

# Financial Results

For the year ended December 2021

1 March 2022





## Results Overview

Capital Management

Portfolio Performance

Marketing Campaigns

Enhancement Initiatives

Sustainability

Outlook & Strategies



# FY2021 Results Highlights

Distributable income resumed growth; but a lower payout to conserve cash<sup>1</sup>



Revenue  
**HK\$1,806.4M**  
-2.0% YoY



NPI  
**HK\$1,340.2M**  
-2.6% YoY



Distributable Income  
**HK\$981.1M**  
+1.1% YoY



DPU  
**44.83 HK cents**  
-4.9%YoY

Flexible leasing strategy resulted in steady asset performance



Occupancy  
**94.3%**



Retention  
**74%**



Leases signed  
**>1M sf**

ESG advancement

**GRESB Rating  
Highest 5-Star**

1<sup>st</sup> & only HK-REIT

**100%  
Green-certified**  
Beam-Plus

Strengthened balance sheet with no refinancing needs until 2023



Valuation  
**HK\$39,500M**  
+1.1% YoY



Gearing  
**22.4%**  
Flat YoY

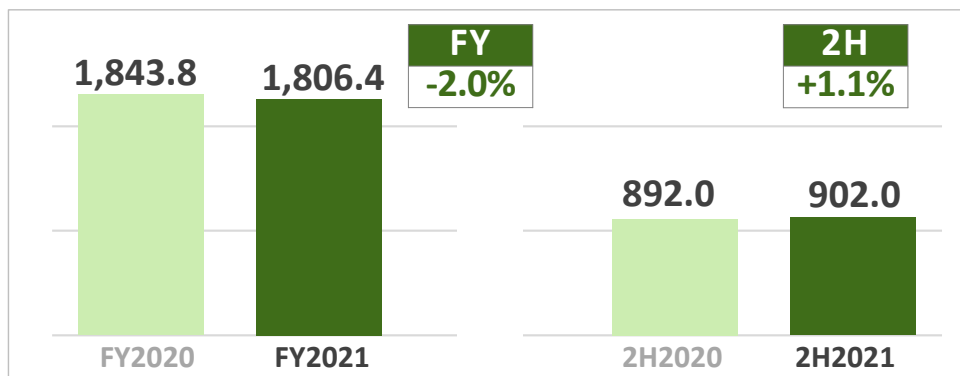


Interest costs hedged  
**~70%**  
+20% YoY

Note: 1. To conserve cash for the Rental Enforcement Moratorium ("REM") announced under HKSAR's 2022-23 Budget. The REM will be valid for 3 months and extendable for another 3 months thereafter. It may adversely affect landlord's ability to collect rent and hence bring pressure to operating cashflow in the near term.

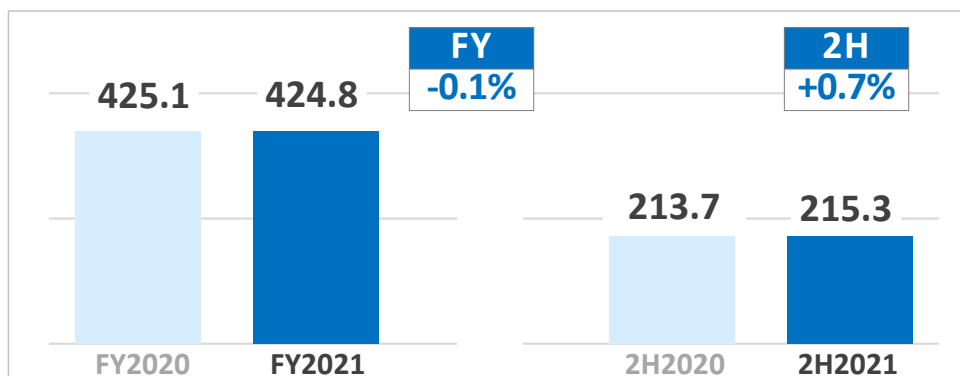
# FY2021 Results Highlights

## Revenue (HK\$'M)



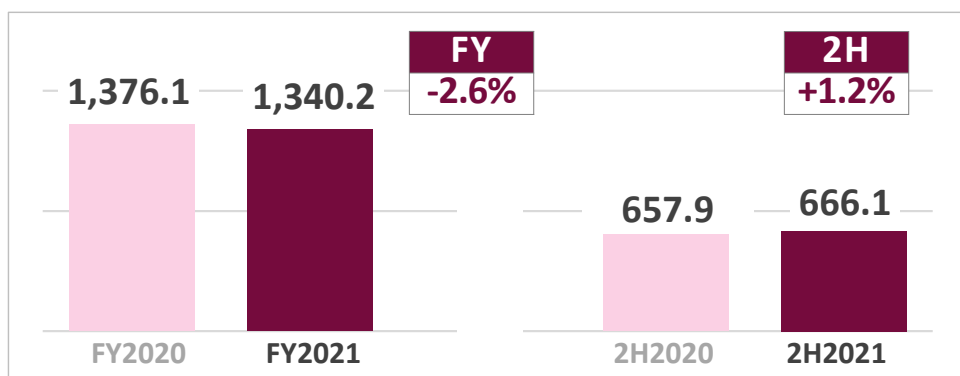
- Revenue decreased in FY21 mainly attributable to negative rental reversion and lower portfolio occupancy due to on-going AEs
- Revenue registered YoY increase in 2H21, helped by increased carpark income, absent of rental concessions in 2H21 and a lower base in 2H2020

## Property Opex (HK\$'M)



- Opex slightly decreased in FY21 as increase in utility, A&P and leasing commissions were more than offset by savings from lower allowance for credit losses and legal fees.
- In 2H21, the YoY increase in utilities and leasing commissions were in tandem with market improvement as tenants operated for longer hours and leasing momentum picked up

## NPI (HK\$'M)



- Cost to revenue ratio remained stable at 23.5% for FY2021

# Resumed growth in distribution

## Dist. Income

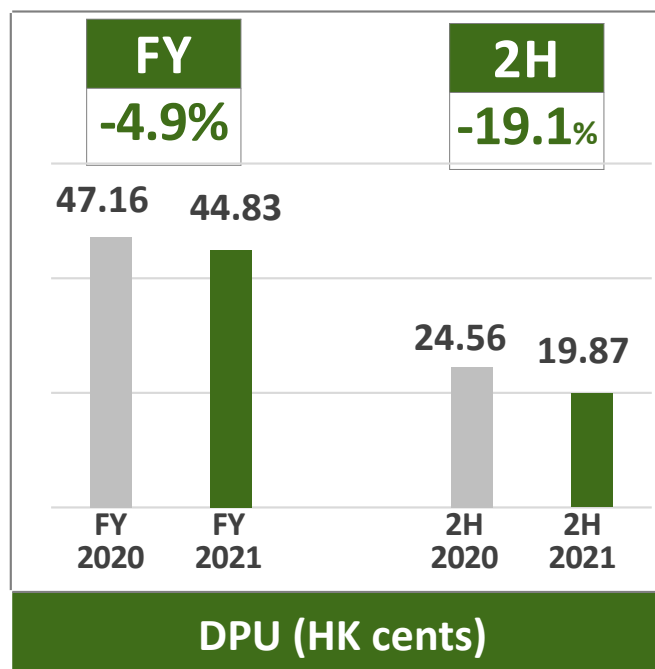
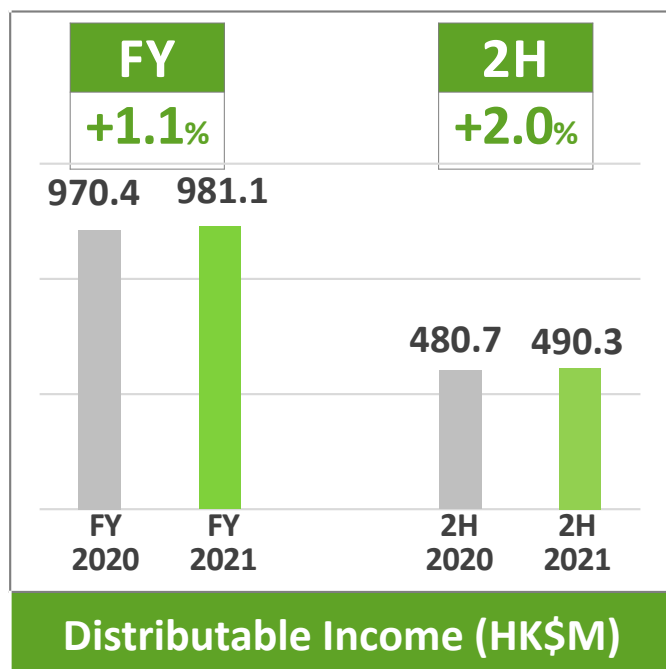
- Resumed growth in FY2021, up 1.1% YoY as NPI shortfall more than offset by savings in finance cost

## DPU

- FY2021 DPU -4.9% YoY over a lower payout ratio

Distribution Yield

5.6%<sup>1</sup>

Payout Ratio

90%

(FY2020: 95%)

A prudent measure to lower payout and conserve cash<sup>2</sup>

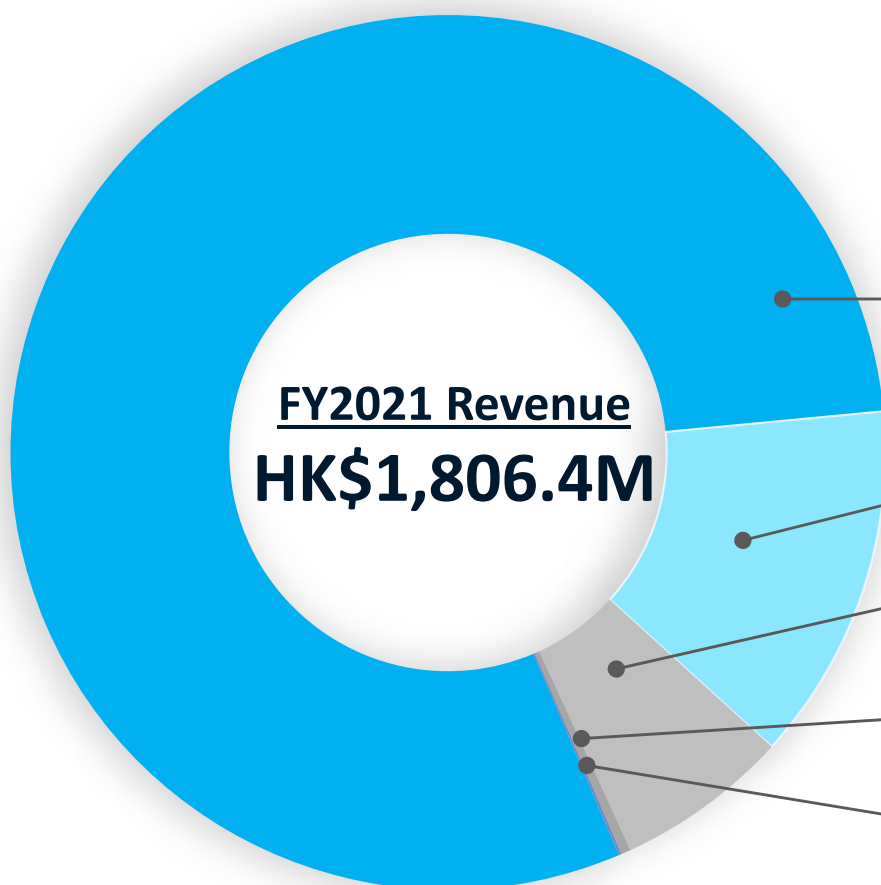
Notes:

- Based on the closing unit price of HK\$8.01 as at 31 Dec 2021
- To conserve cash for the Rental Enforcement Moratorium ("REM") announced under HKSAR's 2022-23 Budget. The REM will be valid for 3 months and extendable for another 3 months thereafter. It may adversely affect landlord's ability to collect rent and hence bring pressure to operating cashflow in the near term.

# Income Contribution



FY2021 Revenue  
HK\$1,806.4M



79.9% Base rental<sup>1</sup>: HK\$1,443.1M

13.2% Charge-out collection<sup>2</sup>: HK\$239.3M

6.4% Carpark income: HK\$115.8M

0.4% Turnover rent: HK\$6.5M

0.1% Other income: HK\$1.8M

Notes:

1. Including license income and atrium income.
2. Charge-out collection includes utilities charges + management fees etc.

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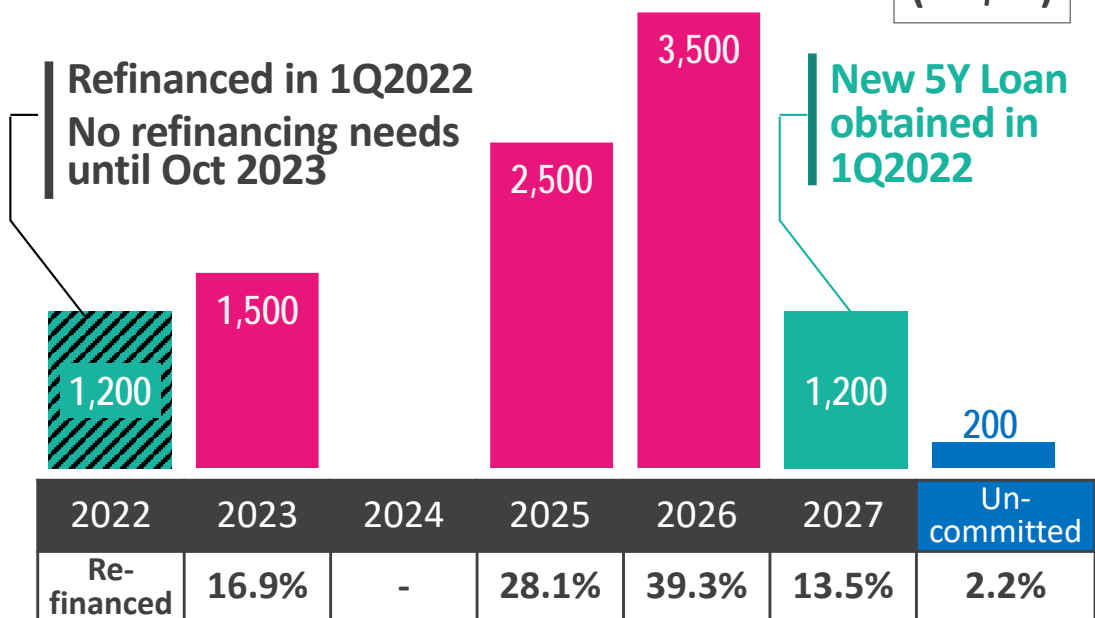
Outlook & Strategies



# Prudent Debt Management

## Debt Maturity Profile - Post Refinancing

(HK\$M)



**22.4%**  
Gearing

**2.2%**  
Eff. borrowing cost

**3.9 yrs**  
Avg. debt maturity

**-21.4%<sup>1</sup> YoY**  
due to lower HIBOR

**6.3x**  
Interest coverage

**~70%**  
Interest cost hedged<sup>2</sup>

**>40% Loan<sup>3</sup>**  
are sustainability-linked

**HK\$21.9B**  
Debt Headroom (up to 50%)

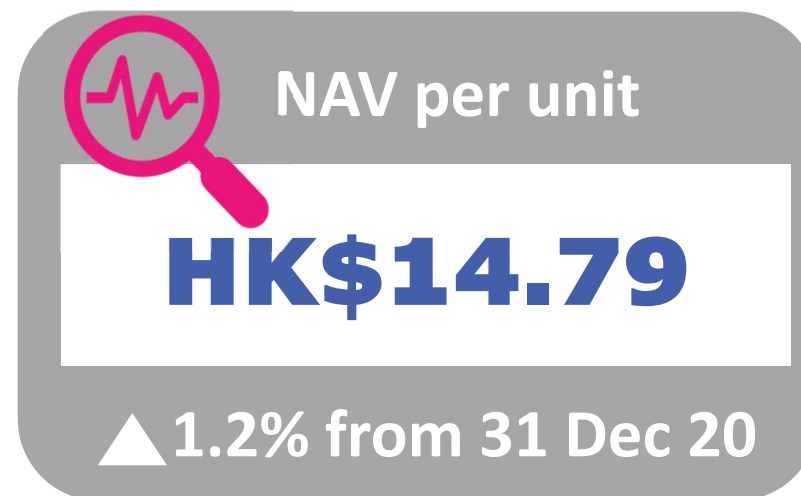
**100%**  
Unsecured Loan

Notes:

1. Finance costs excluding change in fair value of derivative financial instruments
2. Of outstanding committed loan facilities
3. 41% of total committed facilities. HK\$3.7B sustainability-linked loans in total, including the latest 5Y loan obtained in Jan 2022.



Valuation stabilizing with average cap rate maintained at 4.3%



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# Resilient Asset Performance

## Occupancy

**94.3%**

as at 31 Dec 2021



- Flexible leasing strategy to prioritize occupancy for a steady income
- Negative rental reversion, albeit extent narrowed further in 2H2021

## Retention

**74%**

in FY2021



- Robust tenant retention
- Leasing activities picked up momentum in 2H21. Driven by interests in F&B, sports, health etc.

## Lease Expiry

**40.7%\***

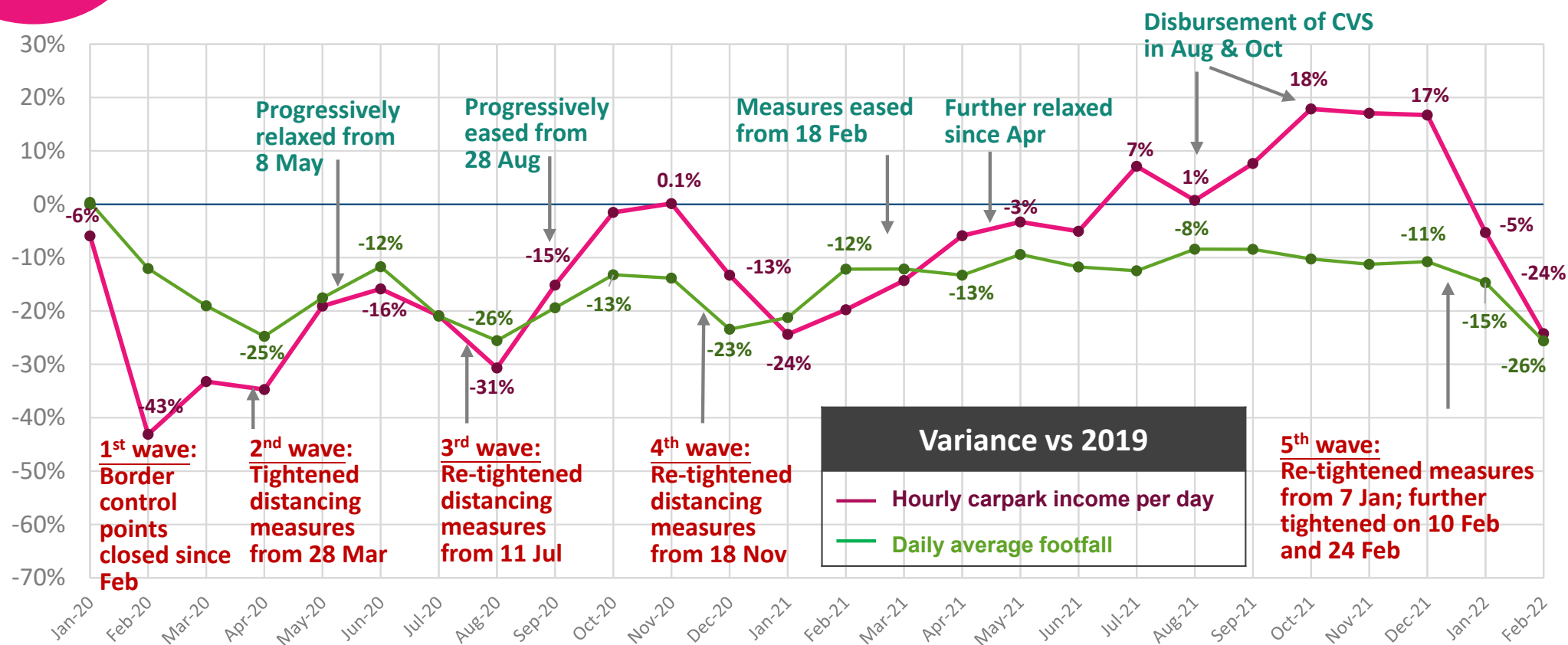
in FY2022



- Flexible leasing strategy to maintain stable occupancy
- High expiring rent may result in weaker reversion

\*Based on total leased GRA as at 31 Dec 2021

# Footfall and Hourly Carpark Income



 Daily average footfall and hourly CP income up 6.1% and 23.4% YoY in FY2021, with the growth accelerated in 2H2021 to 11.3% and 29.3% YoY, respectively.

# Well-positioned Trade Mix

Well-diversified tenant base

**1,244** tenants

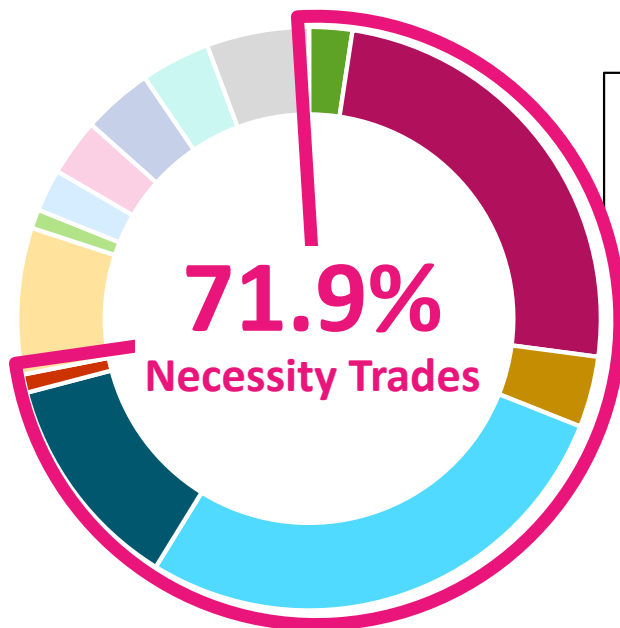
Strong focus on necessity trades

**>60%**

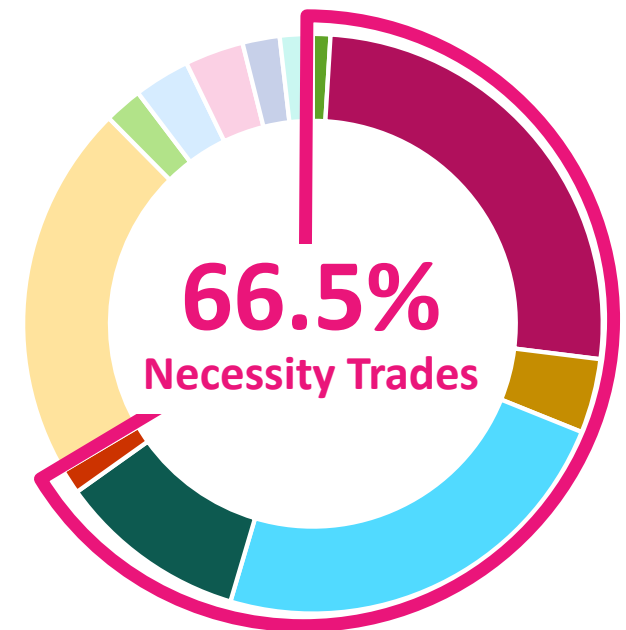
By Gross Rentable Area

Tenant's Trade Mix  
(as at 31 Dec 2021)

By Gross Rental Income



2.4%	Community Services	1.0%
24.7%	Food & Beverages	26.0%
3.9%	Homewares	4.1%
27.8%	Services & Education	23.5%
12.1%	Supermarkets	10.5%
1.0%	Wet Markets	1.4%
8.2%	Banking & Real Estate	21.1%
1.0%	Electronics & IT	2.1%
2.3%	Fashion & Shoes	3.1%
3.2%	Gifts, Toys & Jewellery	3.3%
3.9%	Entertainment & Sports	2.1%
3.8%	Others	1.8%
5.7%	Vacant	0.0%



# Flexible Leasing Strategies

Leases of >1M sf signed in FY2021 with activities picked up further in 2H  
New or expanding tenants from F&B, Education, Groceries, Sports and Wellness



F&B  
73,900 sf  
38 new leases



Education / Groceries  
52,900 sf  
45 new leases



Sports / Wellness  
26,800 sf  
5 new leases



Bonjour! Fencing  
Life-wide Fencing Studio

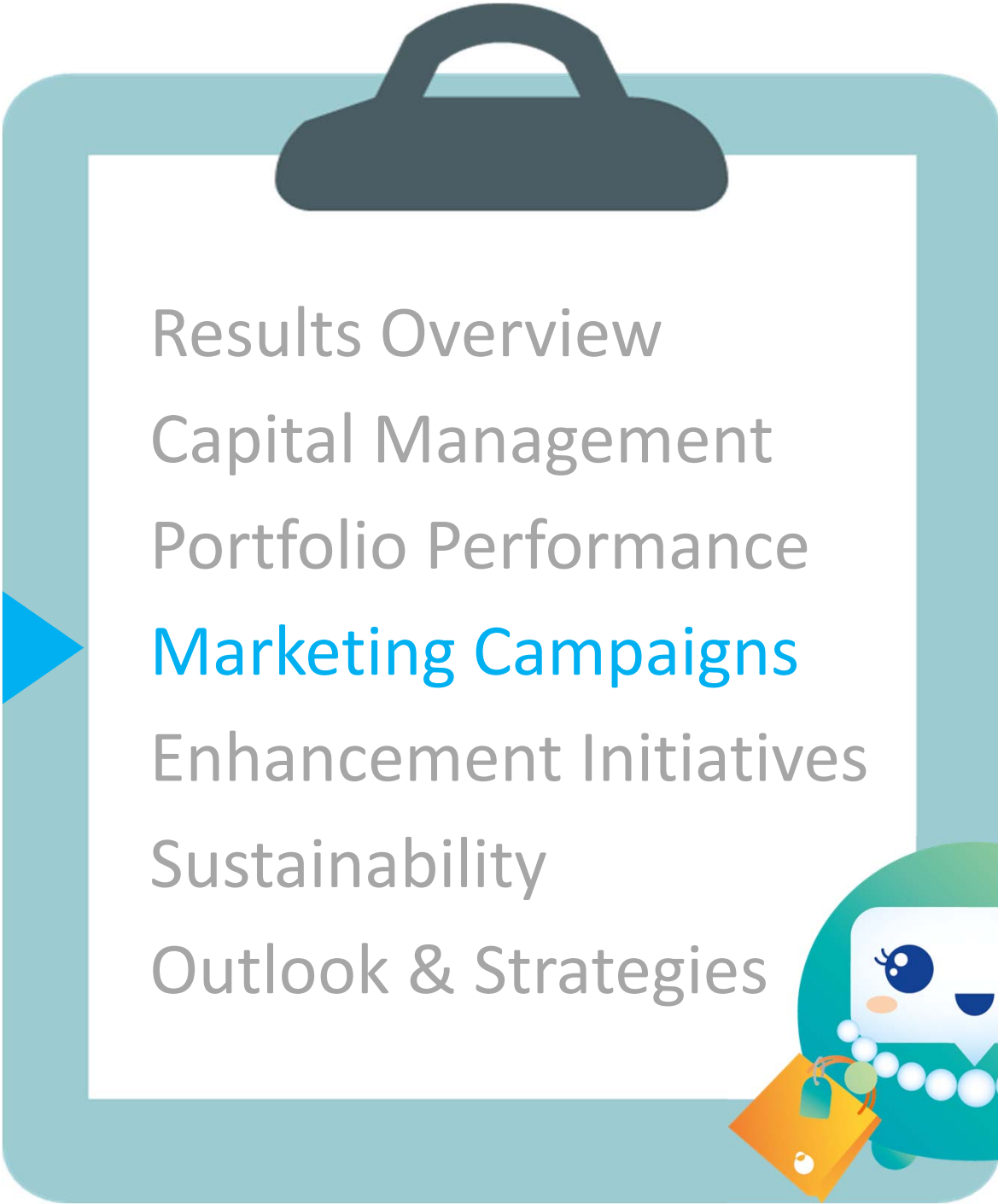


精品中醫藥  
和順堂



聖安娜餅屋





Results Overview  
Capital Management  
Portfolio Performance  
**Marketing Campaigns**  
Enhancement Initiatives  
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# Marketing campaigns to boost tenants' sales

18 Sales-driven Campaigns

29 Redemption Programmes

~110,000 gifts redeemed

## Targeted Campaigns

- ✓ On CVS
- ✓ Opening of MTR Tuen Ma Line

## Free Parking

- ✓ Promote spending and takeaway business in the evening

## Cross-marketing


- ✓ Support for all trades through F&B and retail cash coupons

## Loyalty Rewards

- ✓ Online-to-offline marketing via Fortune Malls APP







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# AEIs at +WOO Phase 2



CAPEX

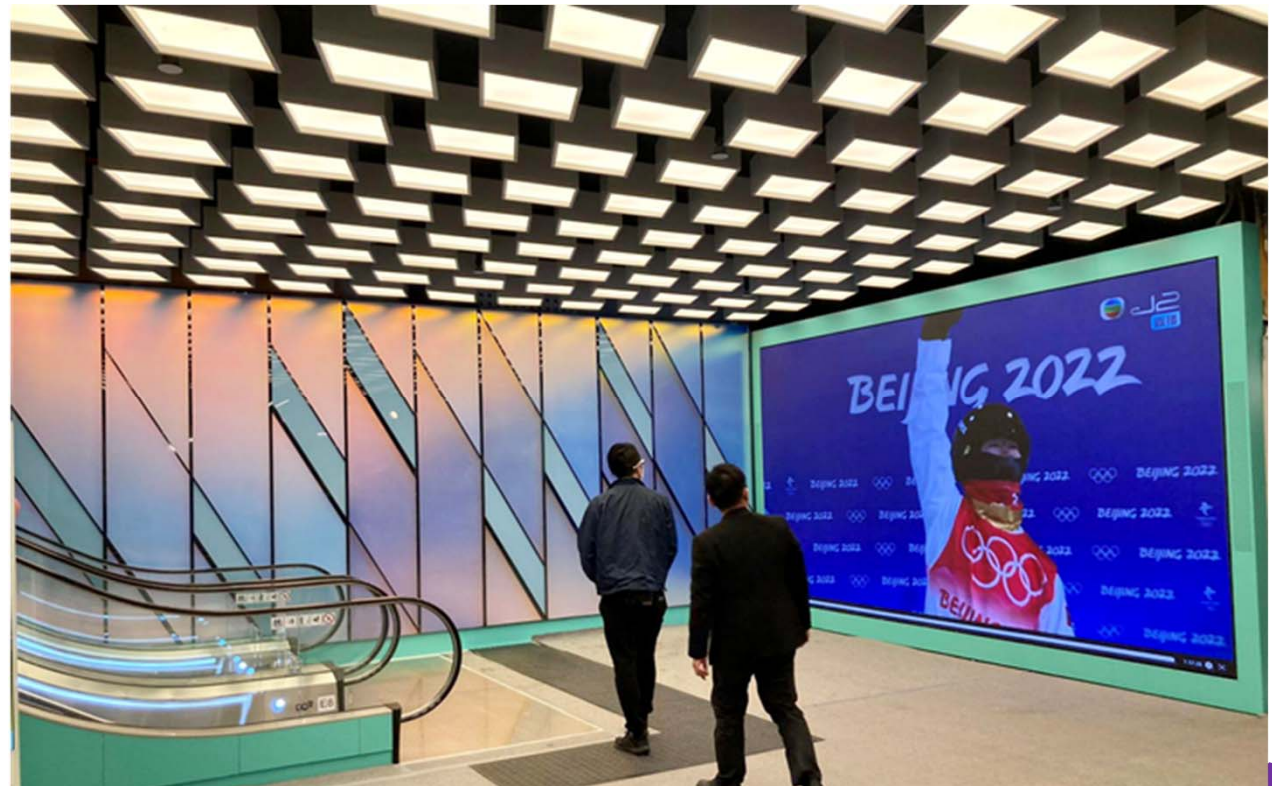
HK\$300M

Commencement

Jun 2021

Ground floor lobby revamped with big TV screen and new escalators. First-phase shops to reopen in mid-2022

- Extend the AEIs to Phase 2 to cater for the **expanding catchment** in Tin Shui Wai
- To elevate shopper experience via **digital & interactive means**
- To incorporate **green building initiatives**
- To carry out renovation in **phases** to manage rental downtime



# Food Court Renovation at Fortune Metropolis

置富都會

Fortune Metropolis

CAPEX


HK\$ 16 M

- Looking to redefine dining experience via expanded food offerings, digitalized food ordering flow and rejuvenated seating area
- Closely monitoring the development of the COVID-situation for the food court reopening

## Fully Revamped 15,000 sq. ft. Food Court







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# ESG Excellence



Hang Seng Corporate  
Sustainability Index Series

## Hang Seng Corporate Sustainability Benchmark Index

Included for  
**5 Years**  
in consecutive

with rating  
**A**  
or above



G R E S B<sup>®</sup>  
★ ★ ★ ★ ★ 2021

## Global Real Estate Sustainability Benchmark

**1<sup>st</sup> &**  
Only  
HK-REIT

**5-Star**  
Highest  
Rating

**1<sup>st</sup>**  
Eastern-Asia  
Listed Retail

**5<sup>th</sup>**  
Global Listed  
Retail



HKGBC  
BEAM Plus  
綠建環評

## Green Building Certification

16 Fortune Malls  
**100%**  
certified in Mgt.

Ma On Shan Plaza  
**Excellent**  
in Energy Use

Fortune Metropolis  
**Excellent**  
in Water Use

# Sustainability Progress in 2021

## Environment

## Social

## Governance



Installed solar panels with **GHG reduced by 107 tones p.a.**



**>40% loan are Sustainability-linked** with KPIs on electricity usage, GHG emissions & waste



**Centralized Bldg. Mgt. System** covers up to 69% GRA. Improves energy efficiency & air quality.



**Farm@Fortune** launched to promote sustainable living in community



**12 CSR programmes** launched with > 200 staff hours of community engagement



**Recycling campaign at 8 Fortune Malls.** Upcycled 3,000+ glass bottles to build feature wall at the Metropolis food court



Applied UN Principles for **Responsible Investment**



Formulated **Supplier Code of conduct**



Provided **anti-corruption training** to Board, Property Manager & staffs



Established **climate change policy**



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## Retail Environment

- The Omicron outbreak in early 2022 resulted in the strictest social distancing measures and adds downside risks to the retail environment
- Recovery will hinge on the success in containing the pandemic and HK Government's introduction of further stimulus



## Operational Focus

- 40.7% of GRA expiring in 2022. Flexible leasing strategy to retain tenants and aim to maintain a stable occupancy
- Focus on smooth execution of AEs at +WOO



## Capital Management

- Completed refinancing due for 2022. Next refinancing due end 2023 with only ~17% debt involved
- ~70% hedging ratio offers reasonable protection against interest cost fluctuation. To closely monitor rate hike development.



# Appendices



**3 Growth  
Strategies**

**Active Leasing  
Management**



**Yield-accretive  
Acquisitions**

**Asset  
Enhancement  
Initiatives**

# Income Statement

HK\$'M	FY2021	FY2020	Variance (%)
Revenue	1,806.4	1,843.8	-2.0%
Property operating expenses	(424.8)	(425.1)	-0.1%
Manager's performance fee	(41.4)	(42.6)	-2.6%
Net property income	1,340.2	1,376.1	-2.6%
Manager's base fee	(117.2)	(122.2)	-4.2%
Finance costs <sup>1</sup>	(45.8)	(426.6)	-89.3%
Change in fair value of investment properties	358.0	(3,800.0)	N/A
Other items <sup>2</sup>	(14.0)	(14.4)	-1.9%
Profit/(Loss) before taxation	1,521.1	(2,987.0)	N/A
Income tax expense	(203.6)	(205.9)	-1.1%
Profit/(Loss) for the period	1,317.5	(3,193.0)	N/A
Distributable income	981.1	970.4	+1.1%
Payout Ratio	90%	95%	-5.0%
DPU (HK\$ cents)	44.83	47.16	-4.9%

*Notes:*

1. Include change in fair value of derivative financial instruments.
2. Include interest income, trust expenses and foreign exchange gain.

# Robust Balance Sheet

HK\$'000	31 Dec 2021	31 Dec 2020
Current assets	203,699	261,261
Non current assets	39,521,012	39,075,000
<b>Total assets</b>	<b>39,724,711</b>	<b>39,336,261</b>
Current liabilities	2,677,654	4,829,028
Non current liabilities	7,863,879	5,875,731
<b>Total liabilities</b>	<b>10,541,533</b>	<b>10,704,759</b>
<b>Net assets</b>	<b>29,183,178</b>	<b>28,631,502</b>
Units in issue <sup>1</sup> ('000 units)	1,973,804	1,958,887

**Gearing Ratio**

22.4%

**Portfolio Valuation**

HK\$39,500 million

**NAV per Unit**

HK\$14.79

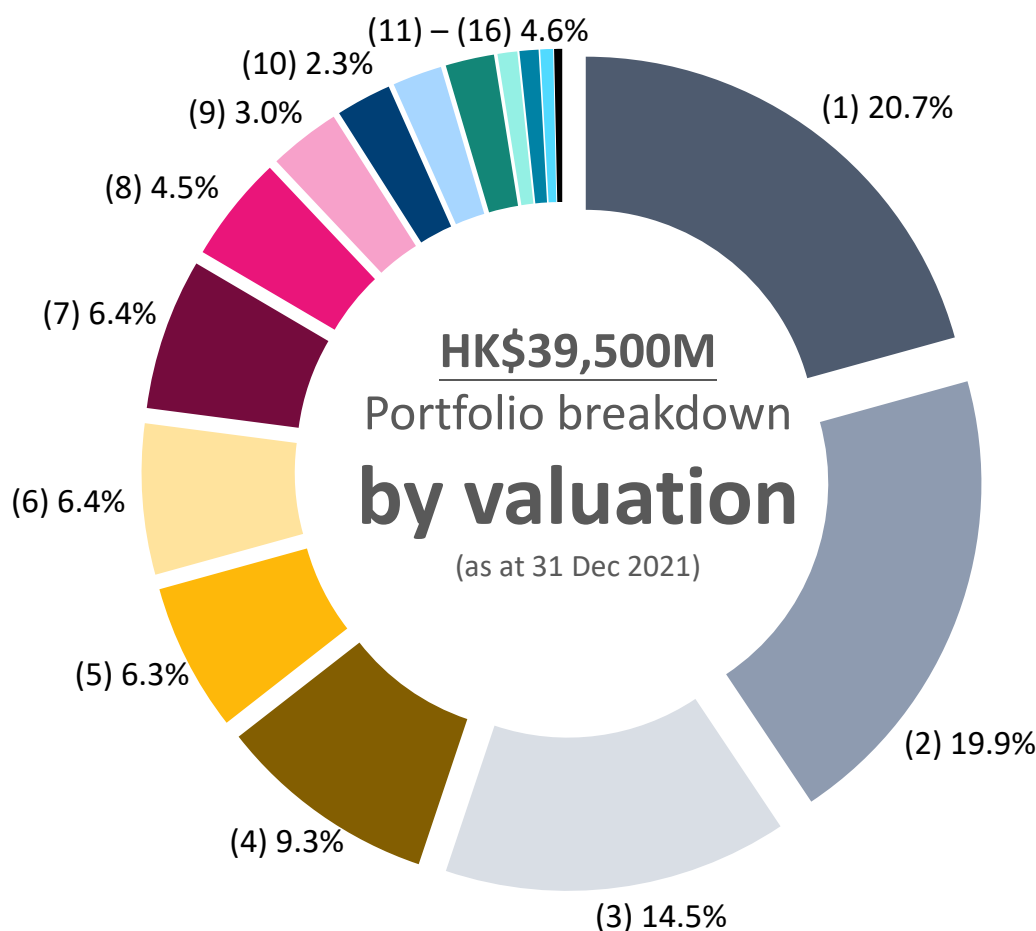
*Notes:*

1. Include units to be issued.

# Portfolio Occupancy

Fortune REIT's portfolio	GRA(s.f.)	Occupancy		
		31 Dec 21	30 Jun 21	31 Dec 20
1. Fortune City One	414,469	98.5%	97.5%	98.1%
2. +WOO	665,244	86.7%	92.1%	93.2%
3. Ma On Shan Plaza	310,084	99.7%	98.7%	97.8%
4. Metro Town	180,822	95.3%	99.7%	99.6%
5. Fortune Metropolis	332,168	83.2%	87.1%	88.7%
6. Belvedere Square	276,862	97.9%	95.9%	91.4%
7. Laguna Plaza	163,203	99.8%	100.0%	100.0%
8. Waldorf Avenue	80,842	100.0%	100.0%	99.0%
9. Caribbean Square	63,018	100.0%	100.0%	100.0%
10. Jubilee Square	170,616	98.3%	98.1%	100.0%
11. Smartland	123,544	99.3%	98.4%	98.9%
12. Tsing Yi Square	78,836	99.1%	100.0%	96.6%
13. Centre de Laguna	43,000	99.5%	100.0%	99.0%
14. Hampton Loft	74,734	100.0%	100.0%	100.0%
15. Lido Avenue	9,836	100.0%	100.0%	100.0%
16. Rhine Avenue	14,604	100.0%	100.0%	97.6%
<b>Portfolio Total</b>	<b>3,001,882</b>	<b>94.3%</b>	<b>95.8%</b>	<b>95.8%</b>

# Portfolio Valuation



## Portfolio Valuation<sup>1</sup> (HK\$M)

(1)	Fortune City One	8,178
(2)	+WOO	7,868
(3)	Ma On Shan Plaza	5,741
(4)	Metro Town	3,673
(5)	Fortune Metropolis	2,469
(6)	Laguna Plaza	2,512
(7)	Belvedere Square	2,526
(8)	Waldorf Avenue	1,777
(9)	Caribbean Square	1,196
(10)	Jubilee Square	926
(11)	Tsing Yi Square	827
(12)	Smartland	814
(13)	Centre de Laguna	330
(14)	Hampton Loft	318
(15)	Lido Avenue	211
(16)	Rhine Avenue	134

**Portfolio Total 39,500**

## Portfolio Valuation

**HK\$39,500M**

▲ 1.1 % from Dec 21

## Retail Cap Rate

Average @ **4.3%**

**Notes:**

1. Valued by Jones Lang Lasalle Ltd as at 31 Dec 2021.

# Fortune REIT's Portfolio

**16** Neighborhood malls with **3** million sf  
Total valuation of HK\$ **39.5** billion

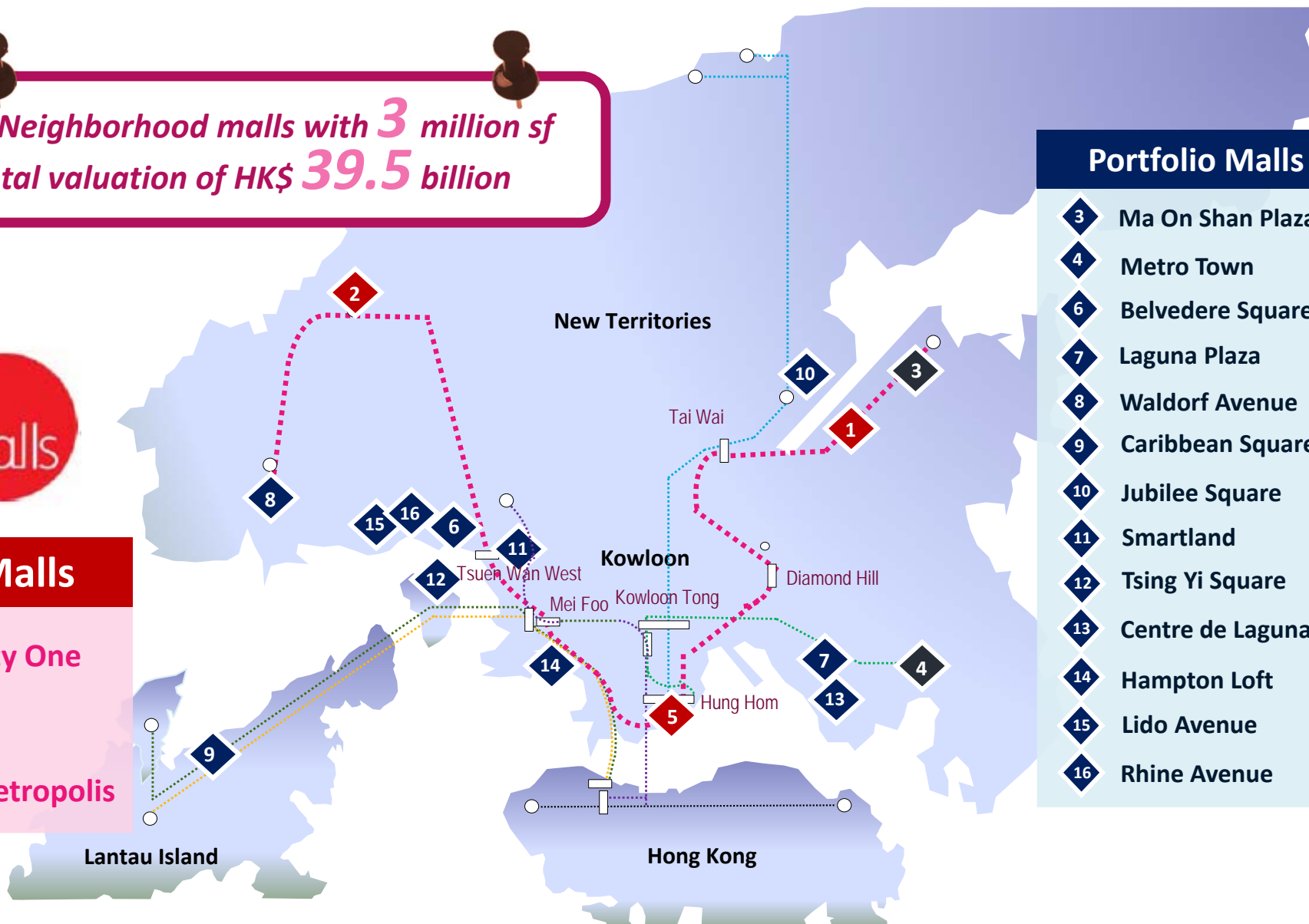


## Flagship Malls

- 1** Fortune City One
- 2** +WOO
- 5** Fortune Metropolis

## Portfolio Malls

- 3** Ma On Shan Plaza
- 4** Metro Town
- 6** Belvedere Square
- 7** Laguna Plaza
- 8** Waldorf Avenue
- 9** Caribbean Square
- 10** Jubilee Square
- 11** Smartland
- 12** Tsing Yi Square
- 13** Centre de Laguna
- 14** Hampton Loft
- 15** Lido Avenue
- 16** Rhine Avenue





# Investment Highlights

**HK\$15.8B**

**Market  
Cap**

**HK\$39.5B**

**Portfolio  
Valuation**

**HK\$14.79**

**NAV per  
Unit**

**67% income from  
Non-discretionary  
trades**

**MSCI index**

**Inclusion in  
HK Small Cap**

## 16 Neighborhood malls in Hong Kong



Note:

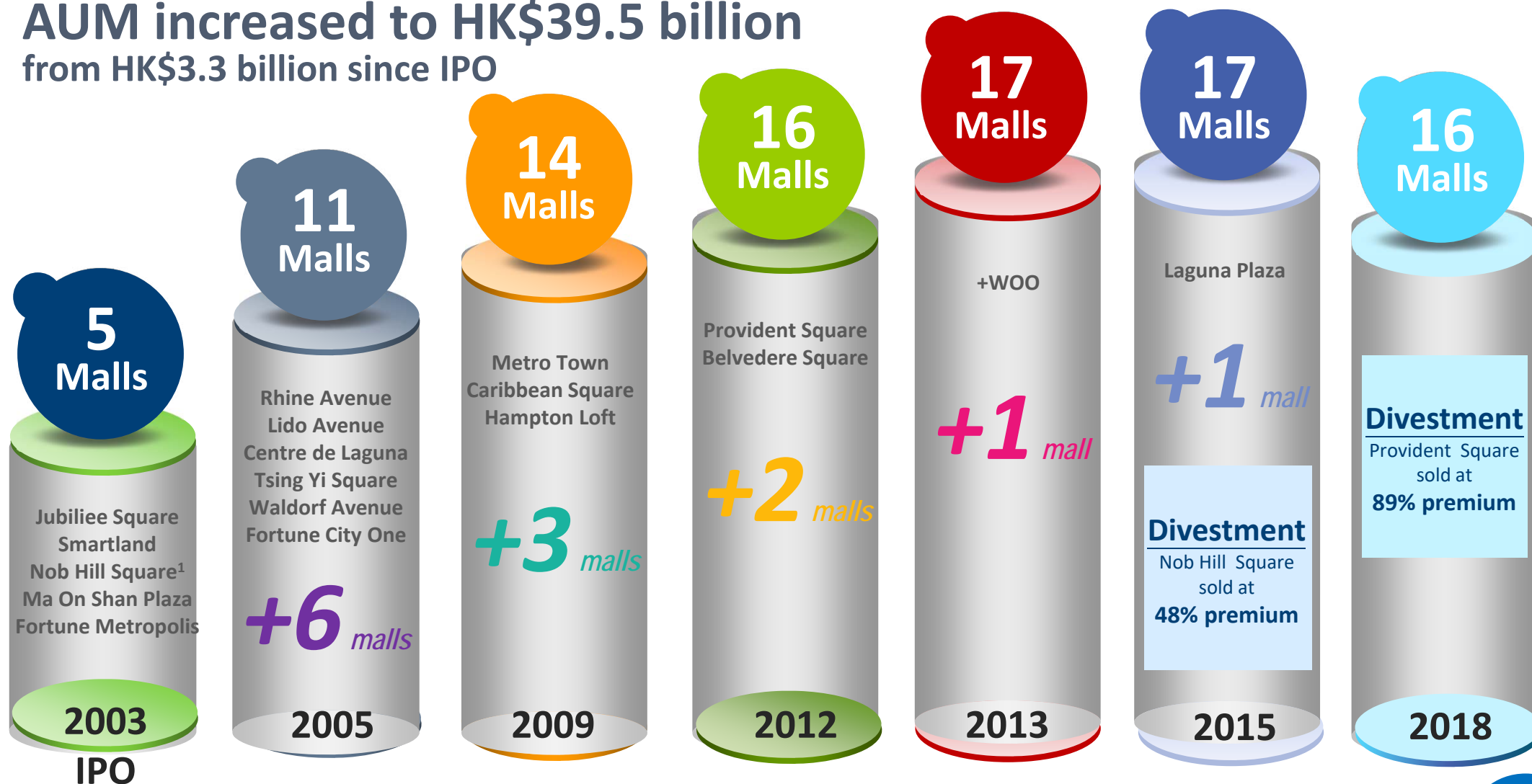
1. As at 31 Dec 2021.

# Proven Acquisition Growth

Asset Portfolio grew >11 times in 17 years

AUM increased to HK\$39.5 billion

from HK\$3.3 billion since IPO





# Proven Track Record in AEs

Property / Enhanced Area	Completion	CAPEX (HK\$)	ROI <sup>1</sup>
+WOO Phase 1 – 200,000 sf	3Q 2019	150M	10.5%
Belvedere Square - 126,000 sf	4Q 2015	80M	20.3%
Ma On Shan Plaza - 59,000 sf (previously a supermarket)	4Q 2013	15M	60%
Fortune City One Market - 27,000 sf	3Q 2013	20M	>25%
Jubilee Square - 55,000 sf	2Q 2013	15M	>25%
Fortune City One - 200,000 sf	2012	100M	>25%
Fortune City One Plus - 70,000 sf	2010	30M	22%
Ma On Shan Plaza - 50,000 sf (previously a Chinese restaurant)	2011	12M	73%
Waldorf Avenue - 41,000 sf	2008	16M	87%



Note:

1. Increase in revenue per year divided by the CAPEX spent.

# AEIs at Belvedere Square Phase 3 (BS3)



CAPEX

HK\$80M

Commencement

3Q 2014

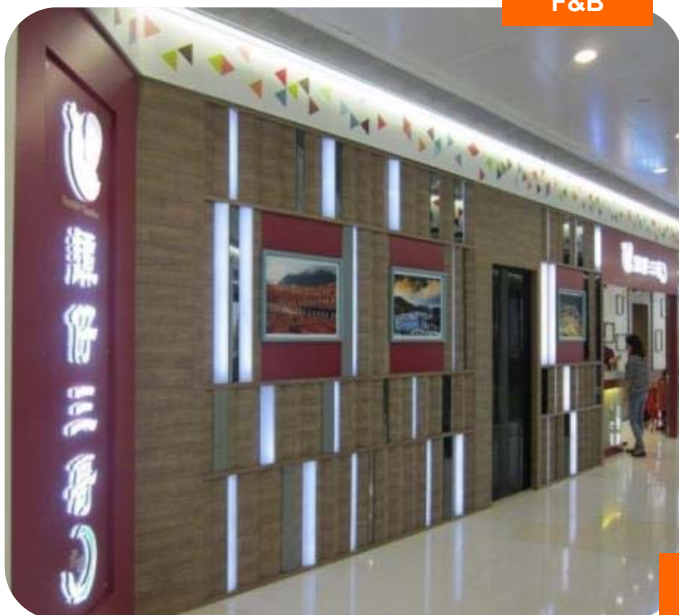
Completion

4Q 2015

Achieved ROI 20.3%

Received strong leasing interests

F&B



Toy Shop



Health Food



New tenants after AEIs



# AEIs at Fortune City One



CAPEX

HK\$150M

Commencement

2010

Completion

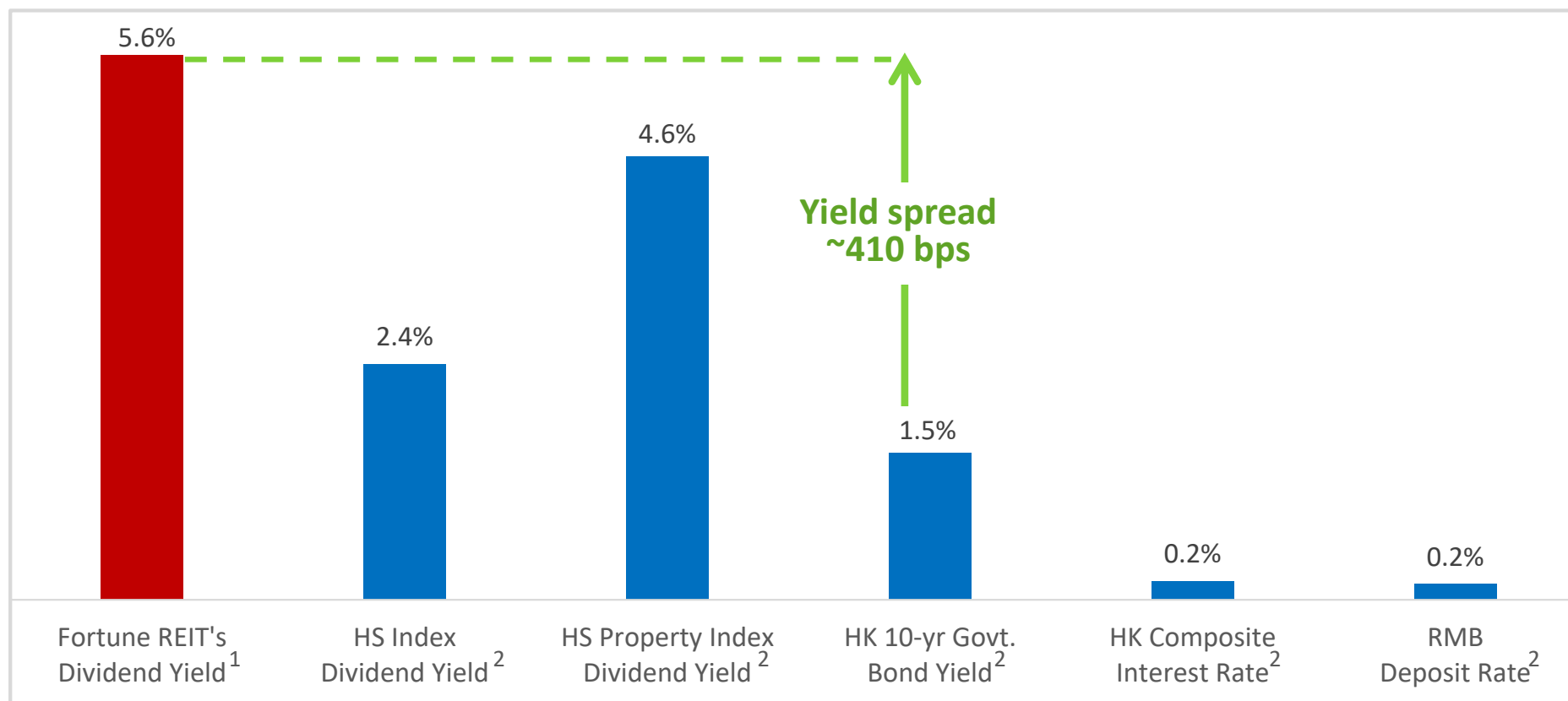
3Q 2013

Achieved ROI >20%



# Resilient Asset Class with Attractive Yield

## Offers an attractive distribution yield of 5.6%



**Notes:**

1. Based on the closing unit price of HK\$8.01 as at 31 Dec 2021.

2. As at Dec 2021.

Source: Company Data, Hang Seng Indexes, Hong Kong Monetary Authority

# Social Distancing Measures in Hong Kong

In view of the Omicron outbreak in the beginning of 2022, the HK government has re-tightened social distancing measures to its highest level since the pandemic



*Effective 10 Feb 2022*

Public gatherings of max 2 persons; private gathering of max 2 households; No dine-in after 6 pm



*Effective 24 Feb 2022*

Introduced “vaccine pass”. Only vaccinated individuals are permitted to enter scheduled premises



*Effective 24 Feb 2022*

Scheduled premises include malls, supermarkets, wet markets, restaurants, beauty parlours, etc

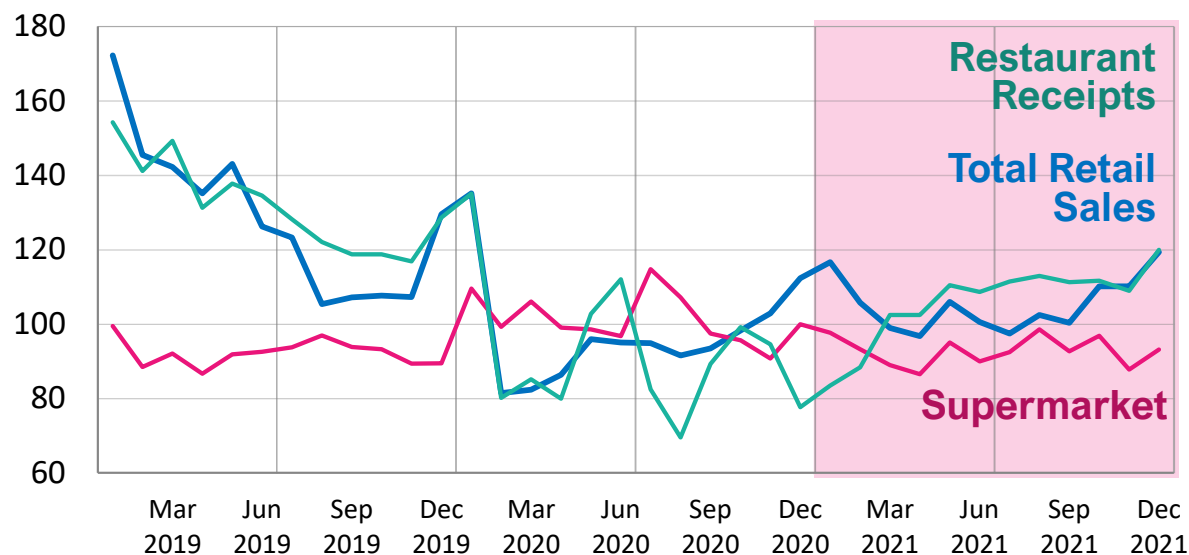


*Effective 24 Feb 2022*

Max. of 2 persons for each dine-in table

# Hong Kong Retail Sales

## Sale Value Index (2019 to 2021)<sup>1</sup>



**+8.1% YoY**

Retail Sales Value for 2021

Partly helped by low base in 2020

back to ~**82%** of pre-COVID<sup>2</sup>

Retail Sales Value for 2021

Still off from pre-pandemic level

**-8.4% YoY**

Supermarket Sales for 2021

Due to a high base in 2020;  
2021 level similar to pre-COVID<sup>2</sup>

**8.1%**

Online penetration for 2021

6.3% in 2020

**+16.8% YoY**

Restaurant Receipts for 2021

Alongside the progressive easing of  
social distancing measures in 2021

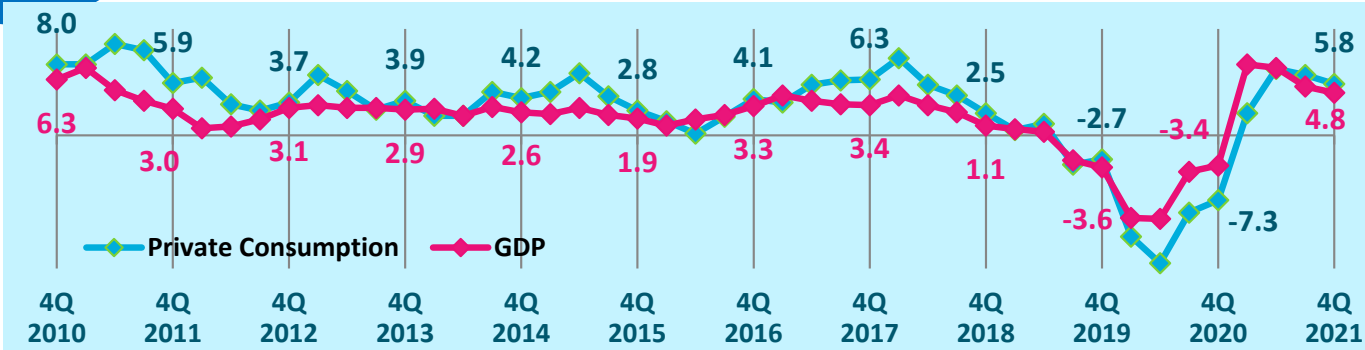
Notes:

1. Average index from Oct 2019 to Sep 2020 = 100. Source: Census and Statistics Department.

2. Compared to FY2019

# Hong Kong Economy

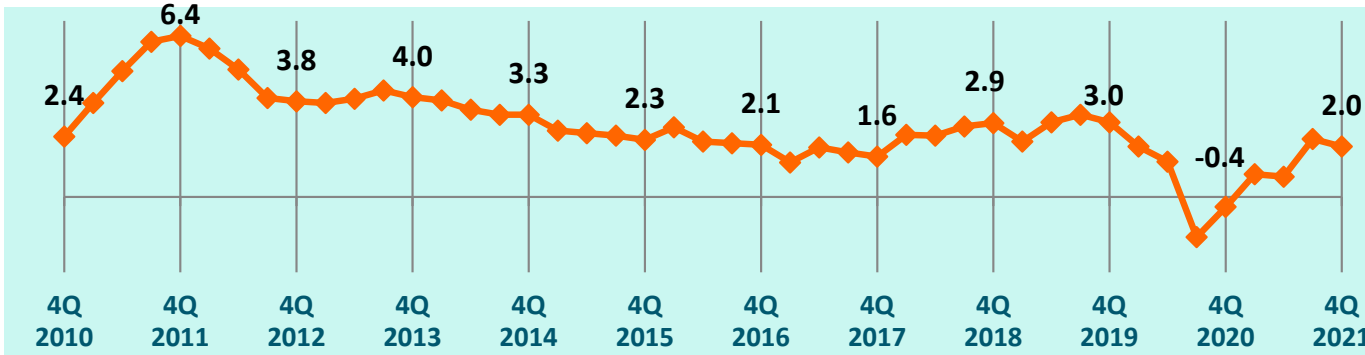
Private Consumption & GDP Year-on-Year Change (%)



**GDP (4Q 2021) 4.8%**

Hong Kong economy in 2021 saw a strong rebound, thanks to robust export performance and improved private consumption

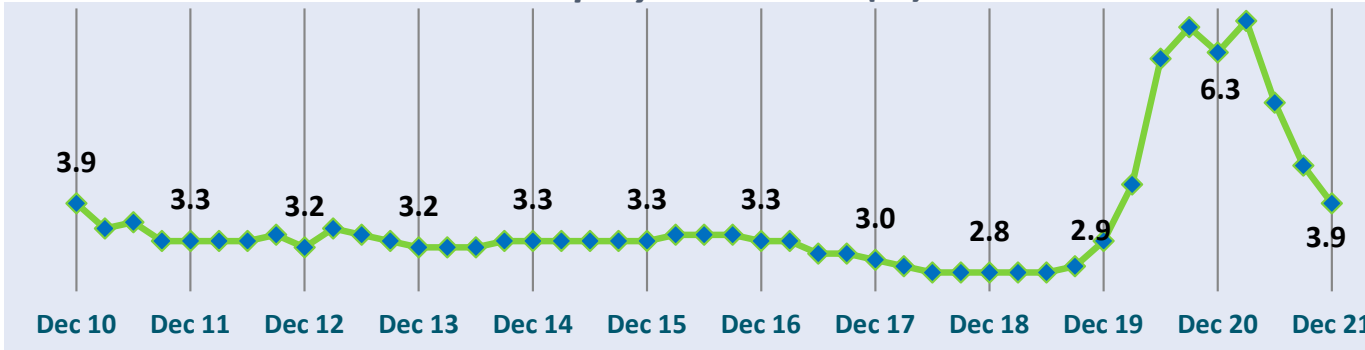
Composite CPI (Underlying) Year-on-Year Change (%)



**CPI (4Q 2021) 2.0%**

The underlying inflation should remain flat in the near term as the latest wave has weighed on consumption, domestic cost pressures remained limited

Unemployment Rate (%)



**Unemployment (Oct to Dec 2021) 3.9%**

The labour market continued to improve throughout the year and eased to 3.9% in 4Q. F&B and retail sectors declined visibly.

Source: Census & Statistics Department, HK



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