

Financial Results

For the six months ended June 2022

5 August 2022





Results Overview

- Capital Management
- Portfolio Performance
- Marketing Campaigns
- Enhancement Initiatives
- Corporate Social Responsibility
- Outlook & Strategies

1H2022 Results Highlights

Operations inevitably impacted by the fifth wave of COVID-19



Revenue
HK\$867.5M
-4.1% YoY



NPI
HK\$634.0M
-5.9% YoY



Distributable Income
HK\$456.9M
-6.9% YoY



DPU
23.05 HK cents
-7.7%YoY

One of the highest retention rates in recent years



Occupancy
93.9%



Retention
81%



Leases signed
>582k sf

7.2%
Distribution Yield¹

Healthy balance sheet to buffer against interest rate hikes



Valuation
HK\$39,201M
-0.8% from 31 Dec 21



Gearing
22.4%
Flattish



Interest costs hedged
~70%
+19% YoY

100%
Payout Ratio

Note:

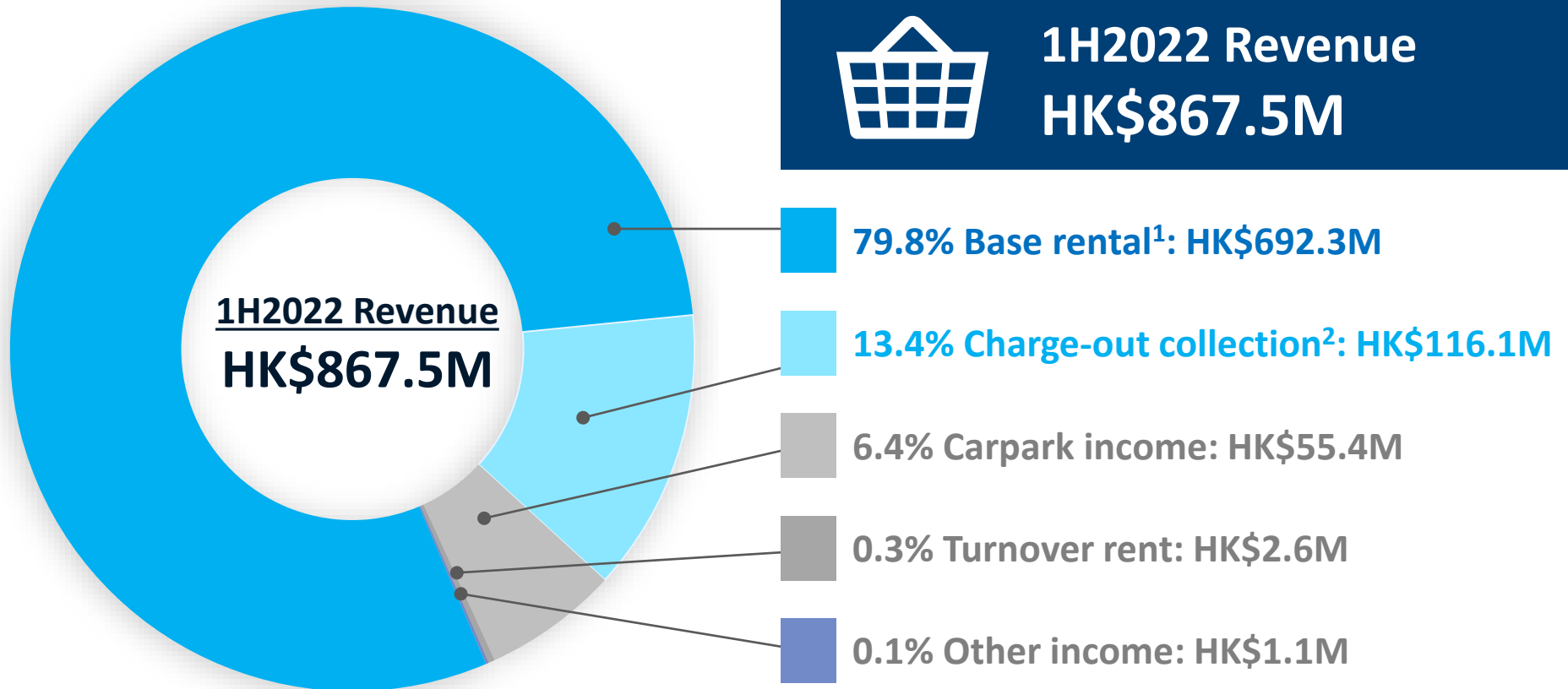
1. Based on the closing unit price of HK\$6.50 as at 30 Jun 2022

1H2022 Results Highlights

<i>HK\$'M</i>	1H2022	1H2021	YoY%
Revenue	867.5	904.4	-4.1%
Property operating expenses	(213.9)	(209.5)	+2.1%
Net property income	634.0	674.1	-5.9%
Finance cost	(99.0)	(96.5)	+2.6%
Distributable income	456.9	490.8	-6.9%
DPU (HK\$ cents)	23.05	24.96	-7.7%

- Largely attributable to rental concessions provided to tenants amid 5th wave of outbreak
- Lower occupancy resulting from the ongoing AElS at +WOO and negative rental reversion contributed to the decrease in revenue
- Mostly attributable to higher building management and increased bad debt provision
- Rise in average borrowing level during the Reporting Period

Income Contribution



Notes:

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

Results Overview

• **Capital Management** •

Portfolio Performance

Marketing Campaigns

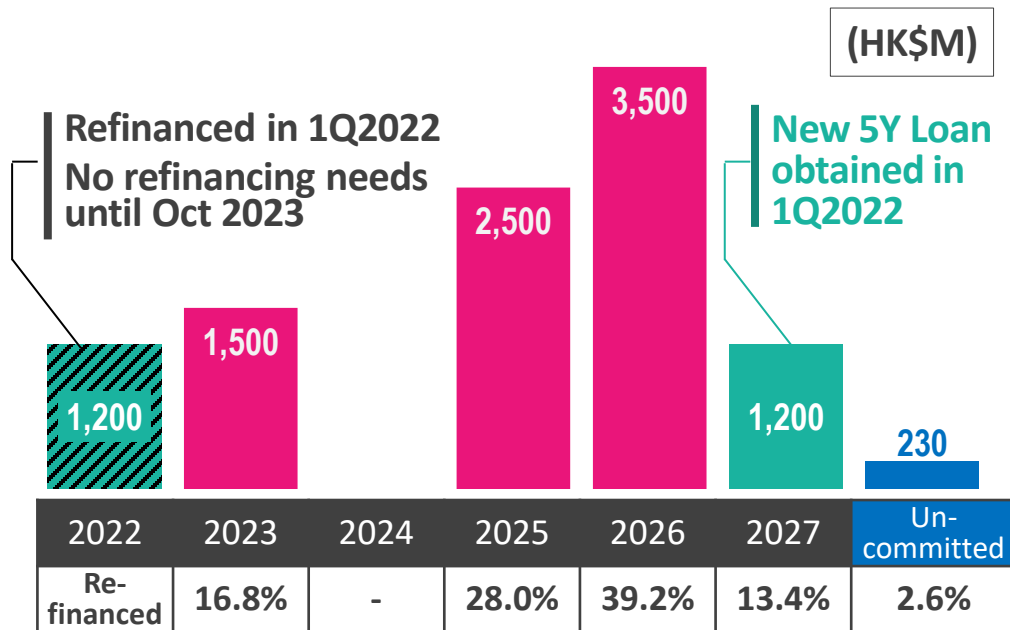
Enhancement Initiatives

Corporate Social Responsibility

Outlook & Strategies

Prudent Debt Management

Debt Maturity Profile – Post Refinancing



22.4%
Gearing

3.4 yrs
Avg. debt maturity

5.8x
Interest coverage

2.2%
Eff. borrowing cost¹

Finance cost
+2.6%¹ YoY
due to increased
borrowing level

~70%
Interest cost hedged²

>40% Loan³
are sustainability-linked

HK\$22.0B
Debt Headroom (up to 50%)

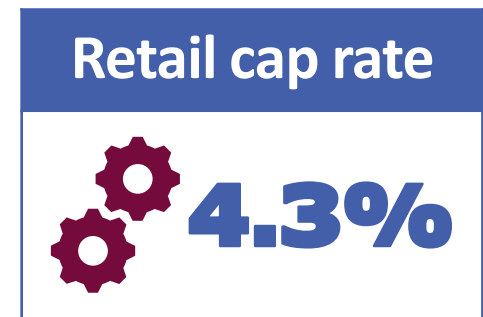
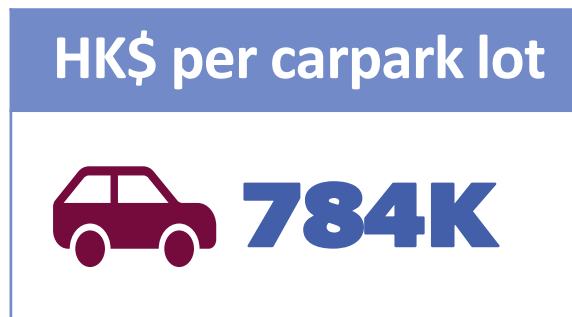
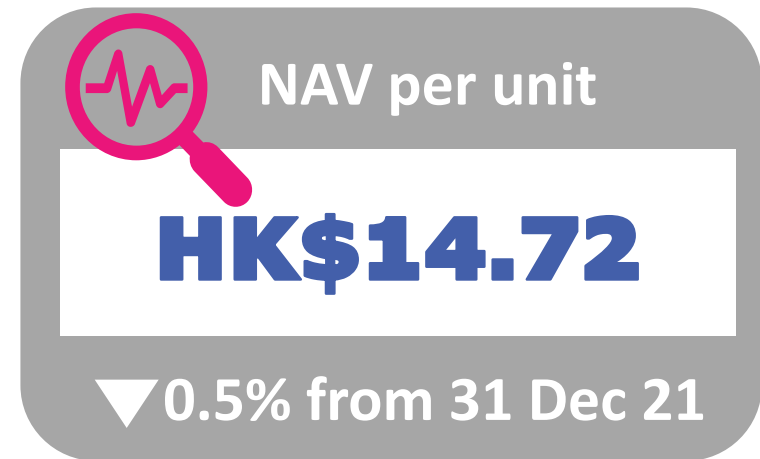
100%
Unsecured Loan

Notes:

1. Finance costs excluding change in fair value of derivative financial instruments
2. Of outstanding committed loan facilities
3. HK\$3.7B sustainability-linked loans in total, represents 41% of total committed facilities

Portfolio Valuation

Valuation stabilizing with average cap rate maintained at 4.3%



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• **Portfolio Performance** •

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Resilient Asset Performance

Occupancy
93.9%
as at 30 Jun 2022



- +WOO's occupancy picked up to 88.6% as stage 1 AEs committed new leases.
- Focus on maintaining a high occupancy while rental reversion still negative albeit narrowing further.

Retention
81%
in 1H2022



- Retention at one of the recent highs, thanks to our flexible leasing strategy.
- New lettings were relatively muted but momentum picked up towards end of period.

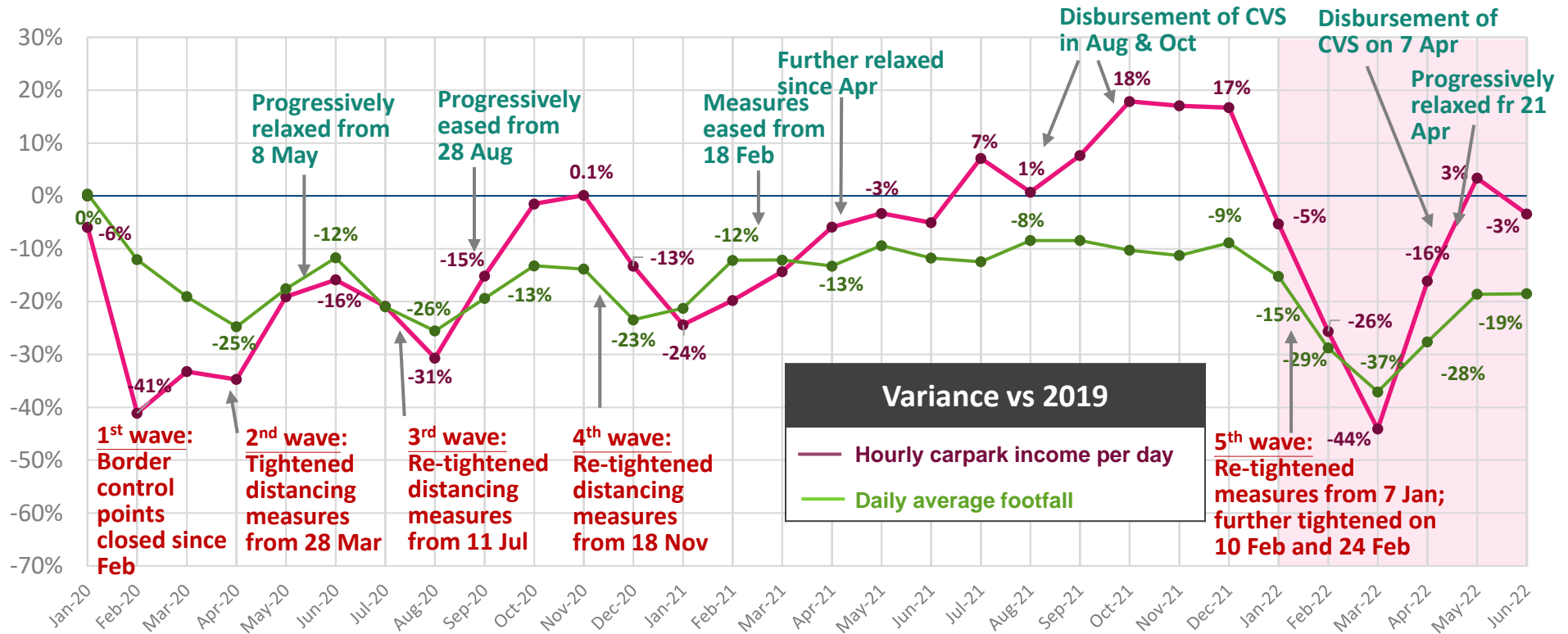
Lease Expiry
45%*
Remaining in 2H2022



- Leases of ~582k sf signed in 1H2022.
- 45% of the leases due in 2022 remaining for 2H.

*Based on total GRA expiring in 2022

Footfall and Hourly Carpark Income



Overall, in 1H2022, footfall fell 12.5% YoY while hourly carpark income decreased 3.4% YoY.

As local epidemic subsided and with the disbursement of Consumption Voucher Scheme, footfall and hourly carpark income in April rebounded strongly by 20.3% and 46.9%, respectively, from its lowest in March 2022.

Well-positioned Trade Mix

Well-diversified tenant base

1,221 tenants

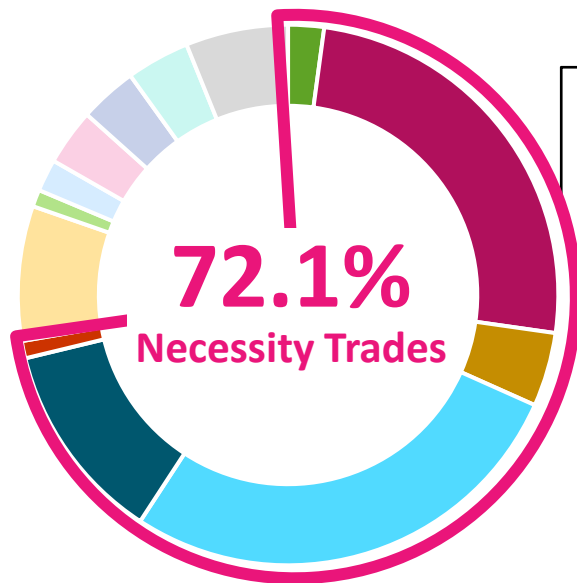
Strong focus on necessity trades

>65%

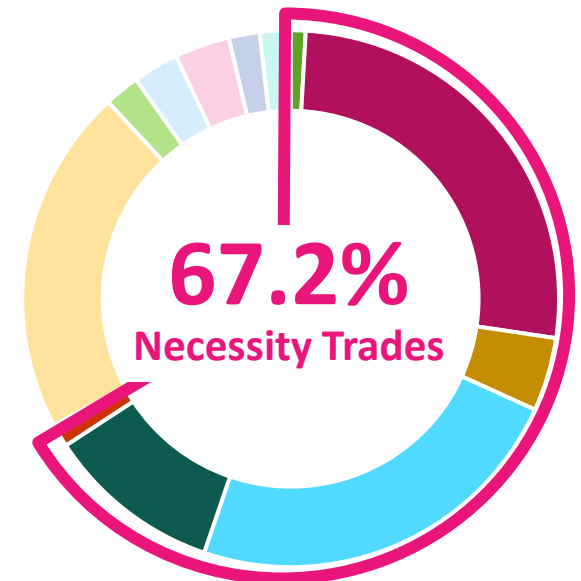
By Gross Rentable Area

Tenant's Trade Mix
(as at 30 Jun 2022)

By Gross Rental Income



2.1%	Community Services	0.9%
25.1%	Food & Beverages	26.5%
4.4%	Homewares	4.4%
27.5%	Services & Education	23.4%
12.0%	Supermarkets	10.6%
1.0%	Wet Markets	1.4%
8.1%	Banking & Real Estate	20.9%
1.0%	Electronics & IT	2.1%
1.9%	Fashion & Shoes	2.7%
3.4%	Gifts, Toys & Jewellery	3.3%
3.4%	Entertainment & Sports	1.9%
3.8%	Others	1.9%
6.3%	Vacant	-



Flexible Leasing Strategies

Negative rental reversion further narrowed

Trades fared better



Real Estate

Performed well



Supermarket



Wet market




Electronics

Resilient during COVID

Leasing demand driven by F&B and Groceries

New/expanding tenants





Results Overview
Capital Management
Portfolio Performance

• **Marketing Campaigns** •

Enhancement Initiatives
Corporate Social Responsibility
Outlook & Strategies

Targeted Marketing to Support Tenants

Campaign to attract CVS spending

消費加倍賞

送出一百萬
商戶現金券!

消費券計劃
Consumption Voucher Scheme

\$5,000

置富 Malls



置富 Malls

FREE PARKING

免費泊車優惠

Free Parking Campaign

The banner features a yellow background with a pattern of shopping-related icons. A large blue 'P' parking sign with a car icon is prominent. The text 'FREE PARKING' is written in large, bold, blue letters, and '免費泊車優惠' is written in large, bold, yellow Chinese characters on a dark blue background at the bottom. The '置富 Malls' logo is in the top left corner, and a white box with the text 'Free Parking Campaign' is on the right.

Moomin Pop-Up Store at Ma On Shan Plaza



Moomin Redemption Campaign



Continuous Upgrade of Fortune Malls App to build loyalty

Introduced Fortune Malls eVouchers



Loyalty Programme expanded to 12 Malls



Results Overview
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Corporate Social Responsibility
Outlook & Strategies

AEIs at +WOO Phase 2



CAPEX

HK\$300M

Expected Completion

End 2023

- 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



AEIs at +WOO Phase 2

1st Stage of the 3-staged project completed in July 2022



Family-friendly facilities



BEFORE



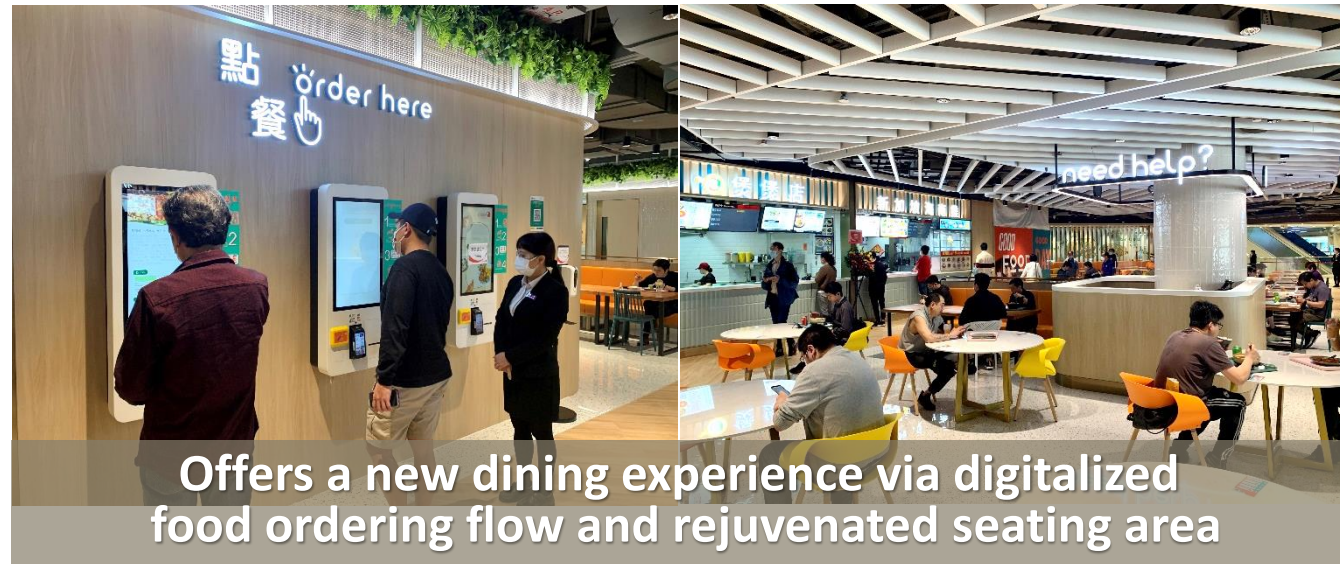
Food Court Renovation at Fortune Metropolis

置富都會

Fortune Metropolis

CAPEX

HK\$ 16 M



Expect leasing progress for the remaining stalls to pickup along with the relaxed anti-pandemic measures



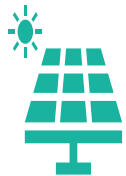
Results Overview
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• **Corporate Social Responsibility** •

Outlook & Strategies

Sustainability Progress

Environment



Installed solar panels with **GHG reduced by 107 tonnes 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.

Social



Farm@Fortune launched to promote sustainable living in community

- Produced ~70 kg of organic crops, donated to NGOs, elderly centers & F&B tenants
- Engagement events for Kindergartens & Staff



Reverse vending machines & Waste compost machines at Fortune Malls to drive waste reduction

Governance



Applied UN Principles for **Responsible Investment**



Formulated **Supplier Code of conduct**



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



Established **climate change policy**

Actions towards 5th wave of Pandemic



Prioritize health and safety

OPERATIONS



Introduced Disinfection robots



Implementation of Vaccine Pass

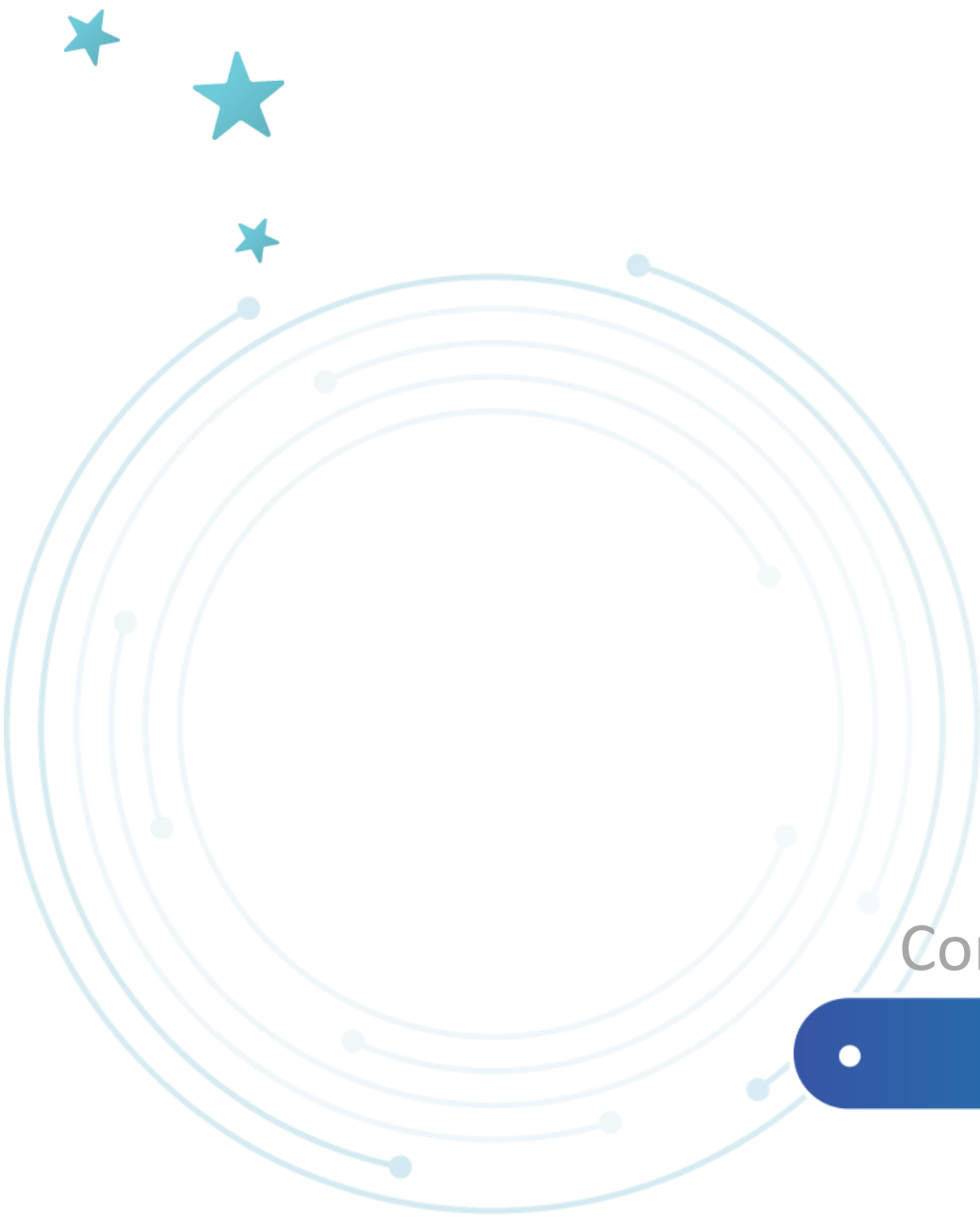


Support our Community

CARING



Donation of caring kits to our essential workers and the community



Results Overview
Capital Management
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Outlook & Strategies

Outlook & strategy



Retail Environment

- Local consumption picked up visibly and swiftly since 2Q22
- Recovery in labour market conditions, revival of business activities, along with the disbursement of HK\$66B Consumption Voucher Scheme in 2H, are expected to boost retail sentiment



Operational Focus

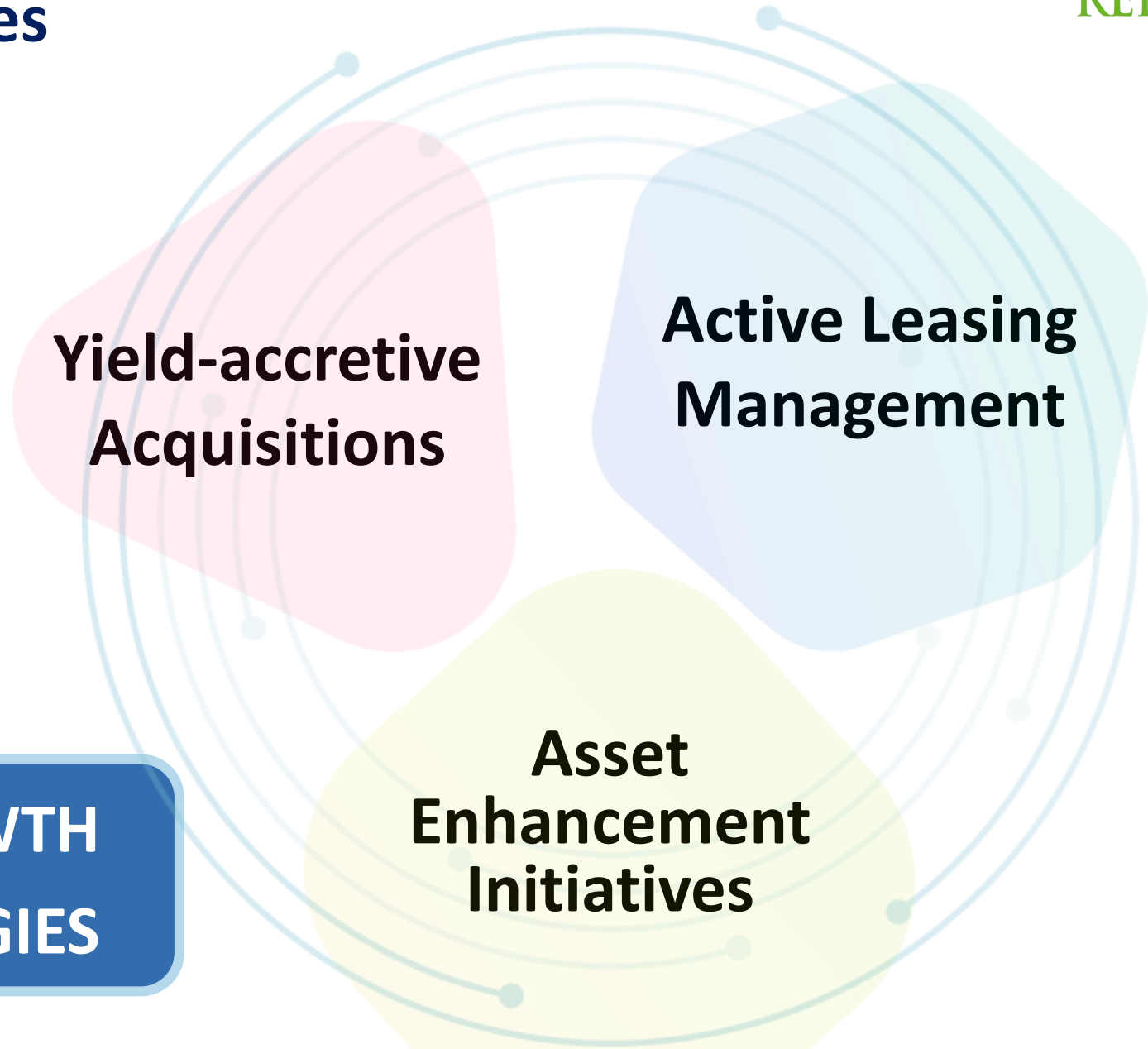
- Kick-started stage 2 of AEIs at +WOO. Focus on smooth execution and target to secure tenant pre-commitment to manage rental down-time
- Proactive leasing strategy to retain tenants and maintain healthy occupancy



Capital Management

- Prudent approach to liquidity and cash management
- ~70% hedging ratio offers financial buffers against interest cost fluctuations. To stay vigilant to the interest rate development and carefully manage interest rate risks.

Appendices



Income Statement

HK\$'M	1H2022	1H2021	Variance (%)
Revenue	867.5	904.4	-4.1%
Property operating expenses	(213.9)	(209.5)	+2.1%
Manager's performance fee	(19.6)	(20.8)	-5.8%
Net property income	634.0	674.1	-5.9%
Manager's base fee	(58.5)	(58.0)	+0.9%
Finance costs ¹	294.3	(43.0)	N/A
Change in fair value of investment properties	(382.6)	(257.9)	+48.4%
Other items ²	(2.7)	(7.8)	-65.4%
Profit/(Loss) before taxation	484.5	307.4	+57.6%
Income tax expense	(95.5)	(102.9)	-7.2%
Profit/(Loss) for the period	389.0	204.5	+90.2%
Distributable income	456.9	490.8	-6.9%
Payout Ratio	100%	100%	N/A
DPU (HK\$ cents)	23.05	24.96	-7.7%

Notes:

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

Robust Balance Sheet

HK\$'000	30 Jun 2022	31 Dec 2021
Current assets	309,735	203,699
Non current assets	39,554,787	39,521,012
Total assets	39,864,522	39,724,711
Current liabilities	1,674,696	2,677,654
Non current liabilities	9,015,999	7,863,879
Total liabilities	10,690,695	10,541,533
Net assets	29,173,827	29,183,178
Units in issue ¹ ('000 units)	1,982,478	1,973,804

Gearing Ratio

22.4%

Portfolio Valuation

HK\$39,201 million

NAV per Unit

HK\$14.72

Notes:

1. Include units to be issued.

Fortune REIT's Portfolio

16 Neighborhood malls with **3** million sf
Total valuation of HK\$ **39.2** billion

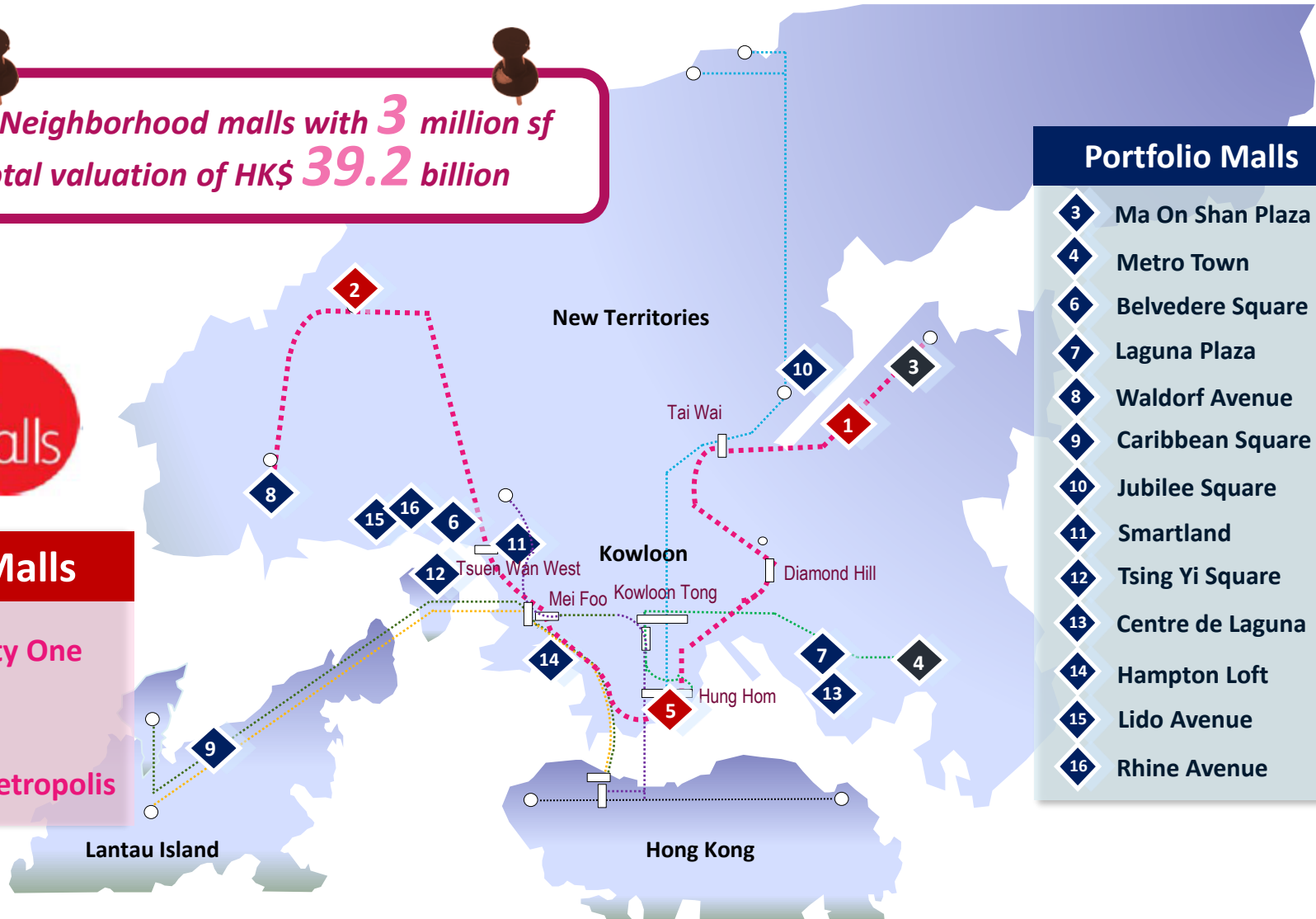


Flagship Malls

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

Portfolio Malls

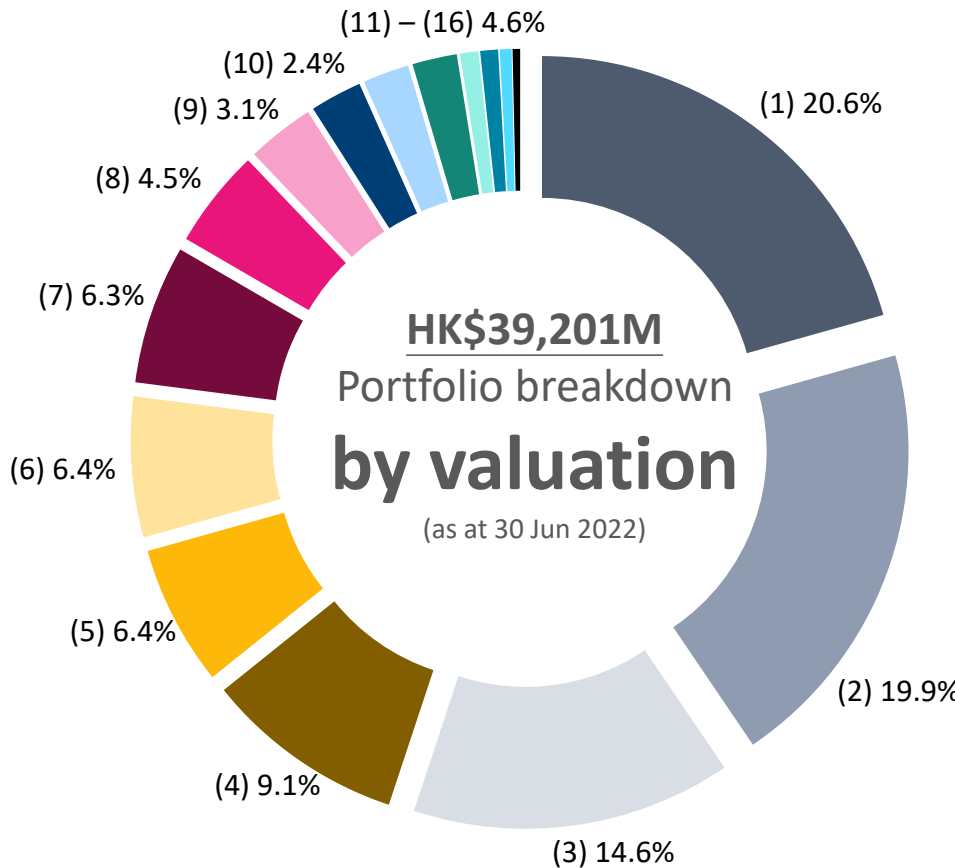
- 3** Ma On Shan Plaza
- 4** Metro Town
- 6** Belvedere Square
- 7** Laguna Plaza
- 8** Waldorf Avenue
- 9** Caribbean Square
- 10** Jubilee Square
- 11** Smartland
- 12** Tsing Yi Square
- 13** Centre de Laguna
- 14** Hampton Loft
- 15** Lido Avenue
- 16** Rhine Avenue



Portfolio Occupancy

Fortune REIT's portfolio	GRA(s.f.)	Occupancy		
		30 Jun 22	31 Dec 21	30 Jun 21
1. Fortune City One	414,469	98.0%	98.5%	97.5%
2. +WOO	665,244	88.6%	86.7%	92.1%
3. Ma On Shan Plaza	310,084	99.5%	99.7%	98.7%
4. Metro Town	180,822	99.0%	95.3%	99.7%
5. Fortune Metropolis	332,168	83.6%	83.2%	87.1%
6. Belvedere Square	276,862	91.0%	97.9%	95.9%
7. Laguna Plaza	163,203	98.9%	99.8%	100.0%
8. Waldorf Avenue	80,842	100.0%	100.0%	100.0%
9. Caribbean Square	63,018	99.1%	100.0%	100.0%
10. Jubilee Square	170,616	95.3%	98.3%	98.1%
11. Smartland	123,544	98.2%	99.3%	98.4%
12. Tsing Yi Square	78,836	99.1%	99.1%	100.0%
13. Centre de Laguna	43,000	92.0%	99.5%	100.0%
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%	100.0%
Portfolio Total	3,001,882	93.9%	94.3%	95.8%

Portfolio Valuation



Portfolio Valuation¹ (HK\$M)

(1)	Fortune City One	8,093
(2)	+WOO	7,790
(3)	Ma On Shan Plaza	5,713
(4)	Metro Town	3,585
(5)	Laguna Plaza	2,512
(6)	Belvedere Square	2,508
(7)	Fortune Metropolis	2,483
(8)	Waldorf Avenue	1,768
(9)	Caribbean Square	1,207
(10)	Jubilee Square	927
(11)	Tsing Yi Square	827
(12)	Smartland	799
(13)	Centre de Laguna	326
(14)	Hampton Loft	318
(15)	Lido Avenue	211
(16)	Rhine Avenue	134

Portfolio Total 39,201

Portfolio Valuation

HK\$39,201M

▼ **0.8 % from Dec 21**

Retail Cap Rate

Average @4.3%

Notes:

1. Valued by Colliers International (Hong Kong) Limited as at 30 Jun 2022.

Investment Highlights

HK\$12.9B
Market Cap

HK\$39.2B
Portfolio Valuation

HK\$14.72
NAV per Unit

72% income from
Non-discretionary trades

MSCI index
Inclusion in
HK Small Cap

16 Neighborhood malls in Hong Kong

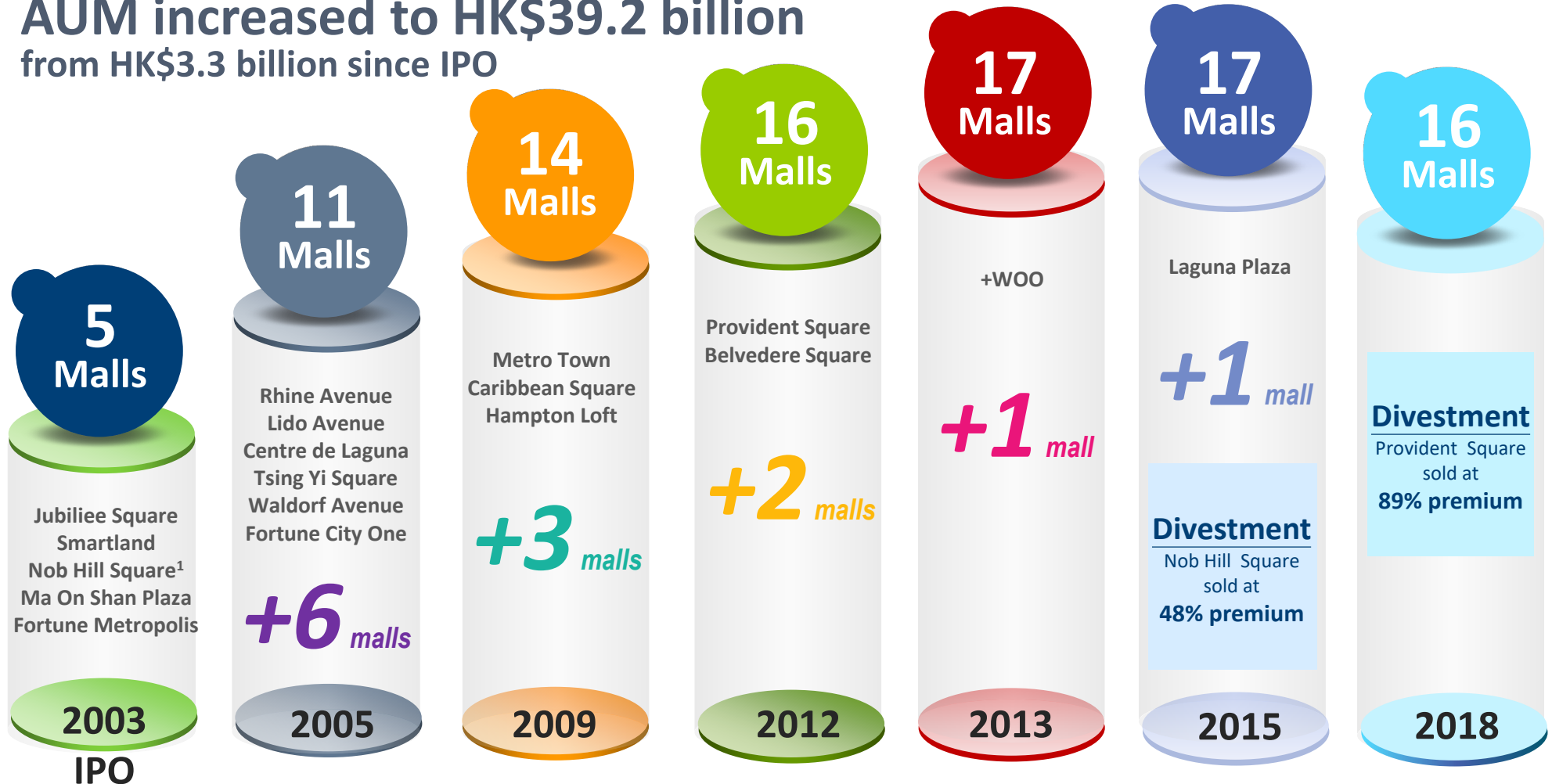


Note:

1. As at 30 Jun 2022.

Proven Acquisition Growth

Asset Portfolio grew >11 times in 18 years
AUM increased to HK\$39.2 billion
 from HK\$3.3 billion since IPO



Proven Track Record in AEs

Property / Enhanced Area	Completion	CAPEX (HK\$)	ROI ¹
+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

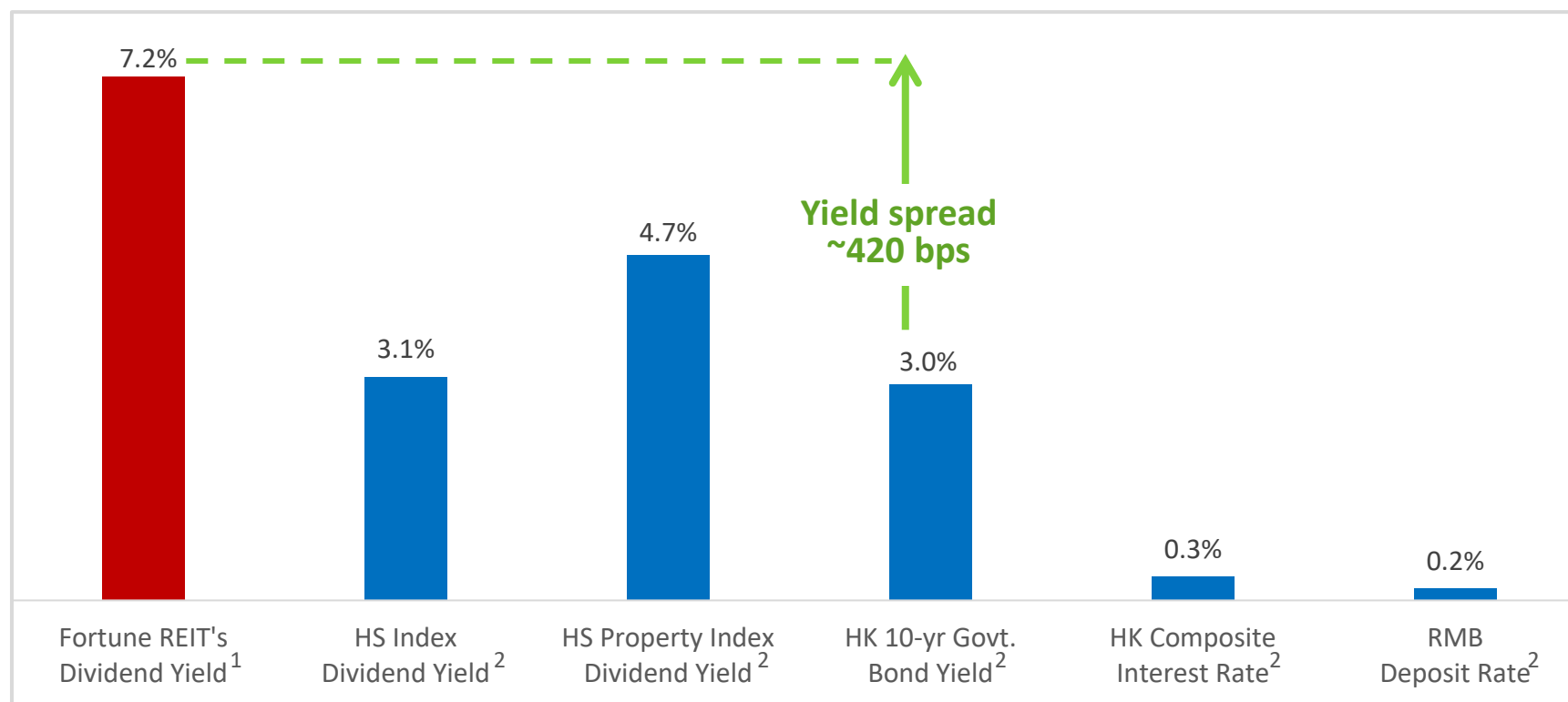
3Q 2013

Achieved ROI >20%



Resilient Asset Class with Attractive Yield

Offers an attractive distribution yield of 7.2%



Notes:

1. Based on the closing unit price of HK\$6.50 as at 30 Jun 2022.

2. As at Jun 2022

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

Progressively relaxed COVID-19 measures

Strictest safety measures in Feb 2022



- Public gatherings tightened to 2 persons
- Private gathering >2 households are prohibited



- Mandatory closure of scheduled premises, such as beauty parlours, hair salon, cinemas, fitness centres etc



- No dine-in services after 6 pm
- No banquet allowed
- Max. persons of table reduced to 2

Progressively relaxed from Apr to Jun 2022

- Public gatherings relaxed to 4 persons

- Lifted restrictions on multi-household gathering

- Reopened for business
- Subject to vaccine pass

- Resumption of dinner time dine-in services until midnight

- Banquets with no more than 120 persons

- Max. persons of table relaxed to 8

Eased quarantine for travellers in Jul 2022



- Hong Kong's route-specific flight suspension mechanism lifted

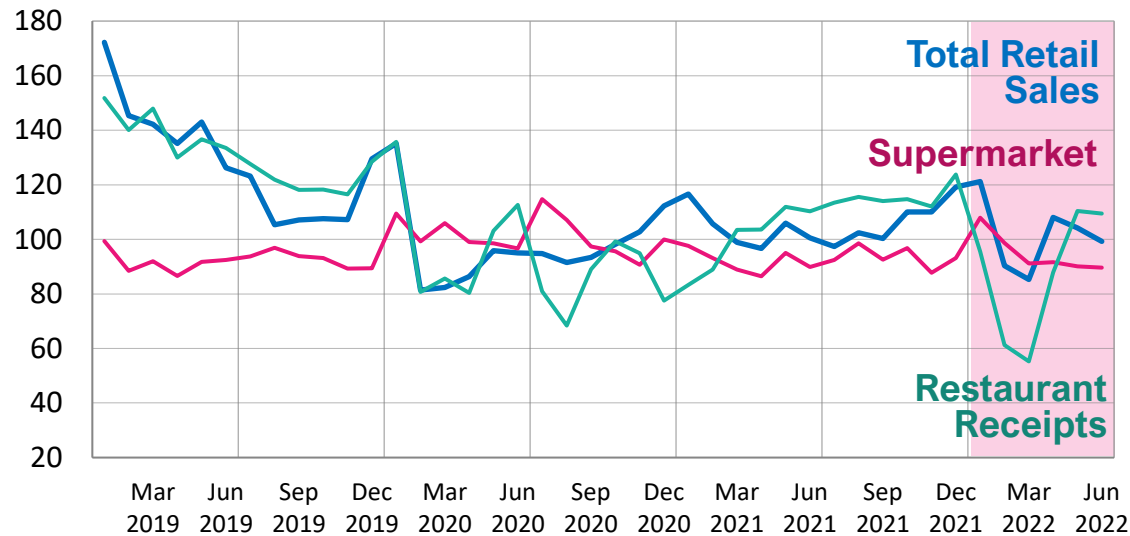


- Hong Kong's compulsory quarantine for inbound travelers shortened to 7 days

- China reduced quarantine time for overseas arrival to 7 days at quarantine facility + 3 days home quarantine

Hong Kong Retail Sales

Sale Value Index (2019 to 2022)¹



-2.6% YoY

Retail Sales Value for 1H2022

Stricken by 5th wave of COVID

+2.8% YoY

Retail Sales Value for 2Q2022

Sales picked up as local epidemic eased and disbursement of CVS

+3.3% YoY

Supermarket Sales for 1H22

5th wave of COVID lifted demand as more people stayed home

9.2%

Online penetration for 1H22

8.1% in 2021

+51.0% QoQ²

Restaurant Receipts for 2Q2022

Rebounded strongly from the trough in 1Q22

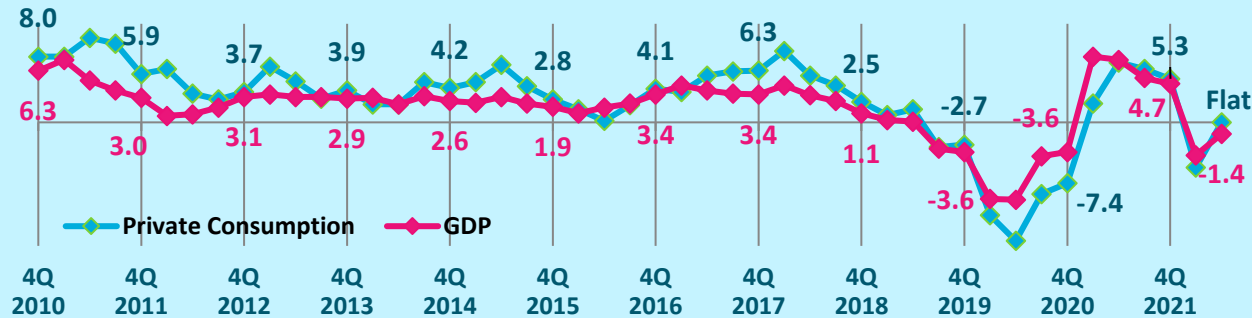
Notes:

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

2. On a seasonally adjusted basis

Hong Kong Economy

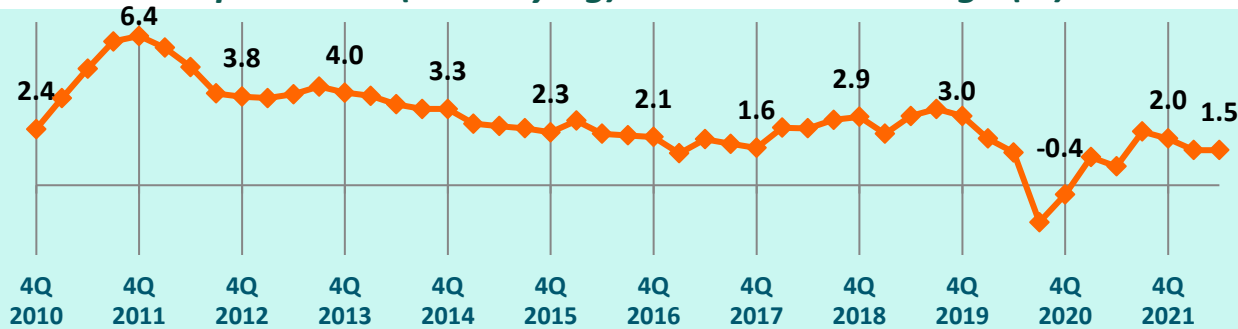
Private Consumption & GDP Year-on-Year Change (%)



GDP (2Q 2022) -1.4%

The decline of GDP was mainly attributable to the weak performance in external trade. Private consumption expenditure was virtually unchanged.

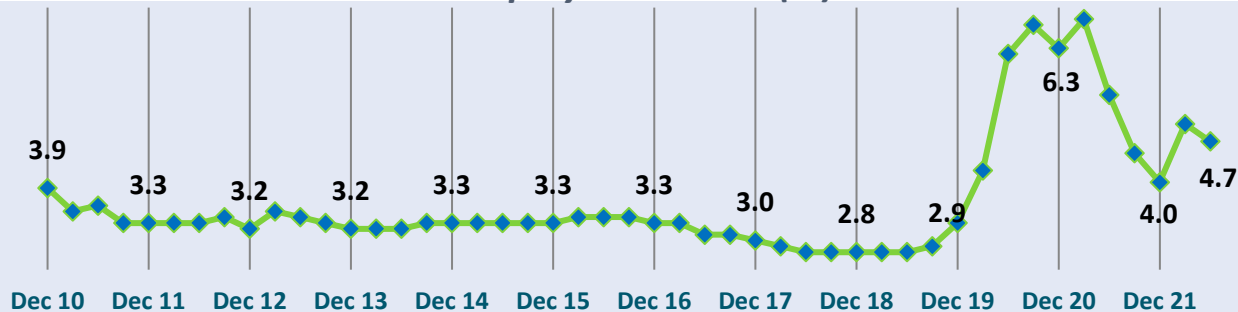
Composite CPI (Underlying) Year-on-Year Change (%)



CPI (2Q 2022) 1.5%

Prices of energy-related items recorded faster YoY increases, while clothing, footwear as well as food remained visible.

Unemployment Rate (%)



Unemployment (Apr to Jun 2022) 4.7%

The labour market improved in 2Q. The unemployment rate for retail and F&B combined fell visibly quarter-on-quarter.

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