

Financial Results

For the year ended 31 December 2022

2 Mar 2023

FORTUNE
置富產業信託 **REIT**

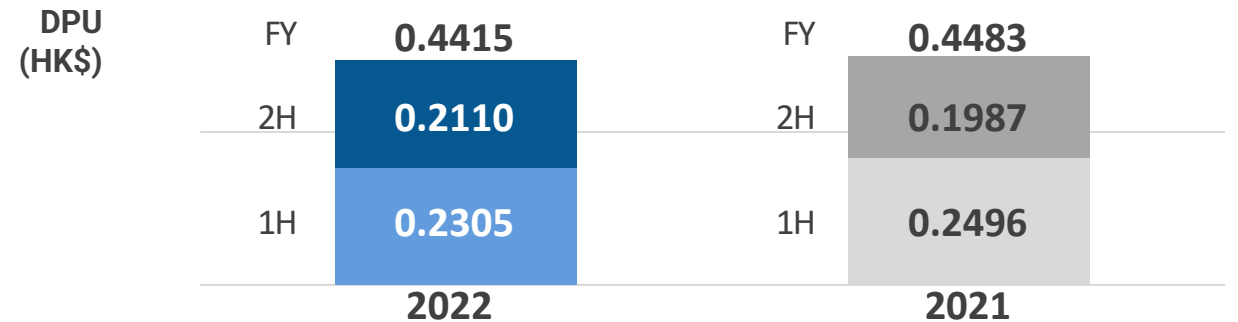
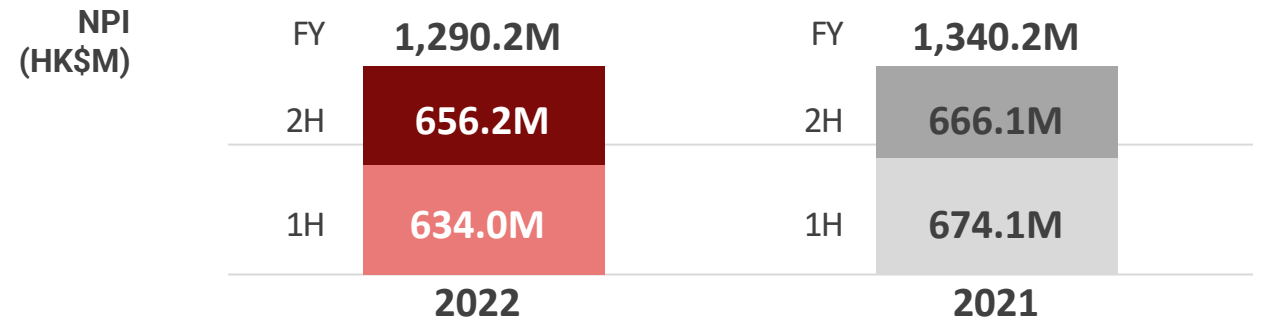
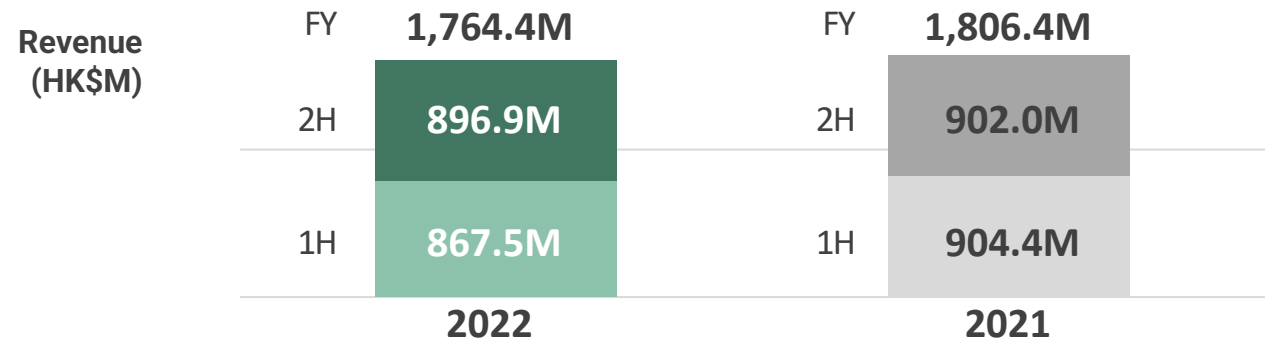
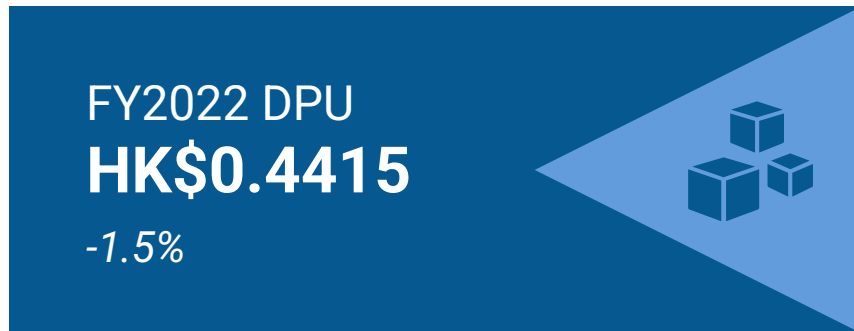
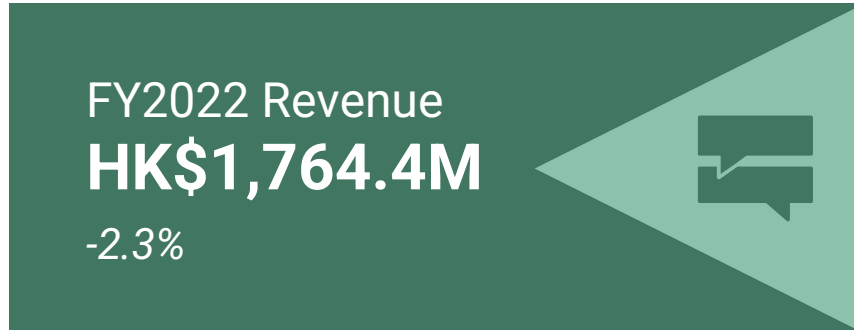




- Results Overview
- Capital Management
- Portfolio Performance
- Marketing Campaigns
- Enhancement Initiatives
- Sustainability Progress
- Outlook & Strategies



FY2022 Results Overview



FY2022 Financial Performance

(HK\$'M)	FY2022	FY2021	YoY%	2H2022	2H2021	YoY%
Revenue	1,764.4	1,806.4	-2.3%	896.9	902.0	-0.6%
Property operating expenses	(434.2)	(424.8)	+2.2%	(220.4)	(215.3)	+2.4%
Net property income	1,290.2	1,340.2	-3.7%	656.2	666.1	-1.5%
Finance cost	(241.6)	(193.1)	+25.1%	(142.6)	(96.6)	47.6%
Income available for distribution	877.3	981.1	-10.6%	420.3	490.3	-14.3%
DPU (HK\$ cents)	44.15	44.83	-1.5%	21.10	19.87	+6.2%

Revenue

- Impacted by rental concessions, lower occupancy due to AElS and negative reversion
- Turnaround in 2H as rental concessions no longer needed
- Revenue in 2H +3.4% against 1H

Property Operating expenses

- Cost to revenue ratio at 24.6%

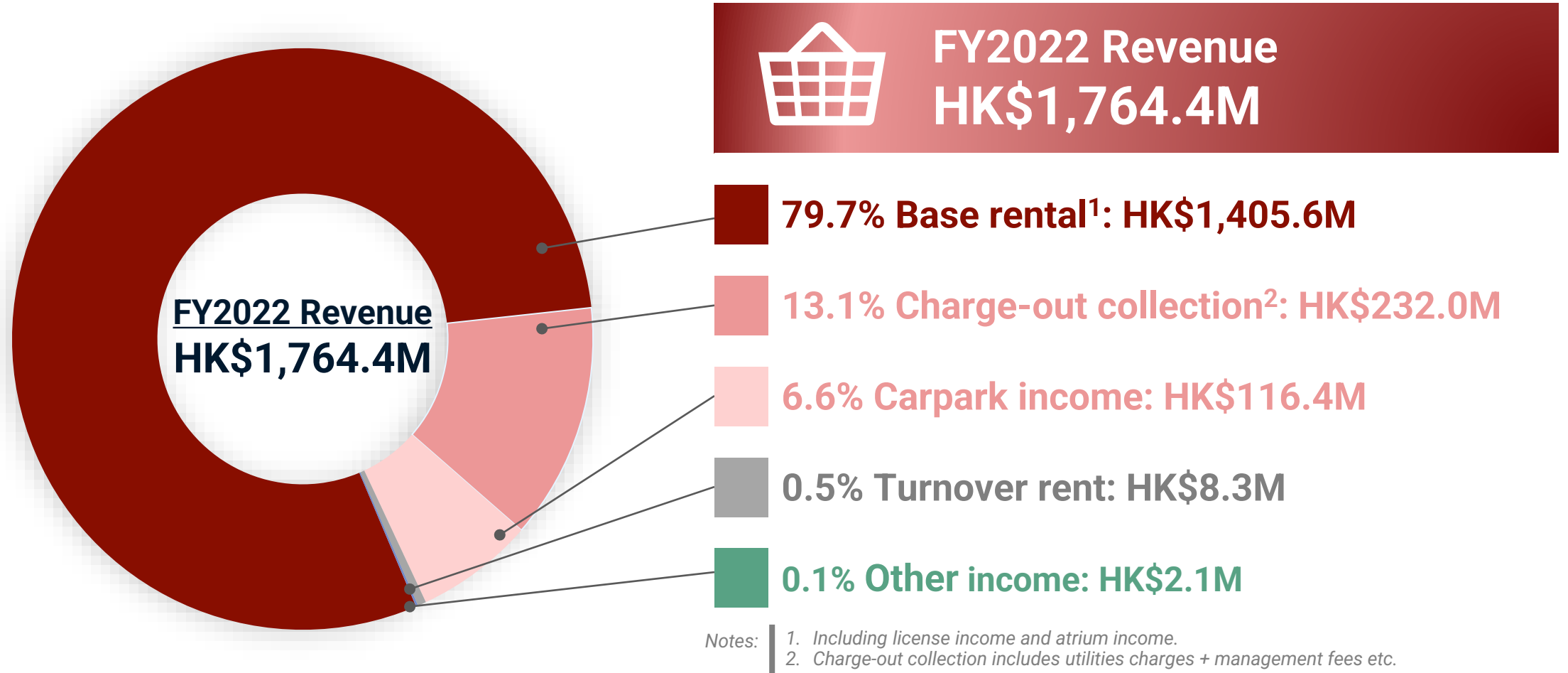
Borrowing cost

- A sharp increase in HIBOR during 2H2022
- A higher borrowing level to fund acquisition of Stars of Kovan Property

100% payout

DPU gives 7% yield

Income Contribution

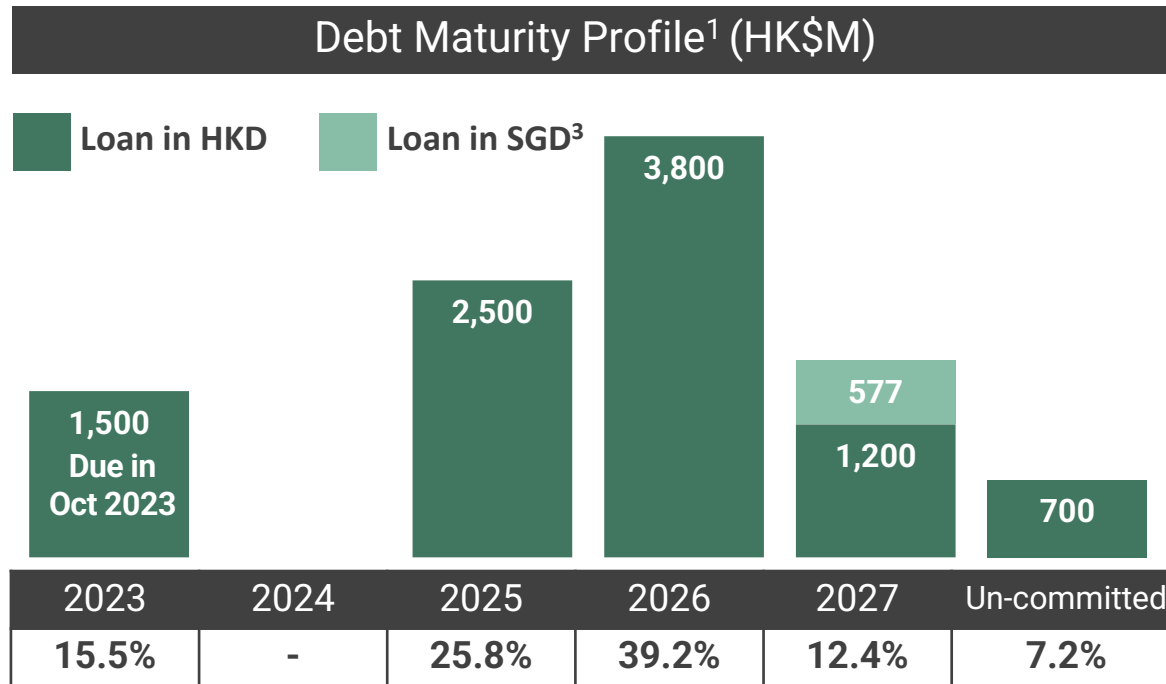




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Prudent Debt Management



23.9%
Gearing

2.7%
Effective borrowing cost²

3.0 yrs
Avg. debt maturity

3.2 yrs
Avg. swap maturity

4.8x
Interest coverage

~62%
Interest cost hedged



45% Loan⁴
are sustainability-linked



HK\$21.1B
Debt Headroom (up to 50%)



100%
Unsecured Loan

Notes:

1. As at 31 Dec 2022, total available loan facilities amounted to HK\$10,277M. Of which, HK\$9,637M were drawn.
2. Finance costs excluding change in fair value of derivative financial instruments
3. A SGD loan of S\$100M (equivalent to HK\$577M) was obtained to finance the acquisition of Stars of Kovan Property
4. HK\$4.3B sustainability-linked loans in total, represents 45% of total committed facilities

Portfolio Valuation

Portfolio Total

HK\$**39,503M**

Hong Kong Portfolio

HK\$**38,955M**

▼ 1.4% from Dec 2021

Singapore Asset

SG\$**95M**



NAV Per Unit

HK\$**14.52**

▼ 1.8% from Dec 2021



Per sf (G) retail

HK\$**12,300 psf**



Per carpark lot

HK\$**784,000**



Retail cap rate

4.3%



Acquisition of Stars of Kovan Property completed in Sep 2022

Note: | As at 31 December 2022



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Portfolio Performance Highlights



Occupancy

93.9%

As at 31 Dec 2022



Retention

78%

For FY2022



GRA renewed/relet

1.2M sq.ft

For FY2022

Flexible leasing strategies focused to retain quality tenants and maintain occupancy



Footfall

+17%

2H2022 vs 1H2022



Rental collection

98.6%

For FY2022



Reversion

-ve

A narrowing trend in general

Lease expiry profile and trade mix

Necessity Trades



68%

By rental income

WALE



1.5 Yrs

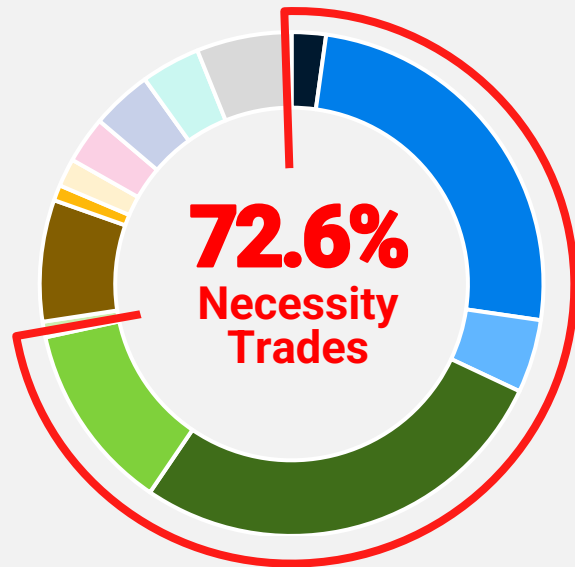
By rental income

Lease Expiry in 2023



933k sq.ft OR **36%** of rental

By Gross Rentable Area

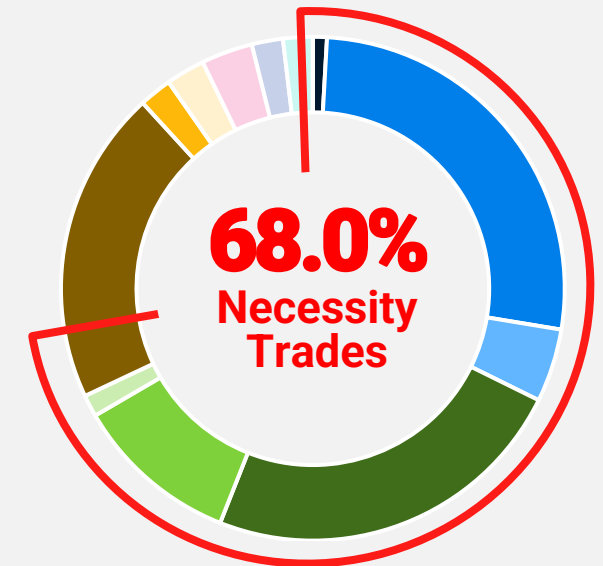


Tenant's Trade Mix

(as at 31 Dec 2022)

2.2%	Community Services	0.9%
25.1%	Food & Beverages	26.7%
4.7%	Homewares	4.7%
27.5%	Services & Education	23.7%
12.1%	Supermarkets	10.6%
1.0%	Wet Markets	1.4%
7.8%	Banking & Real Estate	20.2%
1.0%	Electronics & IT	2.1%
1.8%	Fashion & Shoes	2.5%
3.0%	Gifts, Toys & Jewellery	3.3%
3.9%	Entertainment & Sports	2.0%
3.8%	Others	1.9%
6.1%	Vacant	-

By Gross Rental Income





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Targeted marketing to support tenants and draw footfall

Festive campaign



Targeted promotion



Attractive offerings



Continuous Upgrade of Fortune Malls App to build loyalty



Fortune Malls APP was launched in June 2020 with the aim to drive footfall and sales for tenants from online to offline



Loyalty programme expanded to total 12 malls



Introduced Fortune Malls eVouchers in 2022



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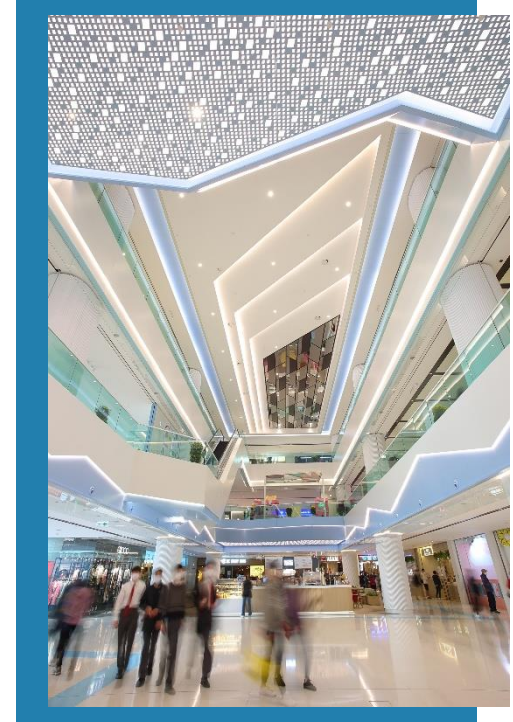
AEIs at +WOO Phase 2



CAPEX
HK\$300M

Completion
1H 2024

- To **solidify +WOO's leadership position** in Tin Shui Wai and capture new demand from the **expanding population fueled by Northern Metropolis development plan**
- Stage 1 of the project completed in Jul 2022
- Attracted new tenants and increased footfall



AEIs at +WOO Phase 2



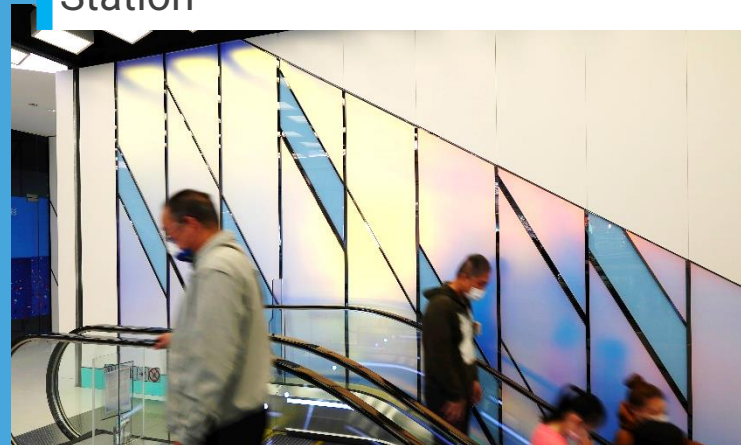
Converted an outdoor idle space into +WOO Playground on 2/F



Complemented by enhanced kid facilities



Revamped mall entrance near Ginza Station



Reconfigured escalators to bring footfall to upper floors



Attracted new tenants from F&B, Fitness, Household, Entertainment etc.

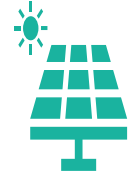


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Sustainability progress

Environmental



Solar panels

- Installed 900+ piece of solar panels across 4 malls.
- Expect to reduce GHG by 127 tonnes p.a.



Green loans

- 45% loan are sustainability-linked
- KPIs on electricity usage, GHG emissions & waste



Green building

- All 16 HK assets earned BEAM Plus Certification
- 1 Platinum Rating in Comprehensive Scheme
- 7 Excellent Rating in Management
- 1 Excellent Rating in Water Use
- 1 Excellent Rating in Energy Use



Building Management System (BMS)

- Installed in 6 malls, 69% total GRA
- To expand to a total of 9 malls and 85% GRA by end 2023
- To improve energy efficiency and monitor air quality

Sustainability progress

Social and **Governance**



Community engagement

- Farm@Fortune as the flagship project to promote sustainable living in community
- Over 103 kg of produce grown and donated
- Hosted 14 engagement events for staff, nearby kindergartens and elderly centers



- To drive partnership with customers and tenants with the provision of reverse vending machines and food waste compost machines at Fortune Malls



Governance

- Green lease clauses built in our tenancy agreements
- Formulated Supplier Code of conduct



- ESG training provided to internal and external stakeholders including Board, employees, Property Manager etc



- Established climate change policy and published Climate Disclosure Report by the TCFD reporting framework



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Outlook and Strategies

Improving operating prospects



- Rent looks to bottoming out as negative reversion continues to narrow with more cases of flat or positive reversion recorded
- Encouraging leasing commitments so far YTD 2023.
- Positive contribution from +W00 as its AEl's progress further in 2023
- A full year contribution from Stars of Kovan Property in 2023

Cost and capital management



- Focus on ways to mitigate the increase in utilities cost resulting from higher electricity tariff
- Energy saving measures powered by BMS
- 62% of debt hedged to fixed interest rate
- Only 16% of loan is due in 2023

Favorable market trend



- Hong Kong fully reopened its border on 6 Feb 2023
- A rebound in tourist arrivals is expected to revive the retail market as tourist spending accounted for ~30% of Hong Kong's retail sales pre-COVID
- Local consumption will find further support as economic activities return to normal and labour market continues to improve
- 3rd round of CVS (HK\$5,000) with 1st HK\$3,000 to be disbursed in Apr 2023

ADDITIONAL INFORMATION

THREE GROWTH STRATEGIES

Active Leasing
Management



Asset Enhancement
Initiatives



Yield-accretive
Acquisitions



Investment highlights

HK\$12.6B

Market
Cap

HK\$39.5B

Portfolio
Valuation

HK\$14.52

NAV
per Unit

68% income

from non-discretionary
trades

MSCI index

Inclusion in World
Small Cap

Highest 5-Star

GRESB Rating



**20 years
of proven
track record**

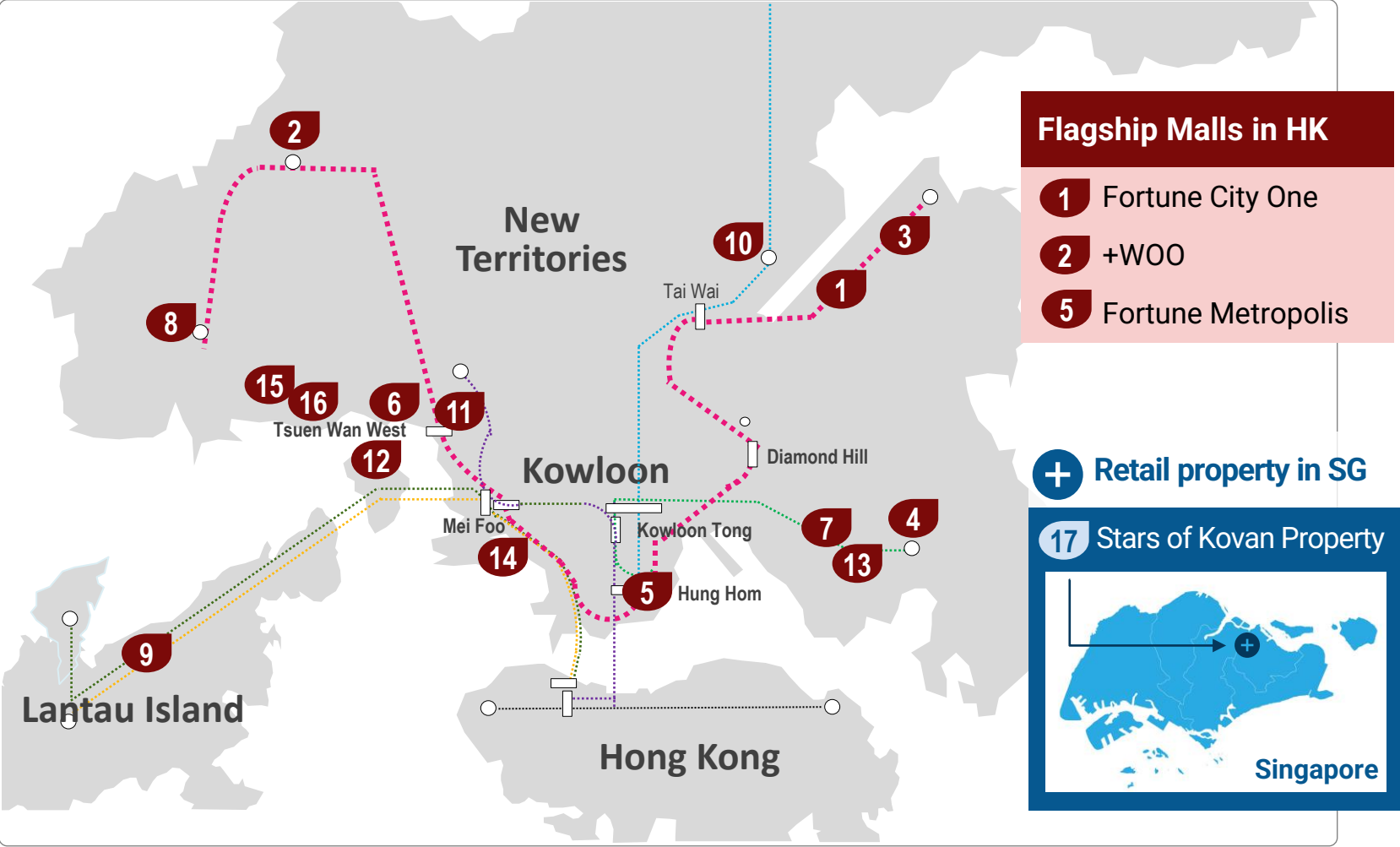


**A pure play in
resilient sector of
neighborhood malls**

Note

1. As at 31 Dec 2022.

A Hong Kong-Focused Neighbourhood Mall Portfolio



17 Assets

16 neighborhood malls in Hong Kong
1 suburban retail property in Singapore

3 million sq.ft.

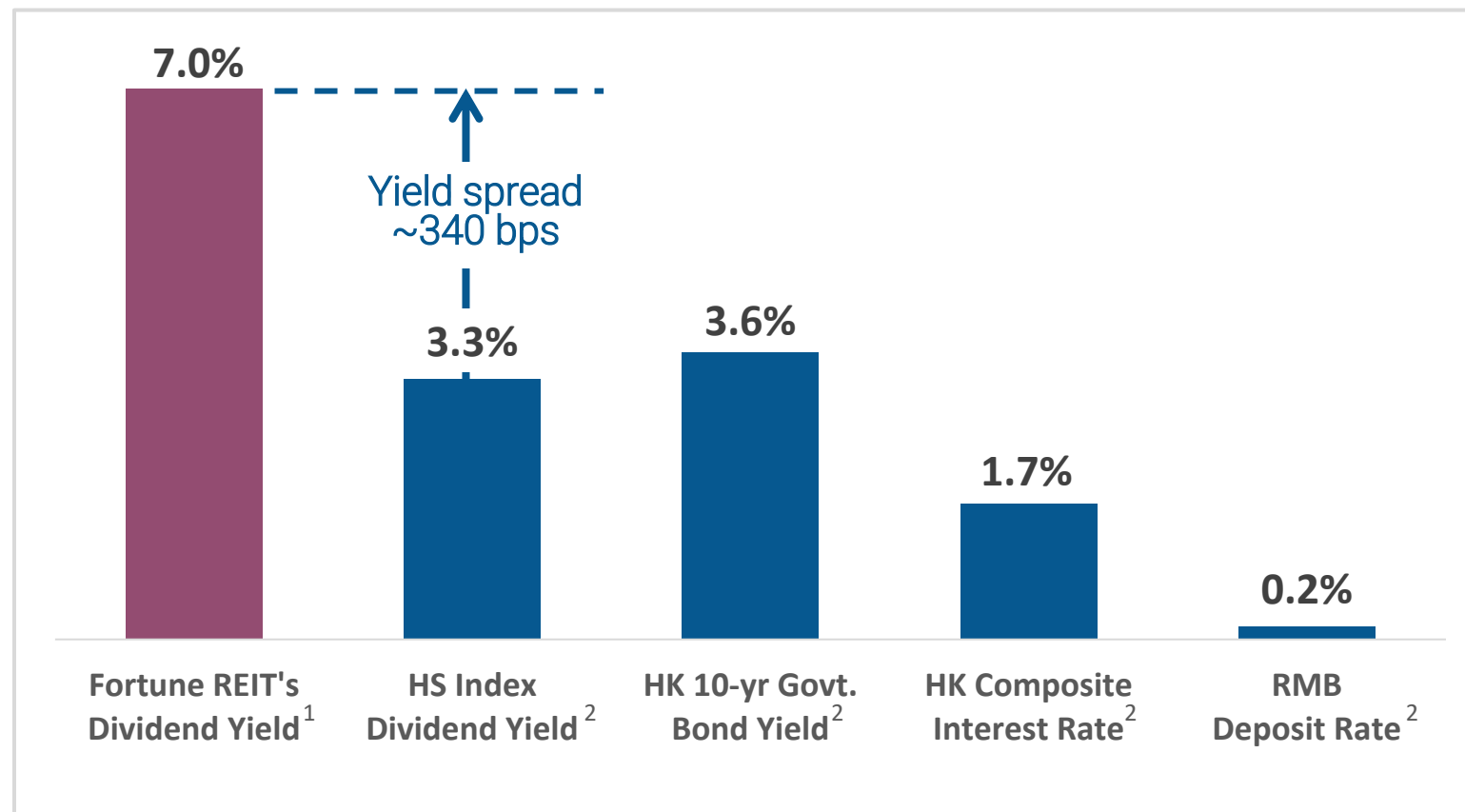
Total GRA

2,793 nos.

Carparking spaces

Resilient Asset Class with Attractive Yield

An attractive distribution yield of 7.0%



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

Notes: 1. Based on the closing unit price of HK\$6.34 as at 30 Dec 2022.
2. As at Dec 2022

Income Statement

(HK\$'M)	FY2022	FY2021	YoY%
Revenue	1,764.4	1,806.4	-2.3%
Property operating expenses	(434.3)	(424.8)	+2.2%
Manager's performance fee	(39.9)	(41.4)	-3.6%
Net property income	1,290.2	1,340.2	-3.7%
Manager's base fee	(118.4)	(117.2)	+1.0%
Finance costs ¹	307.4	(45.8)	N/A
Change in fair value of investment properties	(696.1)	358.0	N/A
Other items ²	(5.9)	(14.1)	-58.2%
Profit before taxation	777.2	1,521.1	-48.9%
Income tax expense	(274.6)	(203.6)	+34.9%
Profit for the year	502.6	1,317.5	-61.9%
Income available for distribution	877.3	981.1	-10.6%
Payout Ratio	100%	90%	+10.0%
DPU (HK\$ cents)	44.15	44.83	-1.5%

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

Balance sheet

HK\$'000	31 Dec 2022	31 Dec 2021
Current assets	322,410	203,699
Non-current assets	40,012,773	39,521,012
Total assets	40,335,183	39,724,711
Current liabilities	3,243,964	2,677,654
Non-current liabilities	8,163,918	7,863,879
Total liabilities	11,407,882	10,541,533
Net assets	28,927,301	29,183,178
Units in issue ¹ ('000 units)	1,992,462	1,973,804

Note: | 1. Include units to be issued.

Gearing ratio
23.9%

Portfolio valuation
HK\$39,503M

NAV per Unit
HK\$14.52

Portfolio occupancy

Fortune REIT's portfolio	GRA(s.f.)	Occupancy		
		31 Dec 22	30 Jun 22	31 Dec 21
1. Fortune City One	414,469	98.0%	98.0%	98.5%
2. +WOO	665,244	89.4%	88.6%	86.7%
3. Ma On Shan Plaza	310,084	99.4%	99.5%	99.7%
4. Metro Town	180,822	93.7%	99.0%	95.3%
5. Fortune Metropolis	332,168	82.3%	83.6%	83.2%
6. Belvedere Square	276,862	92.1%	91.0%	97.9%
7. Laguna Plaza	163,203	99.1%	98.9%	99.8%
8. Waldorf Avenue	80,842	100.0%	100.0%	100.0%
9. Caribbean Square	63,018	100.0%	99.1%	100.0%
10. Jubilee Square	170,616	97.0%	95.3%	98.3%
11. Smartland	123,544	97.5%	98.2%	99.3%
12. Tsing Yi Square	78,836	100.0%	99.1%	99.1%
13. Centre de Laguna	43,000	96.7%	92.0%	99.5%
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%
17. Stars of Kovan Property	22,638	100.0%	N.A.	N.A.
Portfolio Total	3,024,520	93.9%	93.9%	94.3%

DISTRIBUTION DETAILS

21.10 HK cents

DPU for the 6 months ended 31 Dec 2022



23 March 2023

Ex-date



24 March 2023

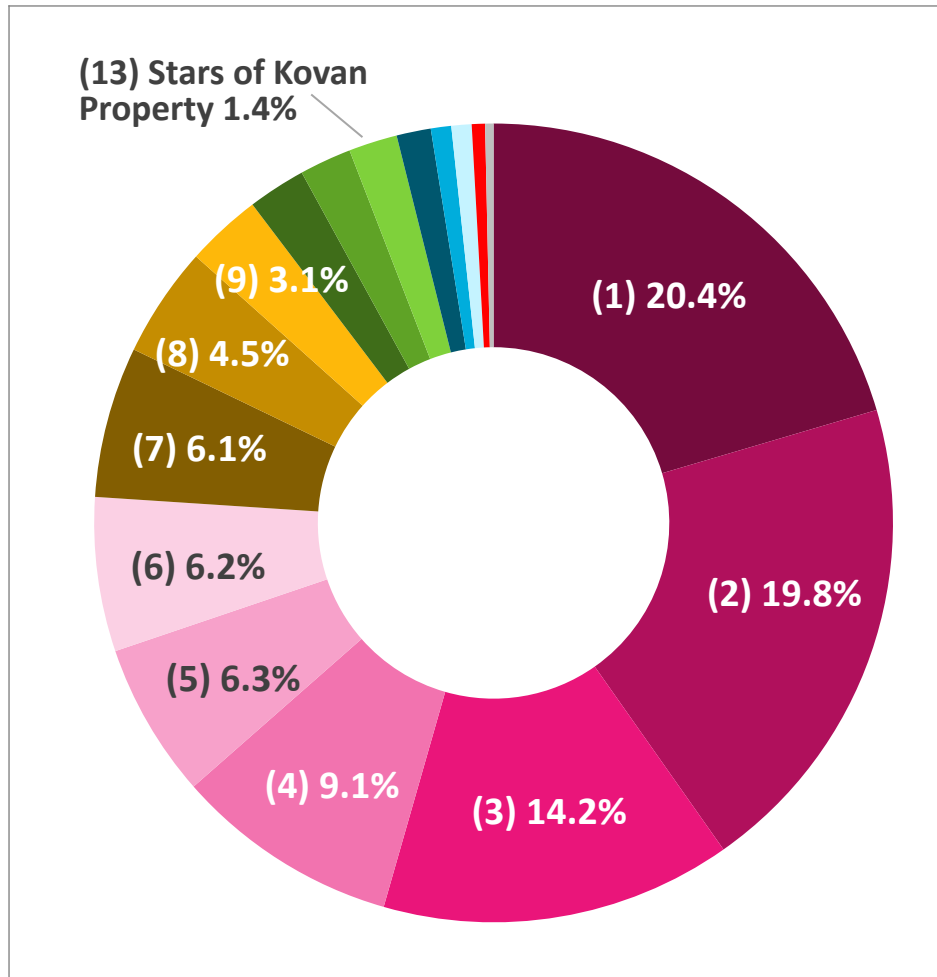
Record Date



21 April 2023

Payment Date

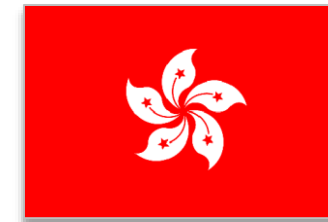
Portfolio valuation breakdown



Portfolio Valuation ¹ (HK\$M)		
(1) Fortune City One		8,073
(2) +WOO		7,821
(3) Ma On Shan Plaza		5,610
(4) Metro Town		3,590
(5) Laguna Plaza		2,479
(6) Belvedere Square		2,465
(7) Fortune Metropolis		2,413
(8) Waldorf Avenue		1,768
(9) Caribbean Square		1,209
(10) Jubilee Square		925
(11) Tsing Yi Square		830
(12) Smartland		778
(13) Stars of Kovan Pty ²		548
(14) Centre de Laguna		326
(15) Hampton Loft		323
(16) Lido Avenue		211
(17) Rhine Avenue		134
Portfolio Total		39,503

Portfolio valuation
HK\$39,503M

HK split
HK\$38,955M



98.6% in HK

SG split
SG\$95M



1.4%² in SG

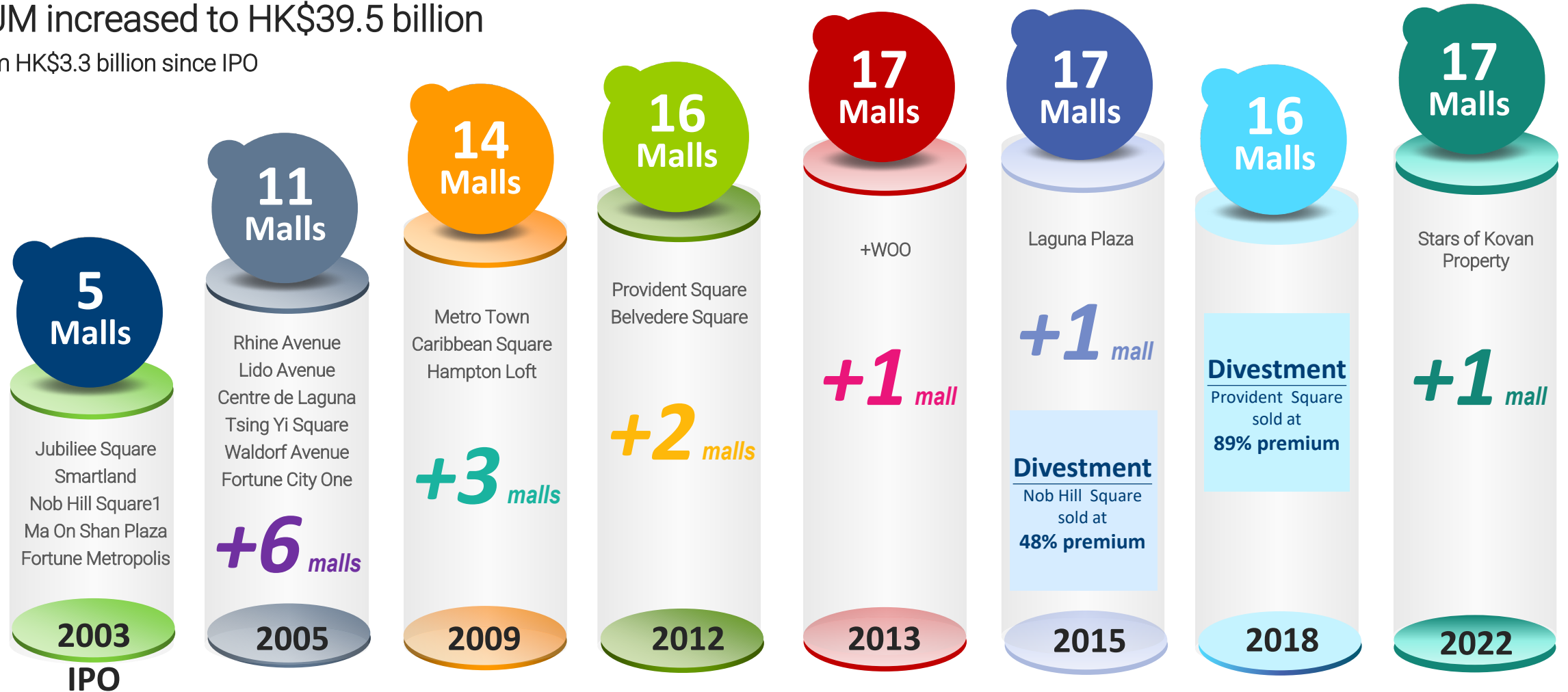
Notes: 1. Valued by Colliers as at 31 Dec 2022
2. Based on valuation of S\$95 million and an exchange rate of 5.768

Acquisitions for Growth

Asset Portfolio grew >11 times in 18 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 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



CAPEX
HK\$80M

Completion
4Q2015

ROI
>20%

Enhanced offerings after AEIs



F&B



Toy Shop



Health Food

AEIs at Fortune City One



CAPEX
HK\$150M

Completion
3Q2013

ROI
>20%



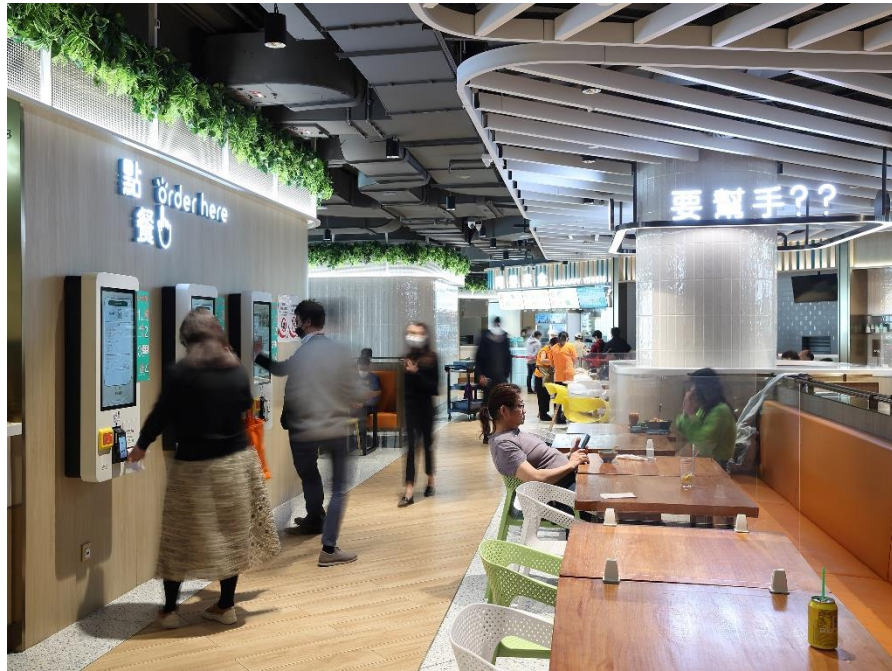
Food court renovation at Fortune Metropolis



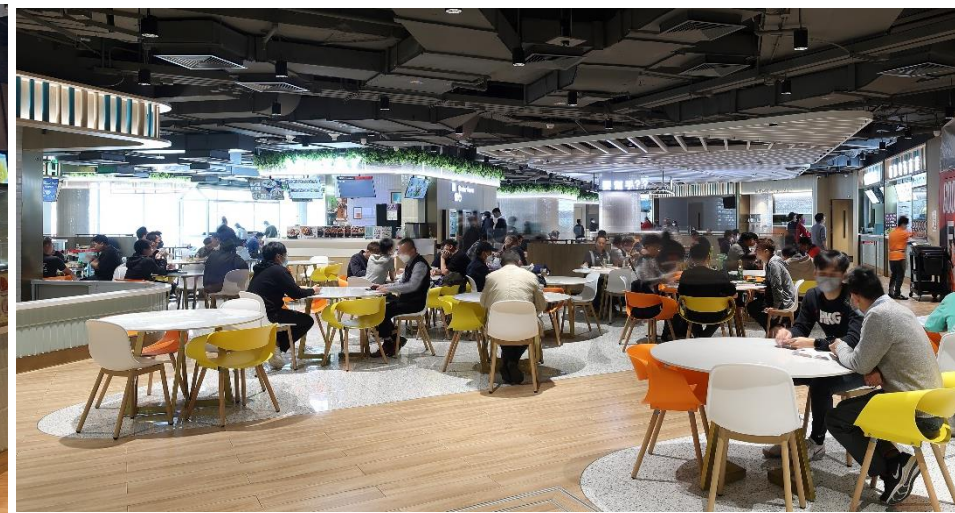
Area
15,000 sq.ft

CAPEX
HK\$16M

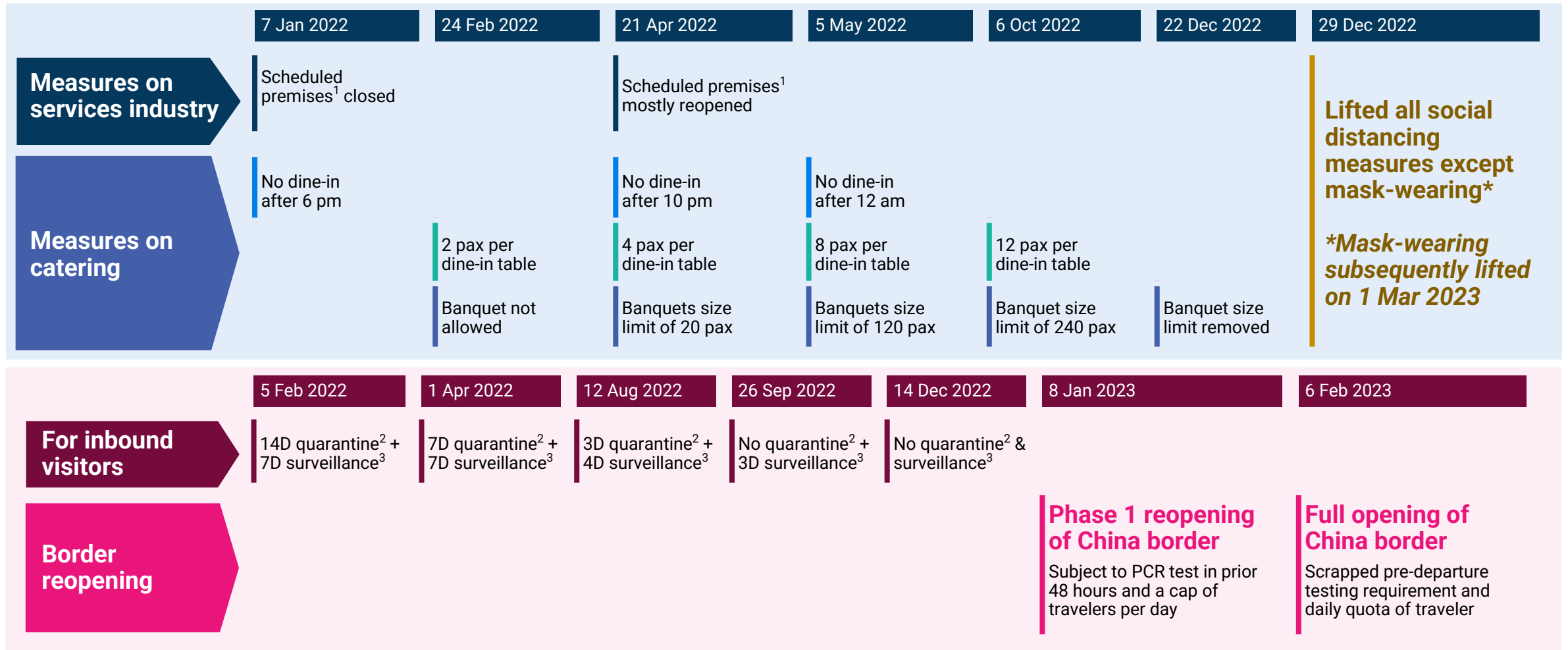
Completion
1Q2022



A new dining experience via digitalized food ordering and rejuvenated seating area



From fifth wave COVID to full reopening of border



Source: www.info.gov.hk

- Notes:
1. Scheduled premises include beauty parlours, hair salon, cinemas, gym etc.
 2. Mandatory hotel quarantine
 3. Medical surveillance at home

Hong Kong Economy – Improving Macro Conditions

GDP

YoY % Change
in real terms



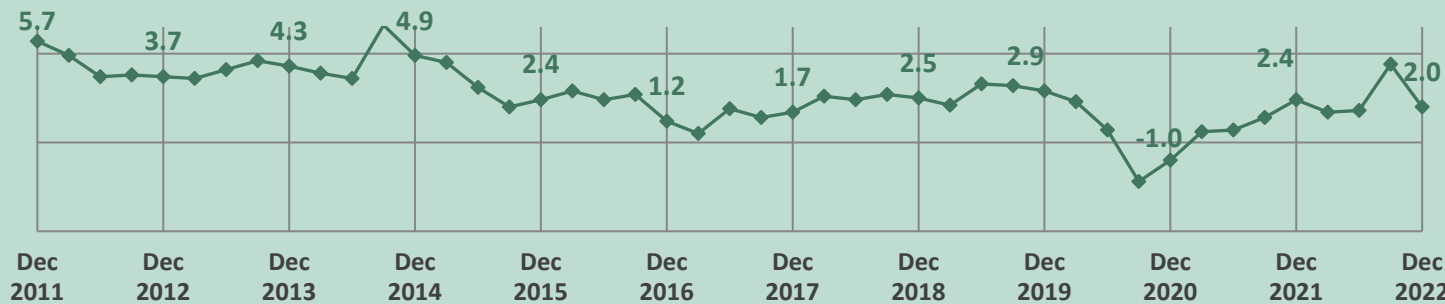
-3.5% YoY

GDP
Jan to Dec 2022

Composite

CPI

Headline
YoY (%)

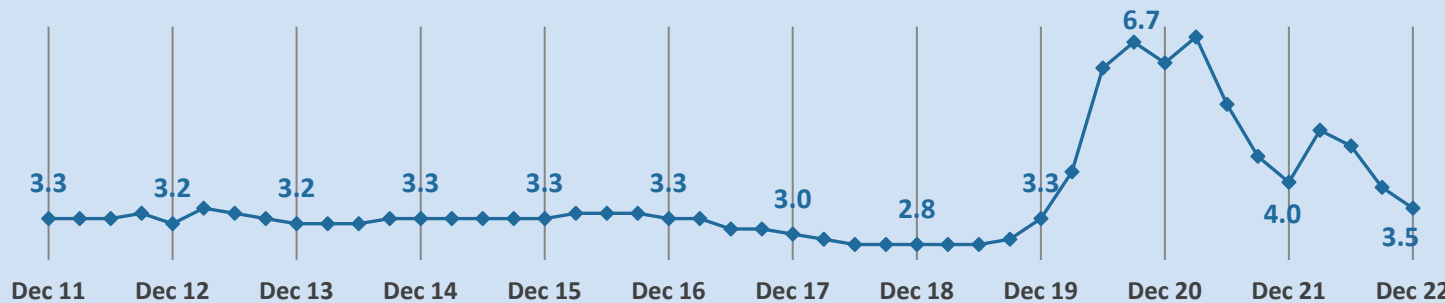


+1.9%

CPI, headline composite
For the whole of 2022

Unemployment

Seasonal adjusted (%)



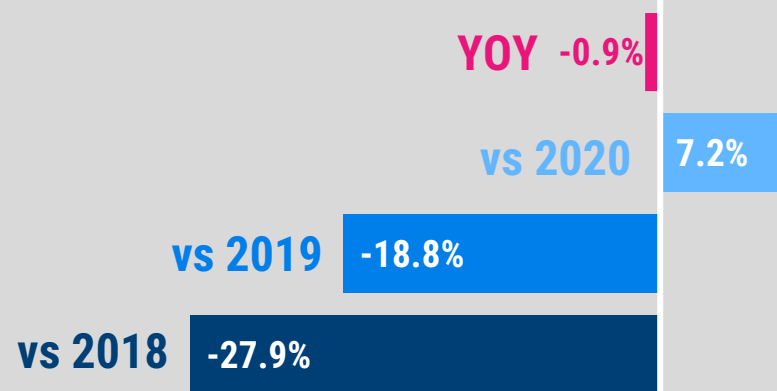
3.5%

Unemployment
Oct to Dec, 2022

Source: | Census & Statistics Department, Hong Kong

Hong Kong retail sales & restaurant receipts

2022 Retail Sales



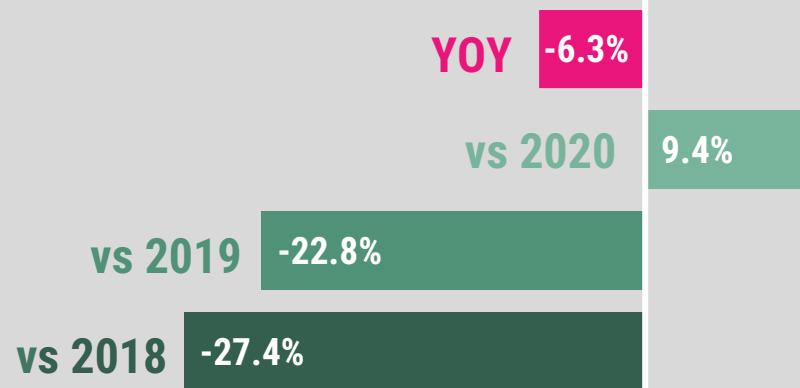
Retail Sales

-0.9% YoY in 2022

+12.0% 4Q vs 3Q

- In 2022, medicines and cosmetics (+2.7%), electrical goods (+2.1%), and supermarkets (+1.3%) performed better;
- while clothing and footwear (-9.1%), and department stores (-9.9%) remained under pressure

2022 Restaurant Receipts



Restaurant Receipts

-6.3% YoY in 2022

+5.8% 4Q vs 3Q

- In 2H 2022, restaurant receipts rebounded (+33.2% vs 1H) alongside COVID measures relaxation and CVS disbursement
- Among which, Chinese restaurant (+47.4%) and fast food (+17.2%)

Singapore - Retail market performance

+3.6%
YoY
For 2022

GDP

MTI expects GDP to grow by 0.5% to 2.5% in 2023

+7.2%
YoY
For 2022

Retail Sales²

Up 9.5% YoY in Dec 2022, exceeded Dec 2019 (pre-COVID level)

14.2%
in Dec 2022

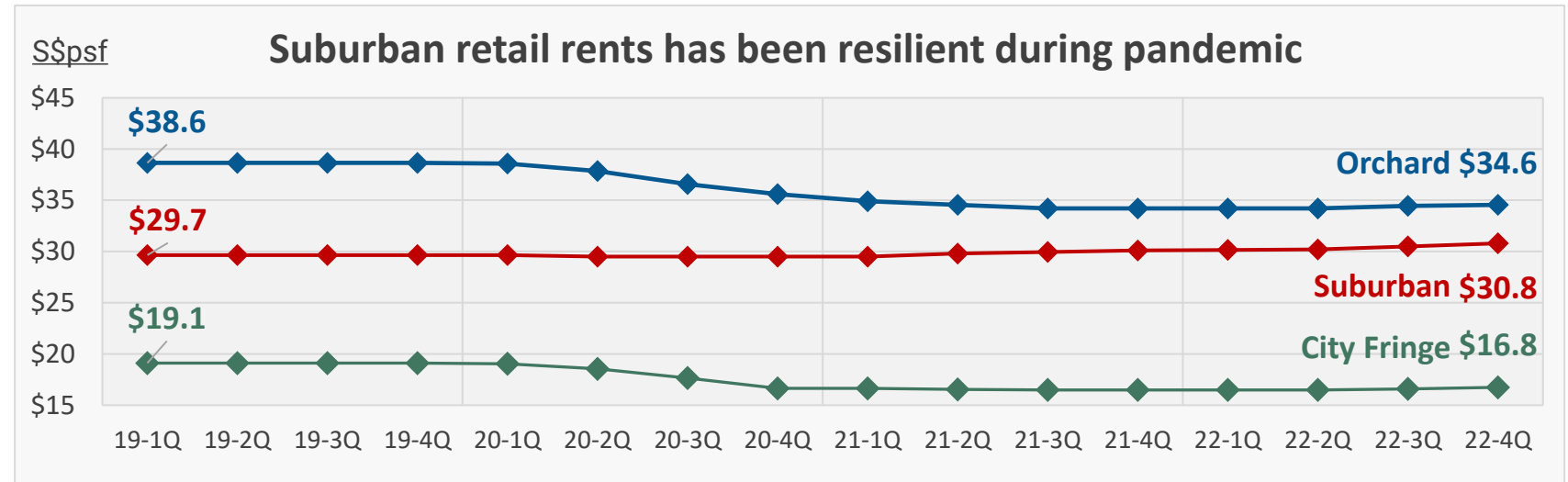
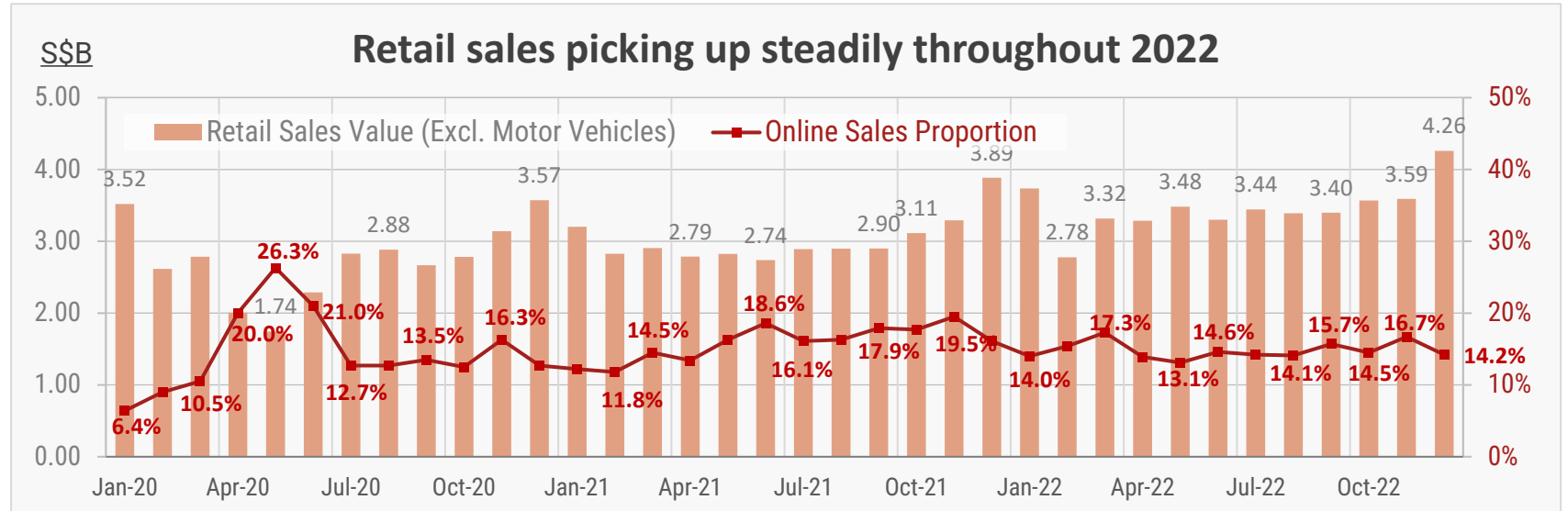
Online sales²

13.2% for the sub-sector of Supermarket

+2.3%
YoY
For 2022

Suburban rent

Suburban retail rent has been resilient during pandemic



Source: SingStat, Ministry of Trade and Industry (MTI), CBRE Singapore
 Note: 1. Retail Sales Index, (2017 = 100), At current prices, quarterly
 2. Excluding motor vehicles

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