

Financial Results

For the six months ended June 2023

8 August 2023

FORTUNE
置富產業信託 **REIT**





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



1H2023 Financial Performance

(HK\$'M)	1H 2023	1H 2022	YoY%
Revenue	908.7	867.5	+4.7%
Property operating expenses	(216.0)	(213.9)	+1.0%
Net property income	671.9	634.0	+6.0%
Finance costs	(152.2)	(99.0)	+53.8%
Income available for distribution	447.7	456.9	-2.0%
DPU (HK\$ cents)	22.36	23.05	-3.0%



Revenue

- Improvements recorded in all revenue streams including base rental, carpark income, charge-out income and turnover rent
- Higher revenue also partly helped by the absence of rental rebate in 1H2023

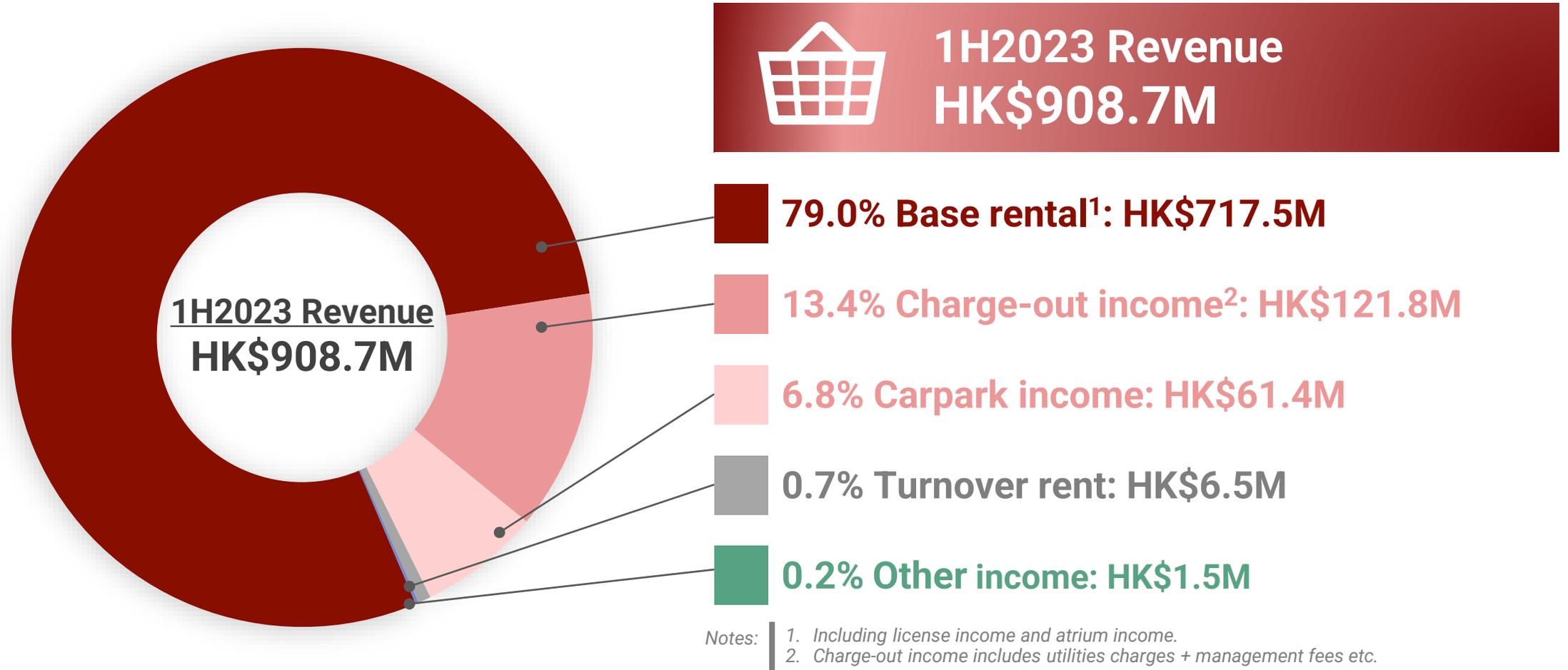
Property Operating expenses

- Increase in higher utilities costs, building management expenses and advertising and promotion expenses were partially offset by savings in leasing commissions and allowance for credit losses
- Cost to revenue ratio improved to 23.8% from 24.7% for 1H2022

Finance cost

- Sharp increase in HIBOR since 2H2022
- Higher borrowing level following the acquisition of Stars of Kovan Property in Sep 2022

Income Contribution

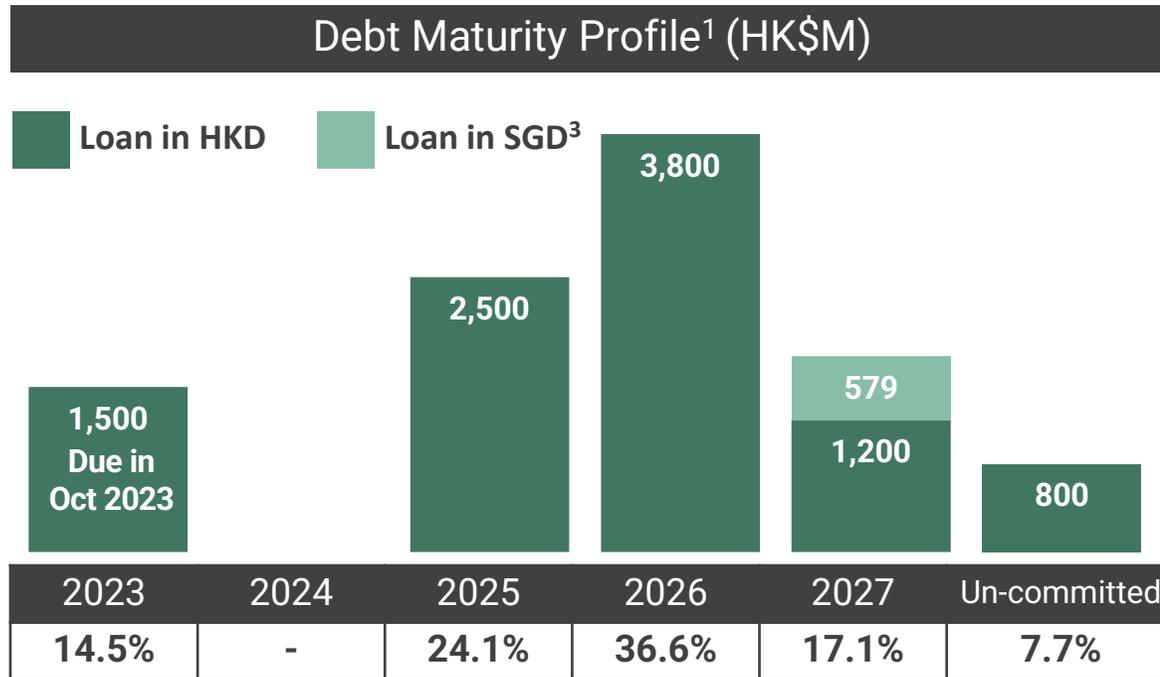




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Prudent Debt Management



23.8%
Gearing

3.2%
Effective borrowing cost²

2.5 yrs
Avg. debt maturity

2.7 yrs
Avg. swap maturity

4.6x
Interest coverage

~63%
Interest cost hedged



45% Loan⁴
are sustainability-linked



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



100%
Unsecured Loan

- Notes:
1. As at 30 Jun 2023, total available loan facilities amounted to HK\$10,379M. Of which, HK\$9,588M were drawn.
 2. Finance costs excluding change in fair value of derivative financial instruments
 3. A SGD loan of S\$100M (equivalent to HK\$579M) 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\$**39,537M**

▲ 0.1% from Dec 2022

Hong Kong Portfolio

HK\$**38,987M**

▲ 0.1% from Dec 2022

Singapore Asset

SG\$**95M**

Remains Unchanged



NAV Per Unit

HK\$**14.39**

▼ 0.9% from Dec 2022



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 30 June 2023



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Portfolio Performance Highlights

Occupancy

94.1%



As at 30 Jun 2023

- Portfolio occupancy remained healthy despite major AElS underway at +WOO
- F&B continues to see good demand

Retention

77%



For 1H2023

- Signed leases for a total of 378k sq.ft., representing 12.5% of total portfolio area
- More than half of the leases expiring in 2023 have already been renewed or re-let

Rental

Mixed

Performance



- Mixed recovery pace in different sectors
- Sectors such as F&B, Homeware and Electronics continue to see a gradual recovery

Lease expiry profile and trade mix

Necessity Trades



By rental income

WALE



By rental income

Lease Expiry in 2H 2023



By Gross Rentable Area



Tenant's Trade Mix

(as at 30 Jun 2023)

2.3%	Community Services	0.9%
25.8%	Food & Beverages	27.5%
4.6%	Homewares	4.7%
27.0%	Services & Education	24.0%
12.1%	Supermarkets	10.6%
1.0%	Wet Markets	1.3%
7.6%	Banking & Real Estate	18.6%
0.9%	Electronics & IT	2.0%
1.9%	Fashion & Shoes	2.7%
3.1%	Gifts, Toys & Jewellery	3.5%
4.3%	Entertainment & Sports	2.4%
3.5%	Others	1.8%
5.9%	Vacant	-

By Gross Rental Income



Leasing momentum picking up



F&B, Fortune Metropolis



F&B, Metro Town



Gifts & Toys, Ma On Shan Plaza

Increased leasing enquiries for new space
F&B and Household are among the top expanding sectors

F&B Sector:

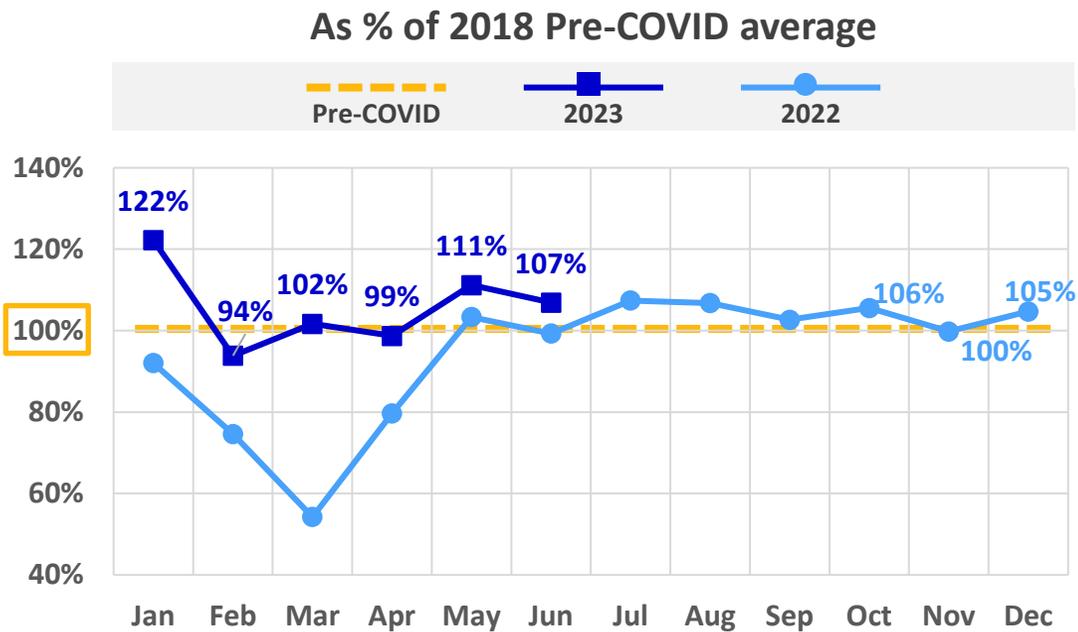
- Restaurant (Fork and Knife icon)
- Vegyu here
- BURGER BROTHERS
- 吉野家 YOSHINOYA
- A-1 BAKERY エーワンベーカリー
- 湘川苑 CHINA LAND RESTAURANT

Household Sector:

- watsons
- 五月玩具 MAYTOYS
- Running KIDS
- 文具佬 生活百貨 STATIONERY LO
- colourmix 卡莱美
- ARCH ANGEL BROW Eyebrow Specialist
- 智趣小博士 Dr I-Kids Education Centre
- Rocking Horse icon

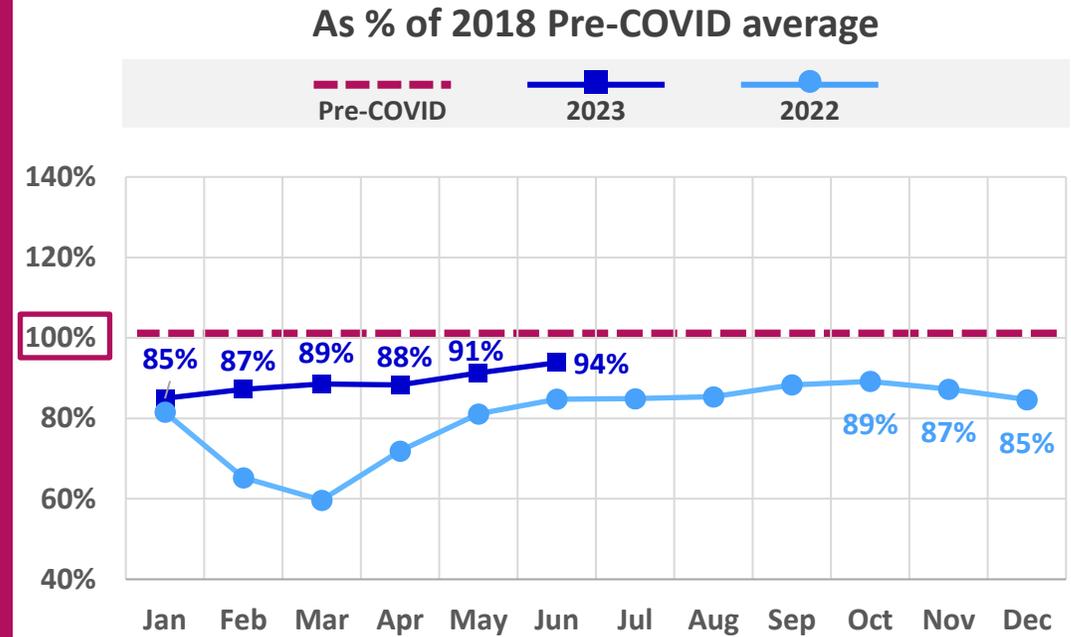
Hourly Carpark Income and Footfall

Hourly Carpark Income



- 1H2023 hourly carpark income increased 26.1% YoY, partly helped by a low base in 1H2022 and increased hourly fee
- Reached its 2018 pre-COVID level in 2H2022 and mostly above the level during 1H2023

Footfall



- Footfall gradually improved during 1H2023, increased 20.3% YoY but yet to return to its pre-COVID level
- Impacted by increased outbound travels especially during holidays and long weekends



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Marketing to draw footfall and drive tenants' sales

Festive celebration and stage event



EV carshows bring in footfall & atrium income



+WOO



Fortune City One

Targeted promotion and redemption



Laguna Plaza



Fortune Metropolis



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AEIs at +WOO Phase 2



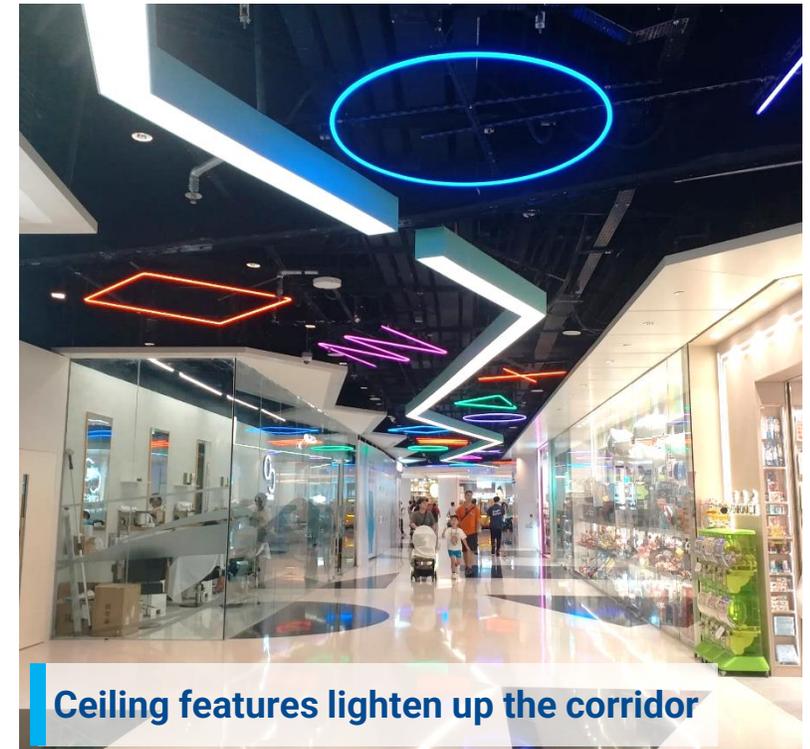
CAPEX
HK\$300M

Target 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
- **82% leasing commitment** achieved for Stage 1 and Stage 2 so far
- Stage 2 of the project to complete in 3Q2023. Stage 3 will follow and expected to complete by 1H2024



Mascot installation as new attraction at Atrium



Ceiling features lighten up the corridor

+WOO Phase 2 - AEIs attract new tenants and drive footfall

Enhanced retails offerings



Popular F&B lineup



+W00 – HK's first Interior Green Certification for a shopping mall AEs



100 pieces of solar panel on roof top



6 EV chargers at carpark



Enhance indoor environment through ventilation and natural lighting



Adopt eco-friendly materials to minimize carbon footprint



GOLD
金級^{BI} 室內建築
V1.0 2023

HKGBC
BEAM Plus
綠建環評

Gold rating
BEAM Plus Interiors



Metro Town - Space Reconfiguration and Tenant Repositioning



CAPEX
HK\$5.3M

Completion
Jan 2023

Return on Investment
11%



- Subdivided a 8,500 sq.ft vacant kindergarten together with 2 adjacent shops into three shops to cater for new demand
- Enhance offerings and bring in new F&B and Household tenants
- More efficient layout with a wider and more prominent shop fronts





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Sustainability Achievements

1st HK REIT

Received SBTi approval for near term emission reduction target



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



5-Star

Highest rating in GRESB for 2 consecutive years



6-Yr in consecutive

Hang Seng Corporate Sustainability Benchmark Index



BEAM PLUS certification on wide range of aspects across the portfolio

2 Platinum

Highest rating in Comprehensive Scheme



1st HK Mall

Green Certification for renovation



2 Excellent

Highest rating in Water Use & Energy Use



Persistent commitments to ESG

1,000+

Solar Panels in 5 malls
To avoid 154 tons GHG p.a.



10 CSR

Events in 1H2023



85% GRA

Equips with BMS by 2023



100%

HK assets certified as
Green Buildings



45%

Sustainable Loans



143 kg

Grown and donated by
Farm@Fortune in 1H2023





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Outlook and Strategies

Portfolio Optimization



- Proactive lease management to improve occupancy
- Recovery in rental likely to be gradual and slow, with leasing market improved modestly so far
- Although some trades show weaker demand at present, this presents opportunity to optimize trade mix for enhancing leisure / lifestyle offerings

Cost and capital management



- Focus on ways to mitigate the elevating operating cost including labour and utilities cost
- 63% of debt hedged to fixed rate with hedged portion to stay around similar level throughout 2023
- No further refinancing needs until late 2025 following the HK\$1.5 billion refinancing to be completed in Oct 2023

Market recovery



- HKSAR's "Happy Hong Kong Campaign" to attract tourist and stimulate economic growth
- Low unemployment and disbursement of CVS will continue to support local consumption and drive tenant sales
- Nevertheless, retail sales growth expected to slow in 2H2023, off a higher base from 2022
- Outbound travel may also take away portion of local spending overseas

ADDITIONAL INFORMATION

THREE GROWTH STRATEGIES

Active Leasing
Management



Asset Enhancement
Initiatives



Yield-accretive
Acquisitions



Investment highlights

HK\$11.3B

Market
Cap

HK\$39.5B

Portfolio
Valuation

HK\$14.39

NAV
per Unit

69% income

from non-discretionary
trades

MSCI index

Inclusion in World
Small Cap

Highest 5-Star

GRESB Rating



**20 years
of proven
track record**

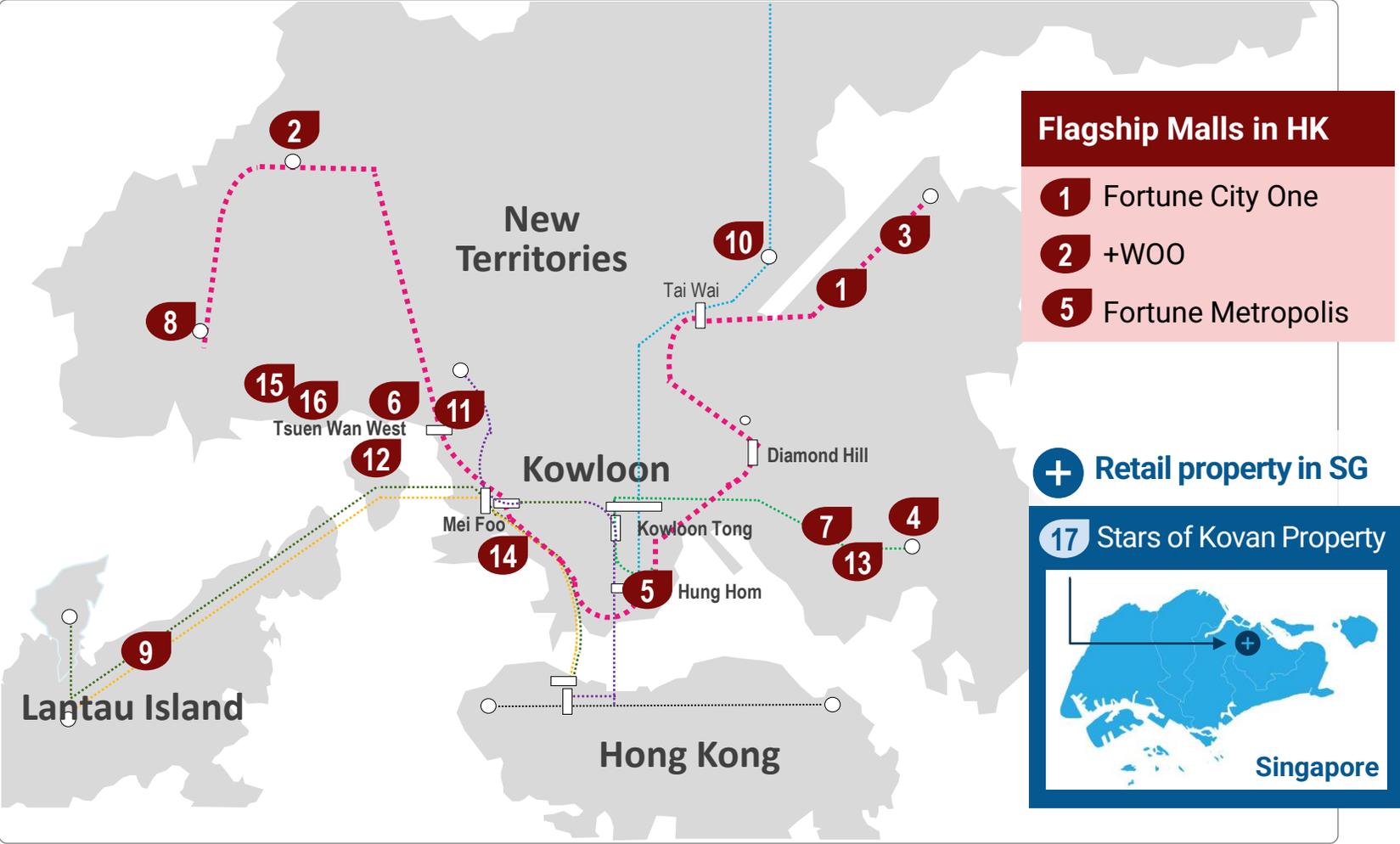


**A pure-play in
resilient sector of
neighborhood malls**

Note

1. As at 30 Jun 2023.

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.

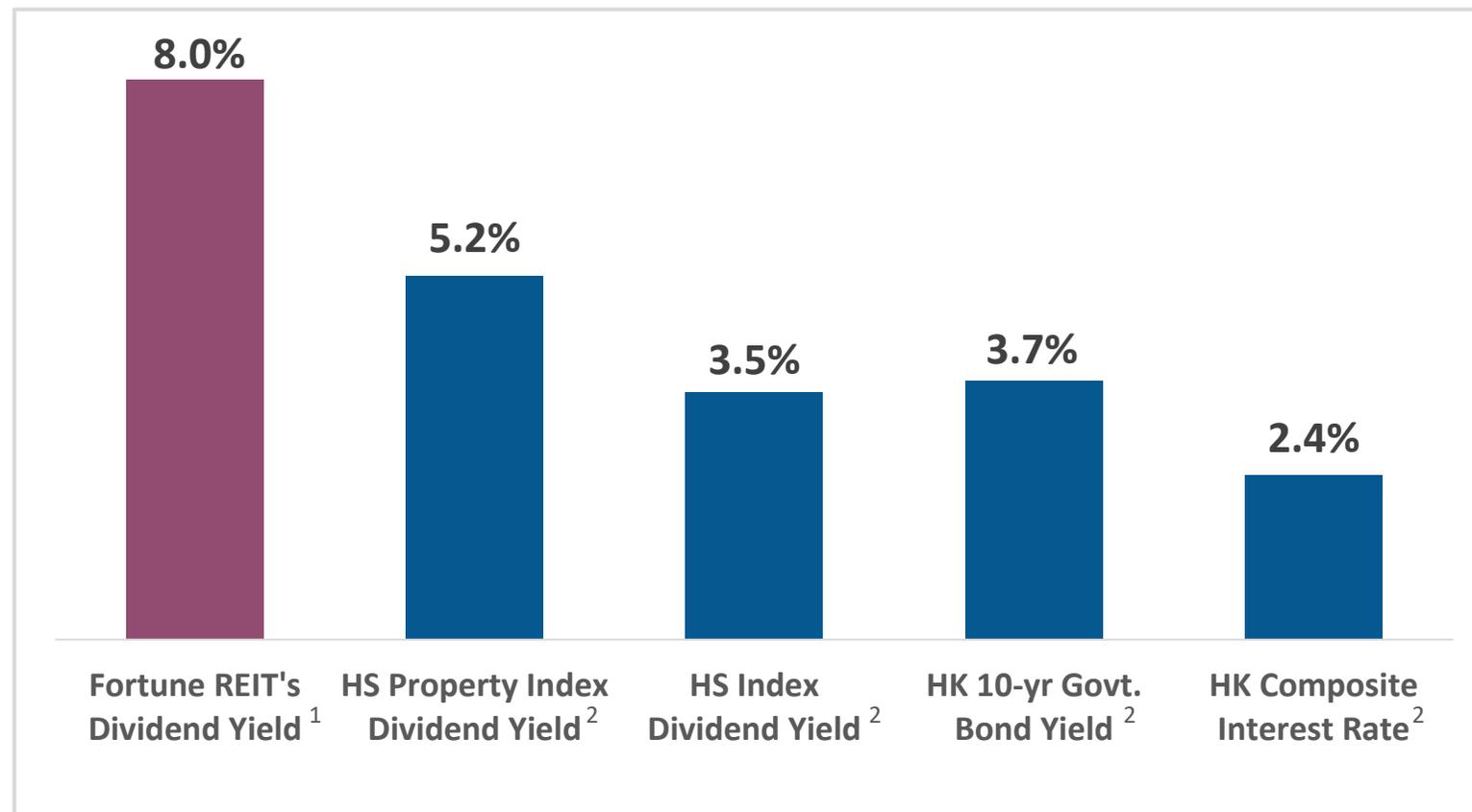
Total GRA

2,793 nos.

Carparking spaces

Resilient Asset Class with Attractive Yield

An attractive distribution yield of 8.0%



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

Notes: 1. Based on the closing unit price of HK\$5.64 as at 30 Jun 2023.
2. As at 30 Jun 2023

Income Statement

(YoY comparison)

(HK\$'M)	1H2023	1H2022	YoY%
Revenue	908.7	867.5	+4.7%
Property operating expenses	(216.0)	(213.9)	+1.0%
Manager's performance fee	(20.8)	(19.6)	+6.1%
Net property income	671.9	634.0	+6.0%
Manager's base fee	(58.8)	(58.5)	+0.5%
Finance costs ¹	(207.5)	294.3	N/A
Change in fair value of investment properties	(34.7)	(382.6)	N/A
Other items ²	(4.0)	(2.6)	-53.8%
Profit before taxation	366.9	484.6	-24.3%
Income tax expense	(87.8)	(95.6)	-8.1%
Profit for the year	279.1	389.0	-28.3%
Income available for distribution	447.7	456.9	-2.0%
Payout Ratio	100%	100%	-
DPU (HK\$ cents)	22.36	23.05	-3.0%

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

Income Statement

(HoH comparison)

(HK\$'M)	1H2023	2H2022	HoH%
Revenue	908.7	896.9	+1.3%
Property operating expenses	(216.0)	(213.9)	+1.0%
Manager's performance fee	(20.8)	(20.3)	+2.5%
Net property income	671.9	656.2	+2.4%
Manager's base fee	(58.8)	(59.9)	-1.8%
Finance costs ¹	(207.5)	13.1	N/A
Change in fair value of investment properties	(34.7)	(313.4)	N/A
Other items ²	(4.0)	(3.3)	-21.2%
Profit before taxation	366.9	292.6	+25.4%
Income tax expense	(87.8)	(179.0)	-50.9%
Profit for the year	279.1	113.6	N/A
Income available for distribution	447.7	420.4	+6.5%
Payout Ratio	100%	100%	N/A
DPU (HK\$ cents)	22.36	21.10	6.0%

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

Balance sheet

HK\$'000	30 Jun 2023	31 Dec 2022
Current assets	289,148	322,410
Non-current assets	39,972,507	40,012,773
Total assets	40,261,655	40,335,183
Current liabilities	3,262,103	3,243,964
Non-current liabilities	8,182,032	8,163,918
Total liabilities	11,444,135	11,407,882
Net assets	28,817,520	28,927,301
Units in issue ¹ ('000 units)	2,002,210	1,992,462

Note: | 1. Include units to be issued.

Gearing ratio
23.8%

Portfolio valuation
HK\$39,537M

NAV per Unit
HK\$14.39

Portfolio occupancy

Fortune REIT's portfolio	GRA(s.f.)	Occupancy		
		30 Jun 23	31 Dec 22	30 Jun 22
1. Fortune City One	414,469	98.7%	98.0%	98.0%
2. +WOO	665,244	89.1%	89.4%	88.6%
3. Ma On Shan Plaza	310,084	99.2%	99.4%	99.5%
4. Metro Town	180,822	100%	93.7%	99.0%
5. Fortune Metropolis	332,168	82.9%	82.3%	83.6%
6. Laguna Plaza	163,203	98.9%	99.1%	98.9%
7. Belvedere Square	276,862	92.6%	92.1%	91.0%
8. Waldorf Avenue	80,842	98.8%	100.0%	100.0%
9. Caribbean Square	63,018	98.6%	100.0%	99.1%
10. Jubilee Square	170,616	98.8%	97.0%	95.3%
11. Smartland	123,544	90.5%	97.5%	98.2%
12. Tsing Yi Square	78,836	100.0%	100.0%	99.1%
13. Centre de Laguna	43,000	93.8%	96.7%	92.0%
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%
17. Stars of Kovan Property	22,638	100.0%	100.0%	N.A.
Portfolio Total	3,024,520	94.1%	93.9%	93.9%

DISTRIBUTION DETAILS

22.36 HK cents

DPU for the 6 months ended 30 Jun 2023



23 August 2023

Ex-date



24 August 2023

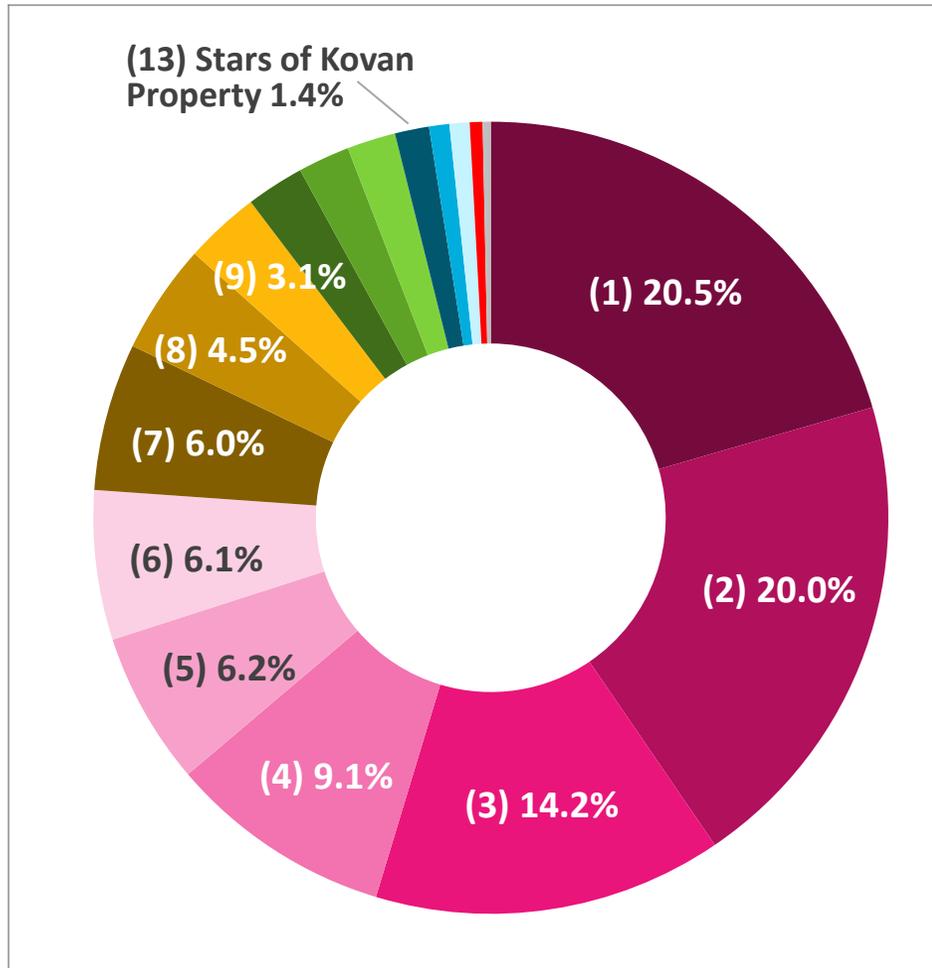
Record Date



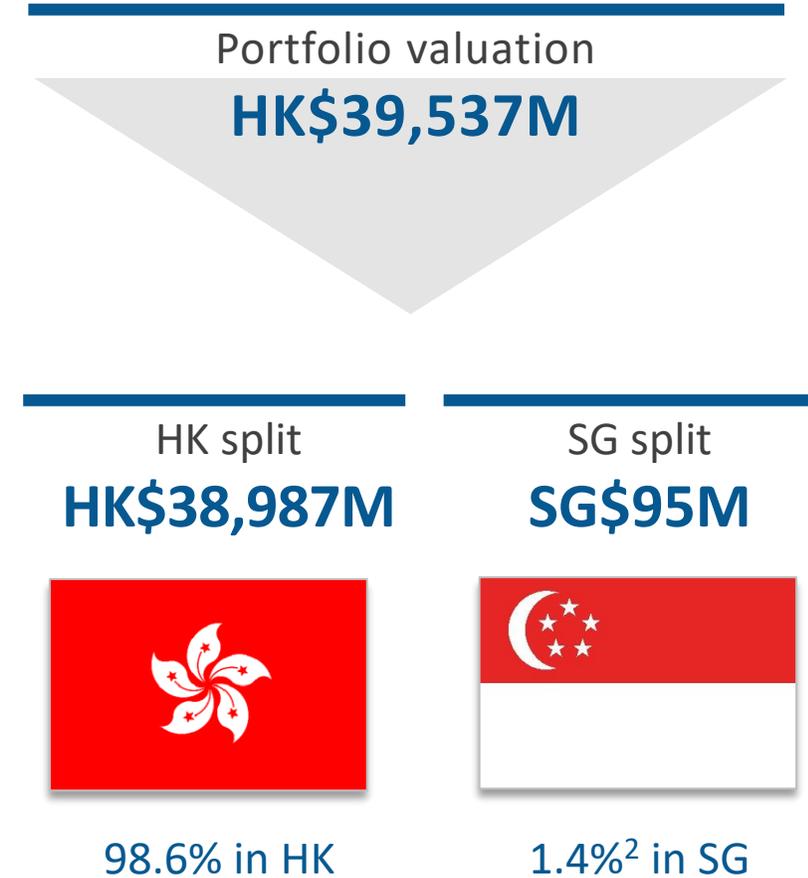
22 September 2023

Payment Date

Portfolio valuation breakdown



Portfolio Valuation ¹ (HK\$M)	
(1) Fortune City One	8,105
(2) +WOO	7,895
(3) Ma On Shan Plaza	5,613
(4) Metro Town	3,606
(5) Belvedere Square	2,465
(6) Laguna Plaza	2,412
(7) Fortune Metropolis	2,379
(8) Waldorf Avenue	1,771
(9) Caribbean Square	1,212
(10) Jubilee Square	931
(11) Tsing Yi Square	833
(12) Smartland	781
(13) Stars of Kovan Pty ²	550
(14) Centre de Laguna	326
(15) Hampton Loft	323
(16) Lido Avenue	205
(17) Rhine Avenue	130
Portfolio Total	39,537



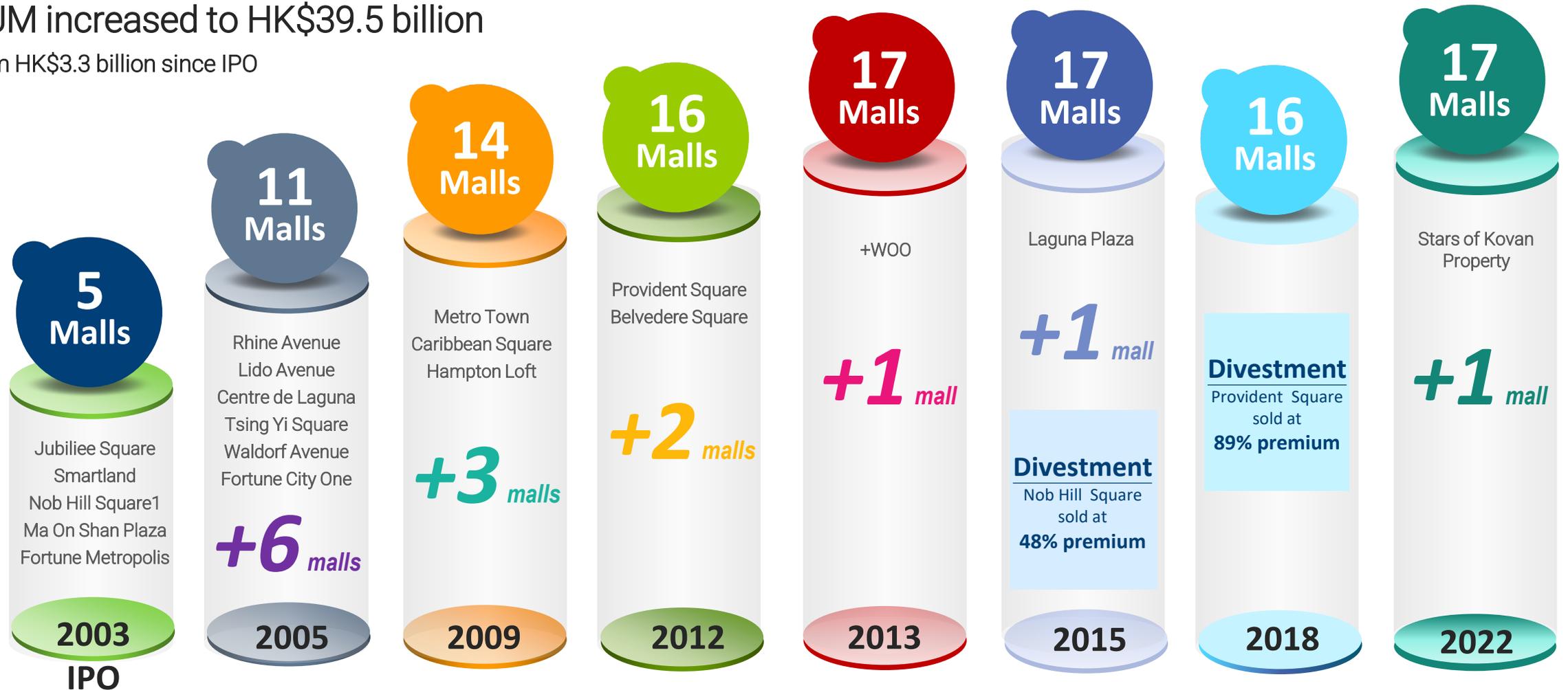
Notes: | 1. Valued by Colliers as at 30 Jun 2023
2. Based on valuation of S\$95 million and an exchange rate of 5.79

Acquisitions for Growth

Asset Portfolio grew >11 times in 19 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
Metro Town – 10,000 sf	1Q 2023	5.3M	11%
+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

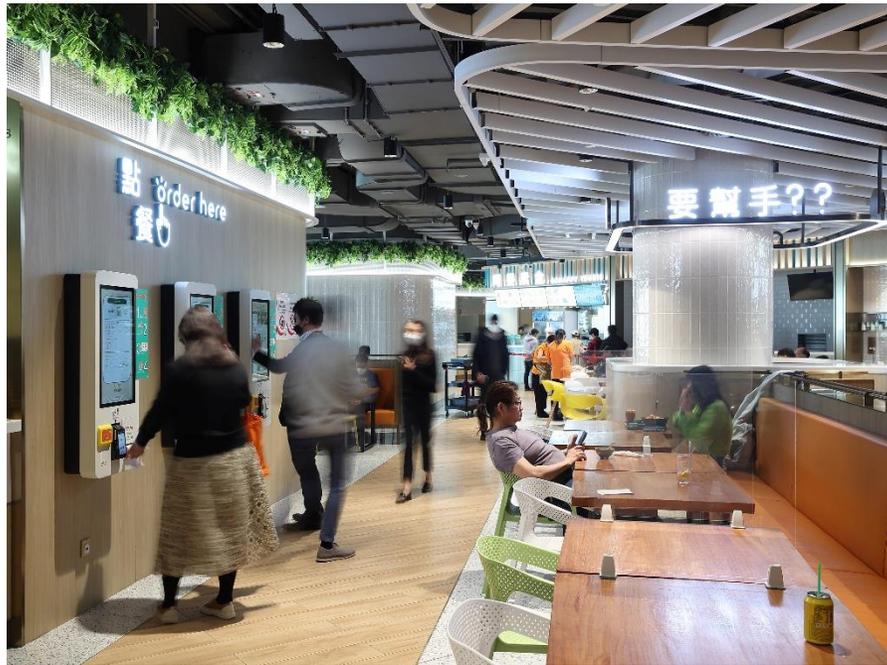
15,000 sq.ft

CAPEX

HK\$16M

Completion

1Q2022



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



Hong Kong Economy – Improving Macro Conditions

GDP

YoY % Change
in real terms



+1.5% YoY

GDP
Q2 2023

Composite

CPI

Headline
YoY (%)



+1.9%

CPI, headline composite
In June 2023

Unemployment

Seasonal adjusted (%)



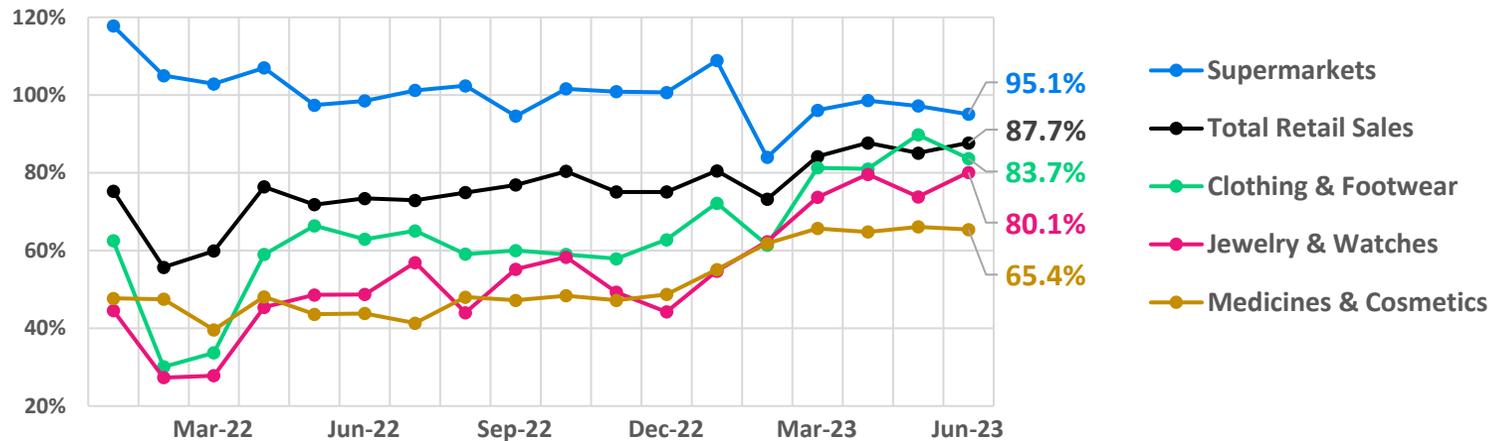
2.9%

Unemployment Rate
April to June, 2023

Source: | Census & Statistics Department, Hong Kong

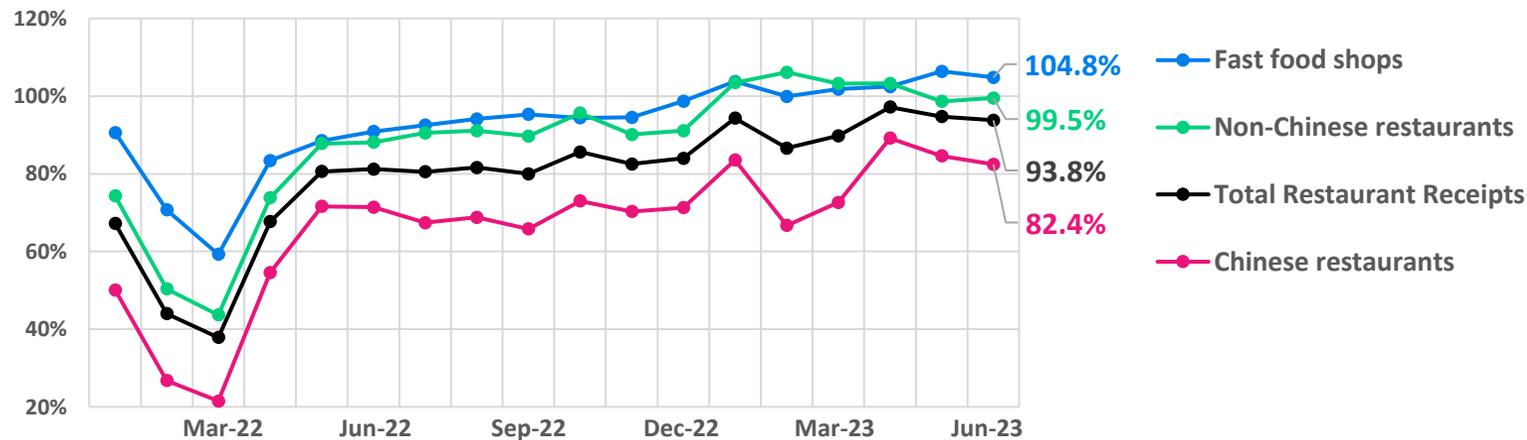
Hong Kong Retail Sales and Restaurant Receipts

Retail Sales Value (as % of 2018 pre-COVID level)



- For 6M2023, total retail sales value increased 21% YoY
- Benefited from the surge of inbound visitors, tourist-driven sectors such as Jewelry & Watches, Clothing & Footwear, Medicines & Cosmetics outperformed YTD, returning to 65% to 84% of pre-COVID level in Jun 2023.

Restaurant Receipts (as % of 2018 pre-COVID level)

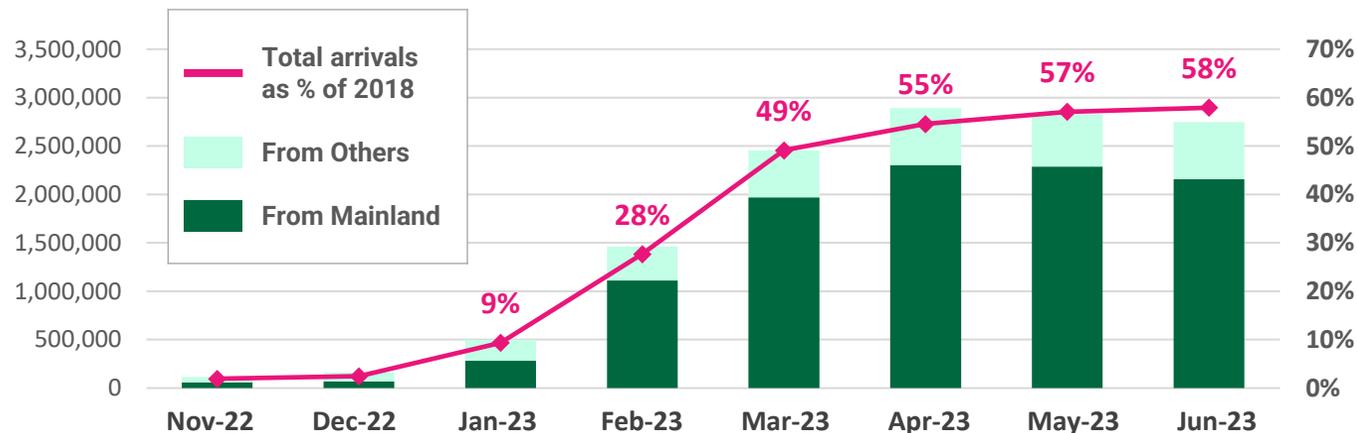


- For 6M2023, restaurant receipts increased 47% YoY; reached 94% of pre-COVID level in Jun 2023
- Chinese restaurants increased 5 consecutive quarters and reached 82% of pre-COVID level
- Fast food shops already surpassed pre-COVID level

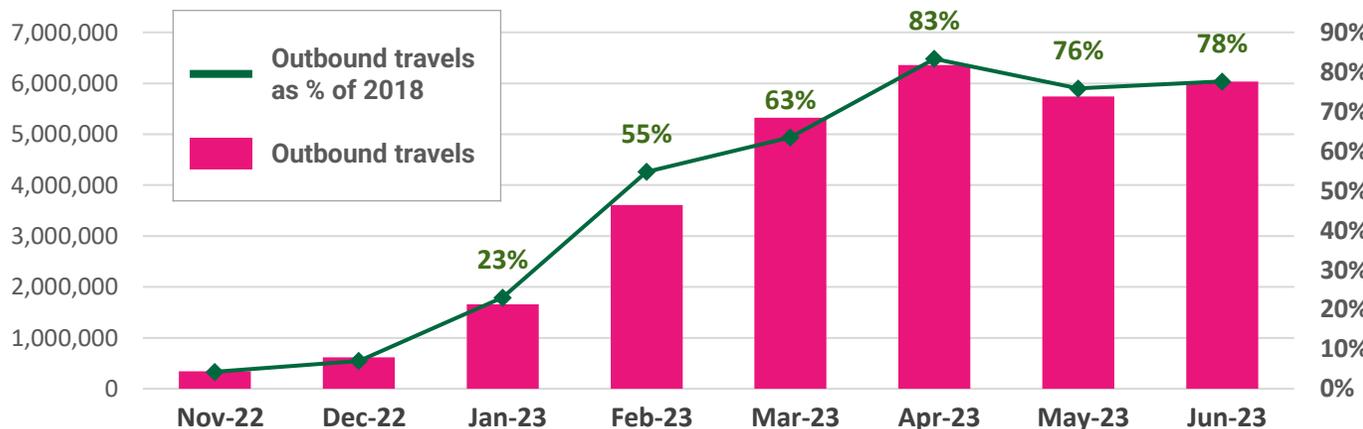
Source: | Census & Statistics Department, Hong Kong

Tourist Spending partially offset by Outbound Travels

Inbound Tourist Arrival



Outbound Travels by HK Residents



- Tourist arrivals averaged at about 2.8 million per month in 2Q2023, recovering to 56% of 2018 pre-COVID level
- About 80% of tourists came from Mainland China

- Hong Kong residents' outbound travels averaged at about 6 million per month in 2Q2023, approximately 79% of 2018 pre-COVID level
- Increase in outbound travel is expected to continue, as flight capacity gradually expands, which may take some local spending overseas

Source: Immigration Department, HKSAR Government
PartnerNet, Hong Kong Tourism Board
C&SD: HK Monthly Digest of Statistics

Singapore - Retail market performance

+0.6%
YoY
For 1H 2023

GDP

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

+2.5%
YoY
For Jun 2023

Retail Sales²

Compared to 1.7% YoY in May 2023

14.3%
For Jun 2023

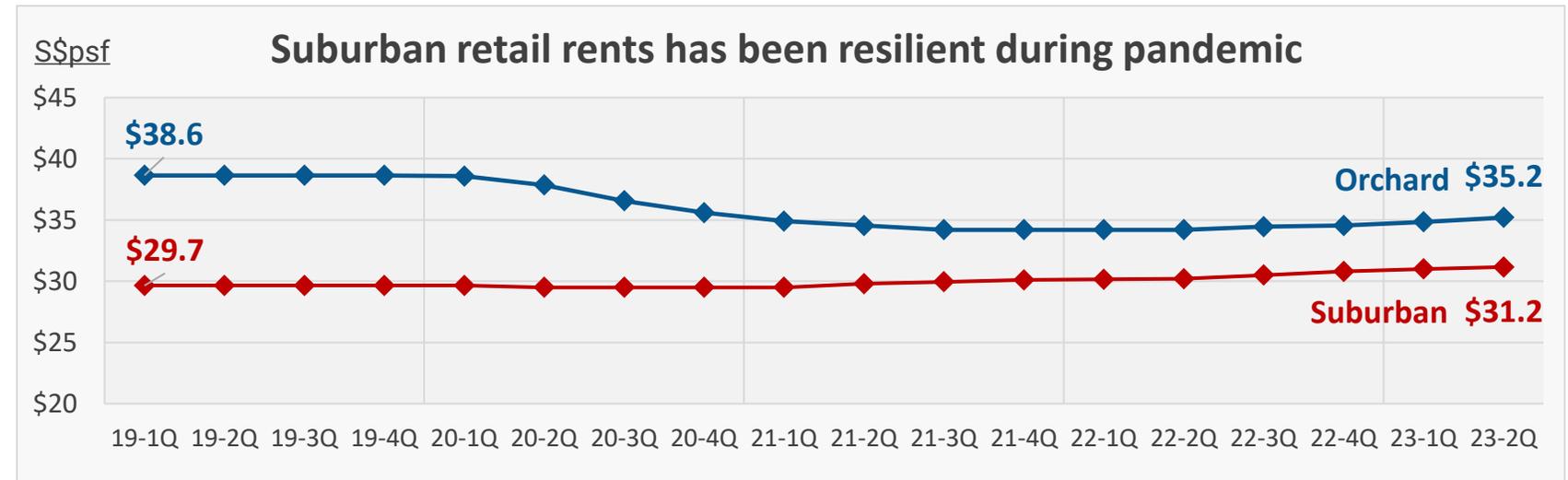
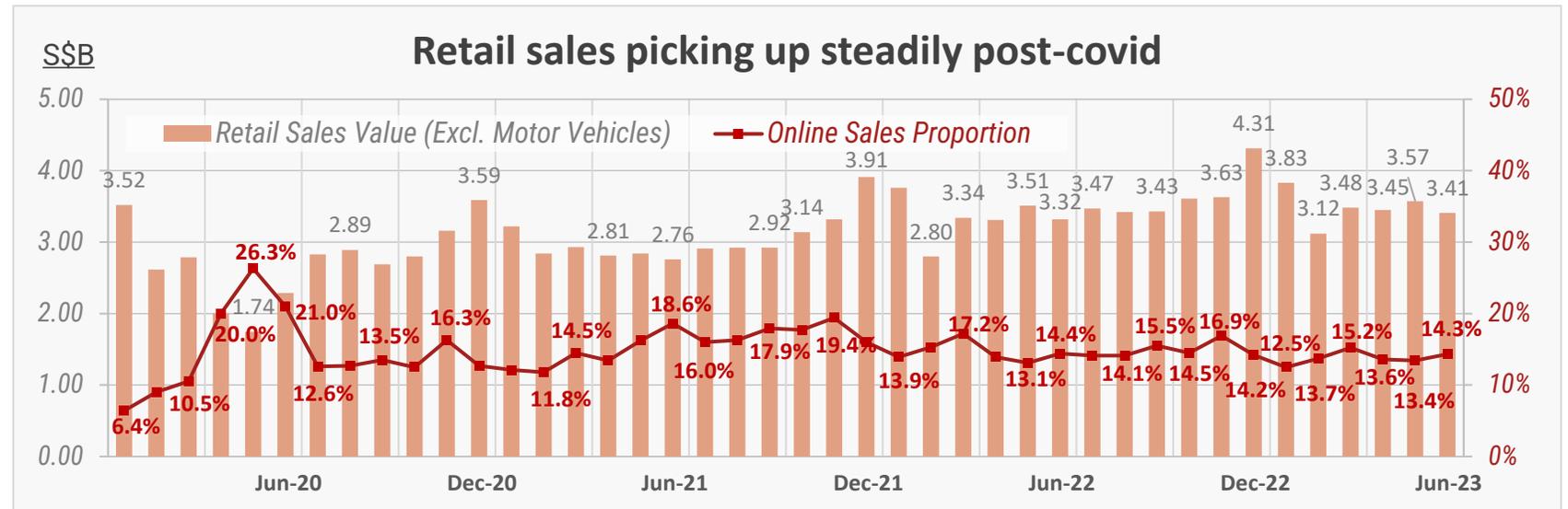
Online sales²

12.6% for the sub-sector of Supermarket

+3.1%
YoY
For 2Q 2023

Suburban rent

Suburban retail rent continue to rise further



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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