796</u>
Other payables and accruals		
Trustee's fee	802	824
Manager's performance fee	12,181	6,408
Operating expenses	162,165	193,503
Interest payable	318	217
Others	3,611	3,190
	<u>179,077</u>	<u>204,142</u>
	<u>650,860</u>	<u>697,938</u>

Trade and other payables comprise deposits refundable to tenants upon termination or cancellation of operating lease arrangements. The tenants' deposits are refundable to tenants within 30 days upon the termination of the tenancy agreement.

The tenants' deposits to be settled after twelve months from the Reporting Year based on lease term amounted to HK\$243.0 million (2023: HK\$274.7 million) as at 31 December 2024.

(15) Units in issue and to be issued

	<i>Number of units</i> <i>'000</i>	<i>HK\$'000</i>
Balance as at 1 January 2023	1,992,462	8,599,056
Issue of new units during the year:		
As payment of Manager's base fee for the period from 1 January to 30 September 2023	16,191	88,694
Balance in issue as at 31 December 2023	<u>2,008,653</u>	<u>8,687,750</u>
Issue of new units during the year:		
As payment of Manager's base fee for the period from 1 October to 31 December 2023	6,017	29,488
Balance as at 31 December 2023	<u>2,014,670</u>	<u>8,717,238</u>

Issue of new units during the year:		
As payment of Manager's base fee for the period from 1 January to 30 September 2024	17,941	69,931
Balance in issue as at 31 December 2024	2,032,611	8,787,169
New units to be issued:		
As payment of Manager's base fee for the period from 1 October to 31 December 2024	5,738	23,021
Balance as at 31 December 2024	2,038,349	8,810,190

(16) Net asset value per unit attributable to unitholders

Net asset value per unit is calculated based on the net assets attributable to unitholders of the Group of HK\$26,930.8 million (2023: HK\$28,080.1 million) and the total number of 2,038,349,280 (2023: 2,014,669,562) units in issue and to be issued, including the new units to be issued as payment of Manager's base fee.

(17) Net current liabilities and total assets less current liabilities

As at 31 December 2024, the Group's net current liabilities, defined as current liabilities less current assets, amounted to HK\$4,112.0 million (2023: HK\$1,539.4 million).

As at 31 December 2024, the Group's total assets less current liabilities amounted to HK\$34,148.6 million (2023: HK\$37,765.8 million).