

# Financial Results

For the six months ended June 2021

6 August 2021



## Results Overview

Capital Management

Portfolio Performance

Marketing Campaigns

Enhancement Initiatives

Outlook & Strategies



# 1H2021 Results Highlights



## Financial highlights

- Revenue -5.0% YoY
- Finance cost -30.9% YoY
- Distributable Income +0.2% YoY
- DPU 24.96 HK cents +10.4% YoY

**100%  
Payout**



## Capital Management

- Secured HK\$3.8B new facilities, including HK\$1.5B sustainability-link loan
- Gearing at 22.5%



**6%  
Attractive  
Yield**

Annualized yield based on closing unit price of HK\$8.32 as at 30 Jun 2021



## Operation Highlights

- Occupancy remains healthy at 95.8% despite AEs at +WOO
- Negative rental reversion but healthy tenant retention<sup>1</sup> at 74%

Note:

1. Excluded +WOO, which is undergoing AEs.

6 Months ended Jun 2021 | 3

# 1H2021 Results Highlights

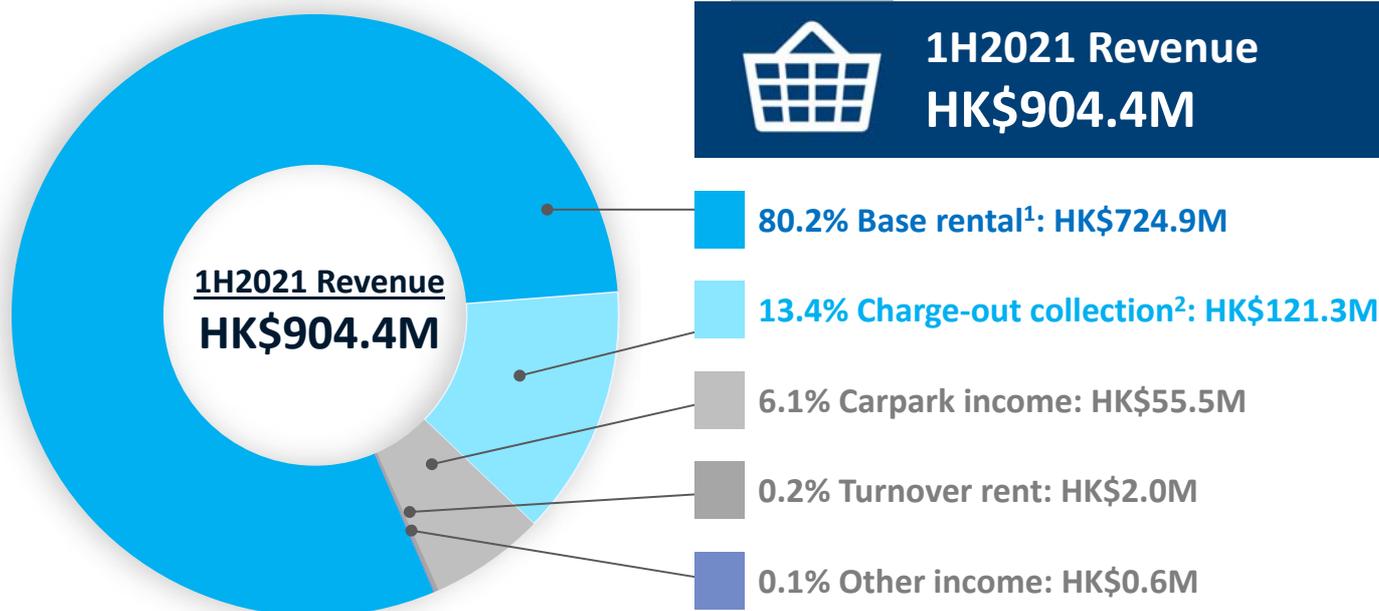
HK\$'M	1H2021	1H2020	YoY%
Revenue	904.4	951.8	-5.0%
Property operating expenses	(209.5)	(211.4)	-0.9%
Net property income	674.1	718.2	-6.1%
Finance cost	(96.5)	(139.7)	-30.9%
Distributable income	490.8	489.7	+0.2%
Payout ratio	100%	90%	+10%
DPU (HK\$ cents)	24.96	22.60	+10.4%

Attributable to negative rental reversion and rental rebate, but partly offset by increased carpark income

Mostly attributable to savings in building management and reduced credit loss but largely offset by higher A&P expenses and leasing commissions

Lower effective borrowing cost driven by a lower average HIBOR

6 Months ended Jun 2021 | 4



Notes:

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

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# Prudent Debt Management

## Debt Maturity Profile (HK\$M)

Facility refinanced  
on 19 Jul 2021

\$3.5B 5Y New facilities  
\$1.5B sustainability-link loan  
\$2B term loan



Post -Refinancing on 19 Jul 2021	2022	2023	2024	2025	2026
	13.8%	17.2%	0%	28.7%	40.2%

**22.5%**  
Gearing

**2.2%**  
Eff. borrowing cost

**3.8 yrs**  
Avg. debt maturity

**-30.9% YoY**  
due to lower HIBOR

**6.3 x**  
Interest coverage

**51%**  
Interest cost hedged

**HK\$2.5B**  
ESG Loan<sup>1</sup>

**HK\$21.5B**  
Debt Headroom (up to 50%)

**100%**  
Unsecured Loan

Note:

1. Including sustainability loans of HK\$1B and HK\$1.5B obtained in Oct 2020 and Jun 2021 respectively.

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# Portfolio Valuation

Valuation stabilizing with average cap rate maintained at 4.3%

**Portfolio Valuation**  
**HK\$38,840M**

▼ 0.6% from 31 Dec 20

**NAV per unit**  
**HK\$14.45**

▼ 1.2% from 31 Dec 20

HK\$ psf (G) retail

**12.2K**

HK\$ per carpark lot

**784K**

Retail cap rate

**4.3%**

6 Months ended Jun 2021 | 8



## Resilient Asset Performance

### Occupancy

**95.8%**

as at 30 Jun 2021



- Stable portfolio occupancy during 1H2021
- +WOO's occupancy dropped to 92.1% as AEIs started in Jun 2021 with first batch of affected tenants vacated.

**Rental  
Collection**  
**>99%**



- Assistance to tenants gradually subside as market stabilized towards period end

### Retention<sup>1</sup>

**74%**

in 1H21



- Healthy tenant retention for the portfolio
- New lettings gaining momentum on the other hand

### Lease Expiry

**18.4%**

Remaining in 2H21

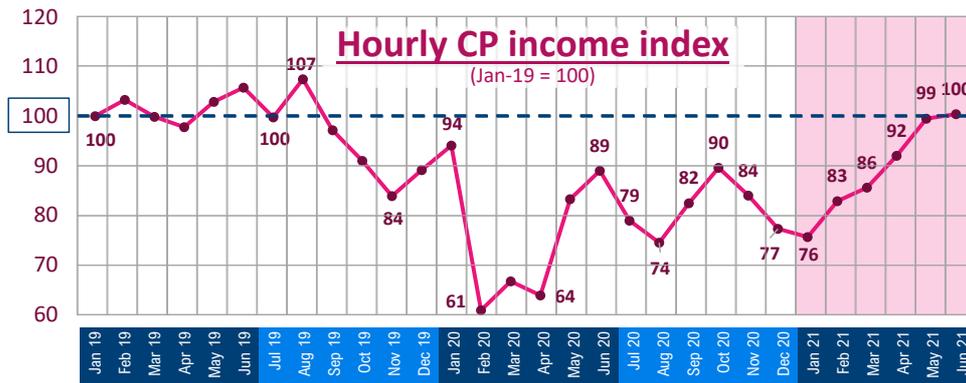


- Proactive lease renewals to maintain a steady income stream amid shortfall from AEIs

Note:  
1. AEIs property (+WOO) excluded

# Footfall and Hourly Carpark Income

Local infections subsiding and social distancing restrictions gradually relaxed in 1H2021



- Hourly carpark income increased by 27% YoY from Feb 2021 onwards
- Returned to pre-COVID levels in Jun 2021



- Footfall steadily picking up in 1H2021 and almost back to pre-pandemic level
- Footfall in Jun 2021 reached a 12-month high

6 Months ended Jun 2021 | 11

# Well-positioned Trade Mix

Well-diversified tenant base

**1,279** tenants

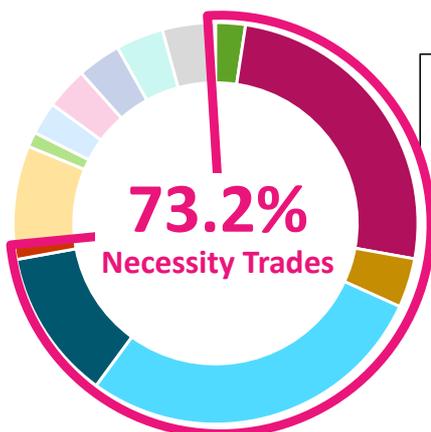
Strong focus on necessity trades

**>60%**

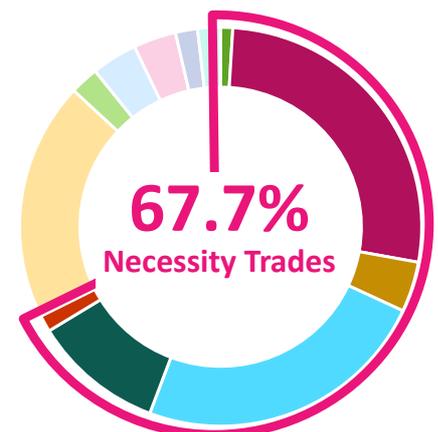
By Gross Rentable Area

Tenant's Trade Mix  
(as at 30 Jun 2021)

By Gross Rental Income



2.4%	Community Services	1.0%
25.5%	Food & Beverages	26.9%
4.0%	Homewares	4.1%
28.2%	Services & Education	23.8%
12.1%	Supermarkets	10.5%
1.0%	Wet Markets	1.4%
8.1%	Banking & Real Estate	19.4%
1.2%	Electronics & IT	2.3%
2.6%	Fashion & Shoes	3.7%
3.4%	Gifts, Toys & Jewellery	3.4%
3.5%	Entertainment & Sports	1.8%
3.8%	Others	1.8%
4.2%	Vacant	0.0%



6 Months ended Jun 2021 | 12

# Healthy Leasing Demand

480k sf committed for renewals / new lettings during 1H21  
Driven by new demands such as F&B and education



F&B: 16 new leases taking up 25,300 sf



Education & Wellness: 13 new leases taking up 20,600 sf



Grocery & Homewares: 11 new leases taking up 8,700 sf

6 Months ended Jun 2021 | 13

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## 778 Sales Driven Program



## Double Rewards



## Movie Ticket Redemption



## Thematic decoration



## Tuen Ma Line Promotion



## Top Spender Competition



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# AEIs at +WOO Phase 2



CAPEX

HK\$300M

Commencement

Jun 2021

- 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



Atrium perspective

# Food Court Renovation at Fortune Metropolis



CAPEX

HK\$ 16 M

Commencement

Jul 2021

15,000 sq. ft. Food Court for a full revamp



Entrance - Perspective



Seating - Perspective

- Targeted completion by end 2021
- To bring in new food concepts, modernize the seating area and digitalize the food ordering flow



Before



Before



## Sustainability Endeavors

ADVANCING NET  
**ZERO**  
BY 2030

### Supports ARA Group's ESG goals

Asia's first real assets manager as a signatory to WorldGBC's Net Zero Carbon Buildings Commitment and the UN-Supported PRI



### Green Loans

Sustainability-linked loans of HK\$2.5B (~30% of loan portfolio)



Hang Seng Corporate Sustainability Index

Index Constituent for 4 consecutive years

### Green Buildings



- Energy management system
- Installation of solar panels - Laguna Plaza, Fortune City One

### Recognitions



- Above benchmark score
- 25% improvement from 2019



## Retail Environment

- Retail market stabilizing during 1H2021 as the pandemic eased in HK
- Government's HK\$30B Consumption Voucher Scheme will give market a boost in 2H2021 but long-term support boils down to when the border reopens



## Operational Focus

- Kick-started two AEs at +WOO Phase 2 and Fortune Metropolis. Target to secure tenant pre-commitments in advance to manage down-time
- Focus on retaining tenants and maintaining stable occupancy for the remaining portfolio



## Capital Management

- Gearing and hedging ratio remained healthy
- Completed refinancing due for 2021. No more than 18% of debt expiring in each of next 3 years

# Appendices



3 Growth Strategies

Active Leasing Management



Yield-accretive Acquisitions

Asset Enhancement Initiatives

# Income Statement

HK\$'M	1H 2021	1H 2020	Variance (%)
Revenue	904.4	951.8	-5.0%
Property operating expenses	(209.5)	(211.4)	-0.9%
Manager's performance fee	(20.8)	(22.2)	-6.1%
Net property income	674.1	718.2	-6.1%
Manager's base fee	(58.0)	(62.2)	-6.8%
Finance costs <sup>1</sup>	(43.0)	(292.3)	-85.3%
Change in fair value of investment properties	(257.9)	(2,516.1)	-89.7%
Other items <sup>2</sup>	(7.8)	(8.3)	-6.3%
Profit/(Loss) before taxation	307.4	(2,160.7)	N/A
Income tax expense	(102.9)	(106.7)	-3.6%
Profit/(Loss) for the period	204.5	(2,267.4)	N/A
Distributable income	490.8	489.7	+0.2%
Payout Ratio	100%	90%	+10.0%
DPU (HK\$ cents)	24.96	22.60	+10.4%

Notes:

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

6 Months ended Jun 2021 | 23

# Robust Balance Sheet

HK\$'000	30 Jun 2021	31 Dec 2020
Current assets	300,132	261,261
Non current assets	38,840,000	39,075,000
<b>Total assets</b>	<b>39,140,132</b>	<b>39,336,261</b>
Current liabilities	6,086,361	4,829,028
Non current liabilities	4,650,675	5,875,731
<b>Total liabilities</b>	<b>10,737,036</b>	<b>10,704,759</b>
<b>Net assets</b>	<b>28,403,096</b>	<b>28,631,502</b>
Units in issue <sup>1</sup> ('000 units)	1,966,221	1,958,887

Gearing Ratio

22.5%

Portfolio Valuation

HK\$38,840 million

NAV per Unit

HK\$14.45

Notes:

1. Include units to be issued.

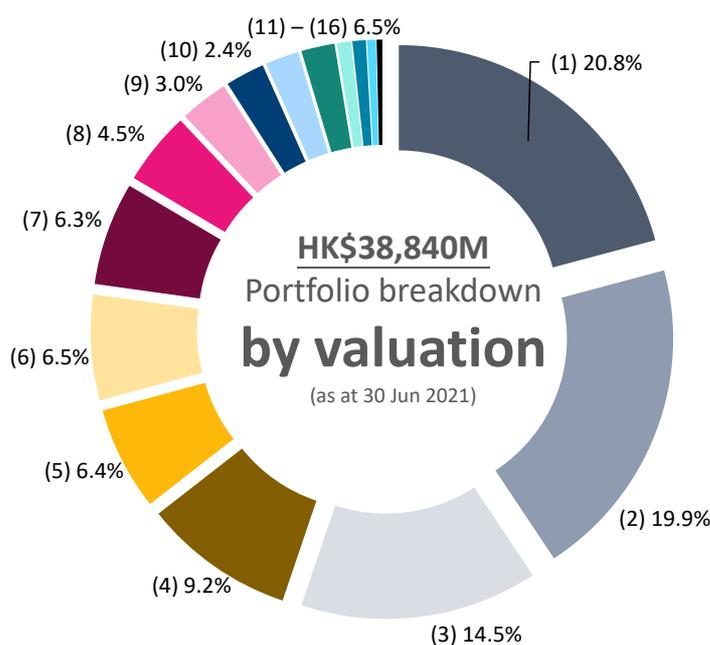
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# Portfolio occupancy

Fortune REIT's portfolio	GRA(s.f.)	Occupancy		
		30 Jun 21	31 Dec 20	30 Jun 20
1. Fortune City One	414,469	97.5%	98.1%	96.6%
2. +WOO	665,244	92.1%	93.2%	95.1%
3. Ma On Shan Plaza	310,084	98.7%	97.8%	88.7%
4. Metro Town	180,822	99.7%	99.6%	97.2%
5. Fortune Metropolis	332,168	87.1%	88.7%	92.5%
6. Belvedere Square	276,862	95.9%	91.4%	93.5%
7. Laguna Plaza	163,203	100.0%	100.0%	98.7%
8. Waldorf Avenue	80,842	100.0%	99.0%	99.3%
9. Caribbean Square	63,018	100.0%	100.0%	100.0%
10. Jubilee Square	170,616	98.1%	100.0%	95.4%
11. Smartland	123,544	98.4%	98.9%	96.0%
12. Tsing Yi Square	78,836	100.0%	96.6%	96.6%
13. Centre de Laguna	43,000	100.0%	99.0%	98.5%
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%	97.6%	100.0%
<b>Portfolio Total</b>	<b>3,001,882</b>	<b>95.8%</b>	<b>95.8%</b>	<b>95.0%</b>

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# Portfolio Valuation



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

(1) Fortune City One	8,087
(2) +WOO	7,720
(3) Ma On Shan Plaza	5,622
(4) Metro Town	3,585
(5) Fortune Metropolis	2,469
(6) Belvedere Square	2,514
(7) Laguna Plaza	2,455
(8) Waldorf Avenue	1,738
(9) Caribbean Square	1,150
(10) Jubilee Square	926
(11) Smartland	795
(12) Tsing Yi Square	790
(13) Centre de Laguna	330
(14) Hampton Loft	316
(15) Lido Avenue	209
(16) Rhine Avenue	134
<b>Portfolio Total</b>	<b>38,840</b>

## Portfolio Valuation

**HK\$38,840M**

▼ 0.6% from Dec 20

## Retail Cap Rate

Average @ **4.3%**

Notes:

1. Valued by Jones Lang Lasalle Ltd as at 30 Jun 2021.

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# Fortune REIT's Portfolio

**16** Neighborhood malls with **3 million sf**  
Total valuation of **HK\$ 38.8 billion**

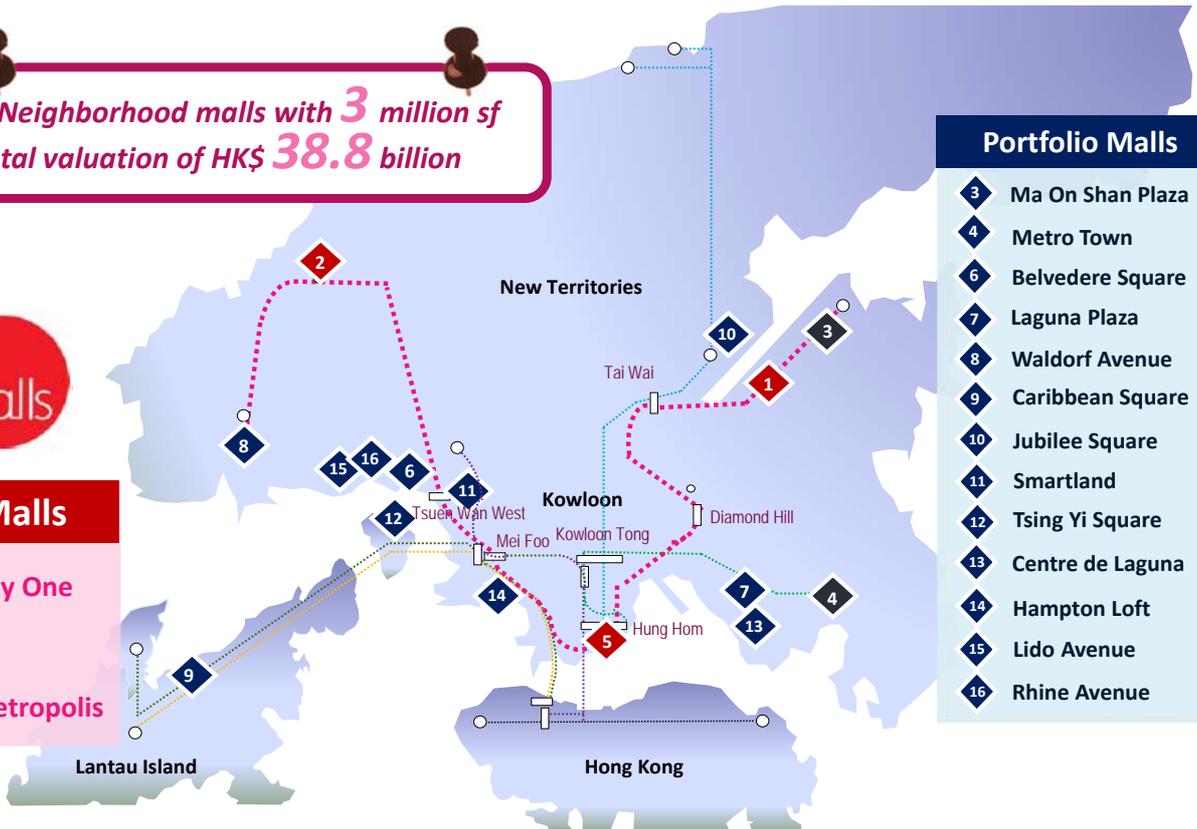


## Flagship Malls

- 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



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# Investment Highlights

**HK\$16.3B**  
Market Cap

**HK\$38.4B**  
Portfolio Valuation

**HK\$14.45**  
NAV per Unit

**68%** income from  
Non-discretionary trades

**MSCI index**  
Inclusion in  
HK Small Cap

## 16 Neighborhood malls in Hong Kong

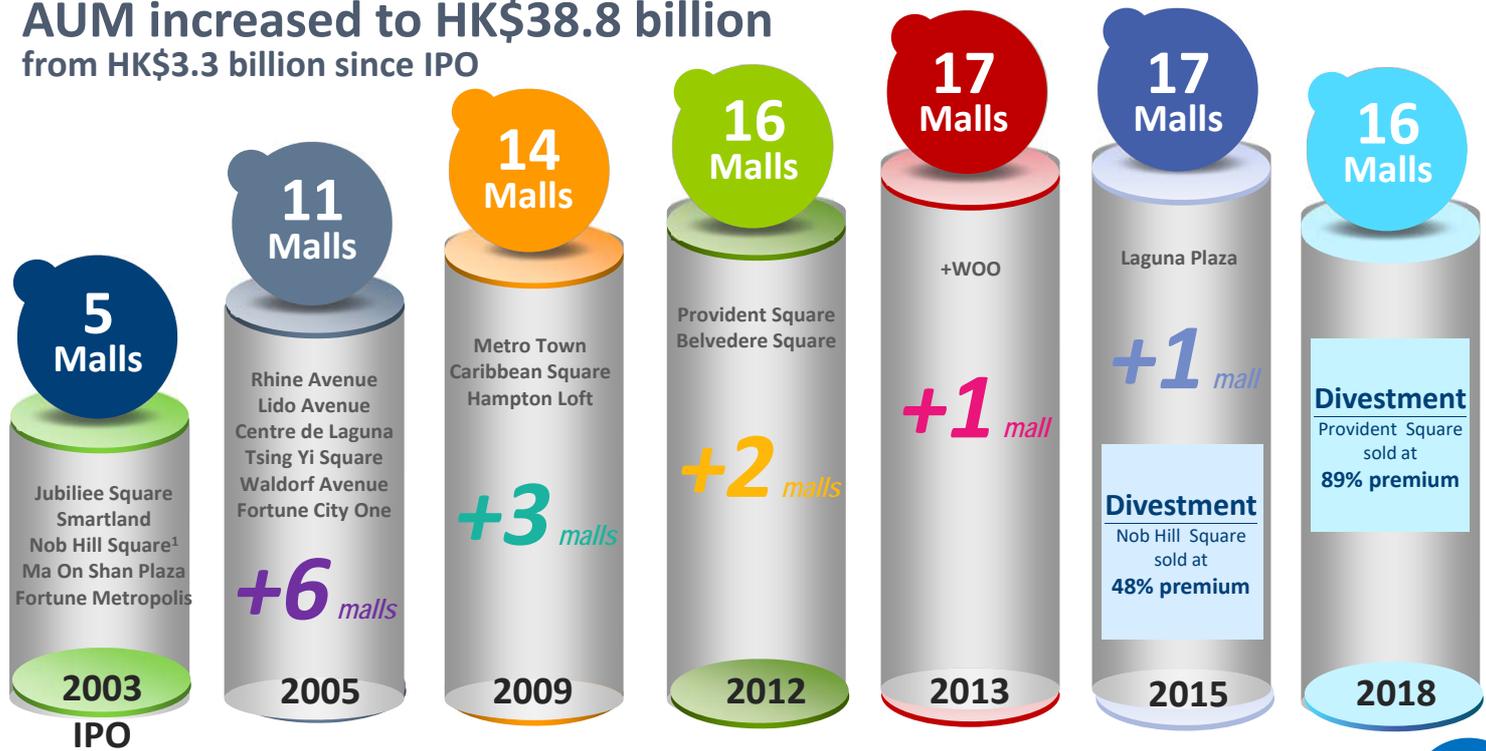


Note:  
1. As at 30 Jun 2021.

6 Months ended Jun 2021 | 28

# Proven Acquisition Growth

Asset Portfolio grew >11 times in 17 years  
AUM increased to HK\$38.8 billion  
from HK\$3.3 billion since IPO



6 Months ended Jun 2021 | 29

# 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.

6 Months ended Jun 2021 | 30

# AEIs at Belvedere Square Phase 3 (BS3)

麗城薈  
Belvedere Square



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

6 Months ended Jun 2021 | 31

# AEIs at Fortune City One

置富第一城  
Fortune City One



CAPEX

HK\$150M

Commencement

2010

Completion

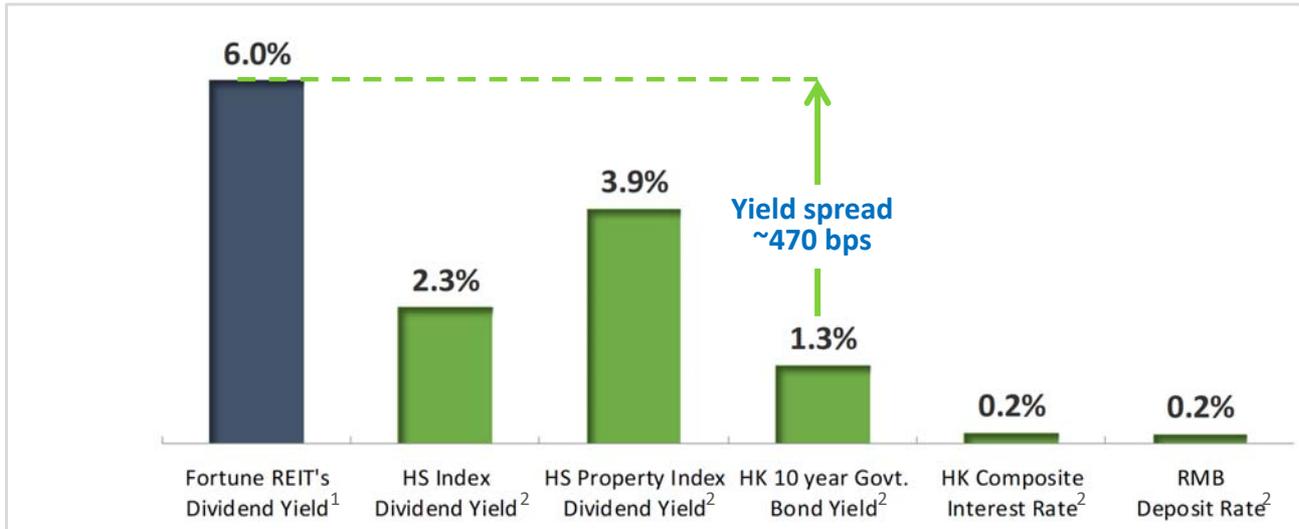
3Q 2013

Achieved ROI >20%



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## Offers 6.0% distribution yield with steady growth



**Notes:**

1. Based on the closing unit price of HK\$8.32 as at 30 Jun 2021.

2. As at Jun 2021.

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

# Social Distancing Measures in Hong Kong

Restrictions gradually relaxed during 1H2021

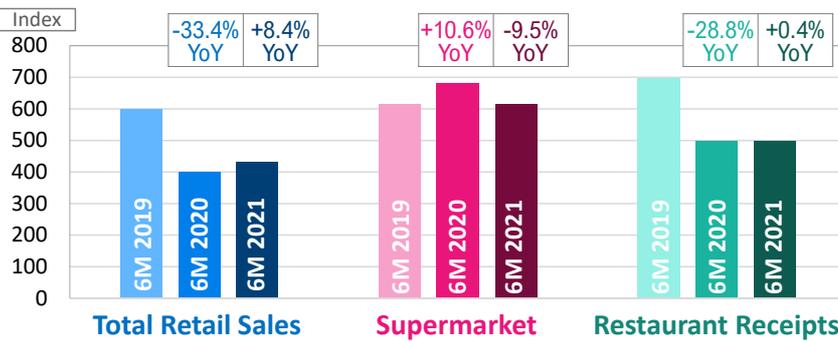
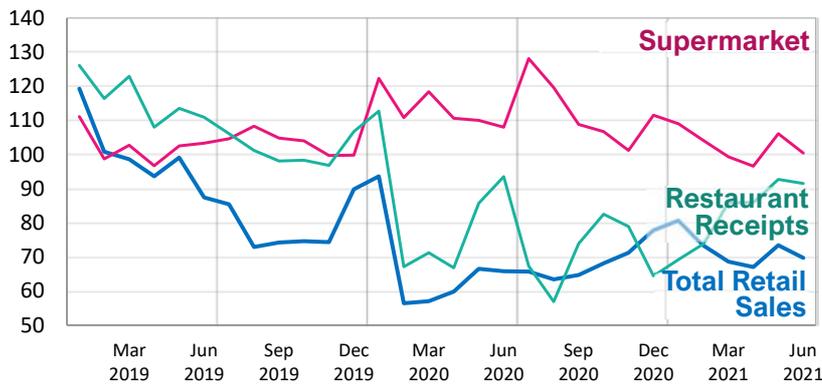
Since Feb 2021, schools resumed, venues re-opened. Dinning hours extended and capacity expanded

Since 29 Apr 2021, implemented a 4-tiers dining restrictions by requirements such as Leave Home Safe App, staff vaccination and designated zoning within the restaurants.

	2020	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2021	Feb	Mar	Apr	May	Jun	Jul	
School		Suspended / Holiday					Suspended / Holiday					Suspended / Holiday								
Other venues <sup>1</sup>			Closed				Closed					Closed								
Dine-in limit per table				4	8		8 4	2		4	6	4	2		2 - 4		2 - 8		2 - 12	
Dine-in hours restriction (after)							6pm	9pm - mn	2am	10pm - mn	6pm	6 - 10pm			6pm - 2am					

Note: 1. Including game centre, cinema, gym, beauty parlour

## Sale Value Index (2019 to 2021)



**+8.4% YoY**

Retail Sales Value for 6M2021

Partly helped by low base in 2020

back to **80%** of pre-COVID

Retail Sales in Jun 2021

Still off from pre-pandemic level

**7.2%**

Online penetration for 6M2021

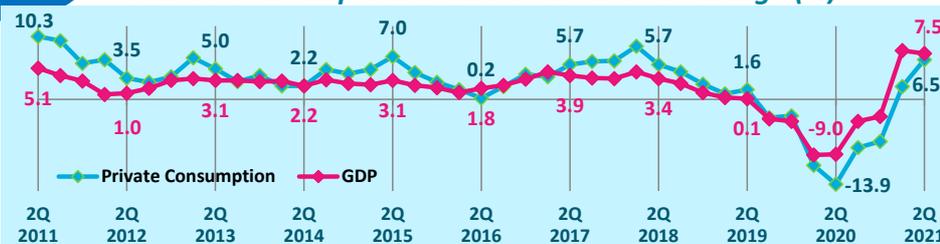
Online sales peaked in end 2020  
But stabilized at current level

Source: Census and Statistics Department  
Average index from Oct 2014 to Sep 2015 = 100

6 Months ended Jun 2021 | 35

# Hong Kong Economy

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



**GDP (2Q 2021) 7.5%**

Hong Kong economy saw a visible recovery during the first half of 2021, rebounded by high single digit for two consecutive quarters.

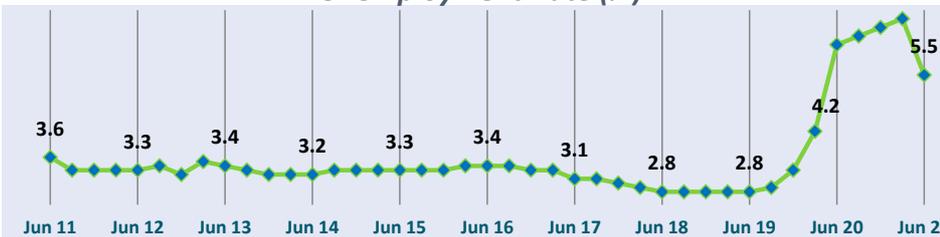
## Composite CPI (Underlying) Year-on-Year Change (%)



**CPI (2Q 2021) 0.3%**

Overall inflation should remain largely contained despite increase further in the near term alongside with economic recovery and rising import prices.

## Unemployment Rate (%)



**Unemployment (Apr to Jun 2020) 5.5%**

Unemployment rate eased to 5.5% from its 17-year peak of 7.2%.

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