



Financial Results for the year ended December 2019

4 Feb 2020



Results Overview

- Capital Management
- Portfolio Performance
- AEIs
- Strategy

FY2019 Results Highlights



Financial Performance

Revenue +1.0%
NPI +0.6%

5.6%
Distribution yield¹



Portfolio Performance

96.9%

Occupancy
(as at 31 Dec 2019)

7.2%
Rental reversion
(for FY2019)



Capital Management

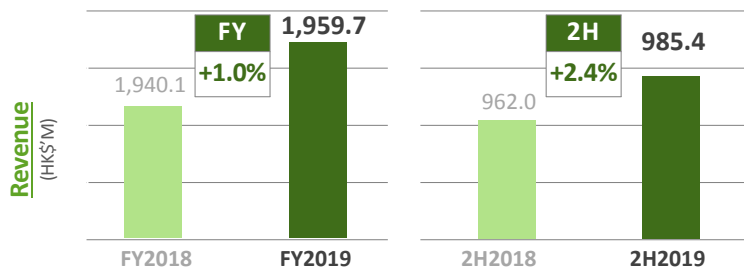
19.8%
Gearing ratio

53%
Hedging ratio

Note: 1. Based on the closing unit price of HK\$9.09 as at 31 Dec 2019.

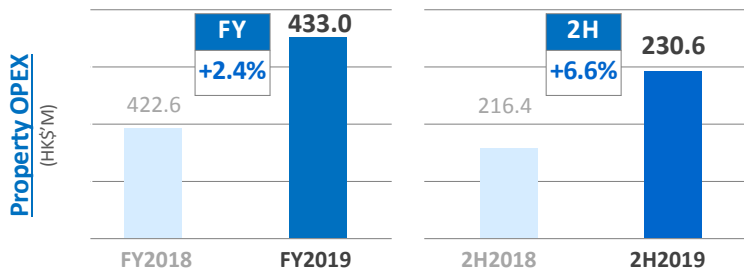
Year ended Dec 2019 | 3

FY2019 Results Overview



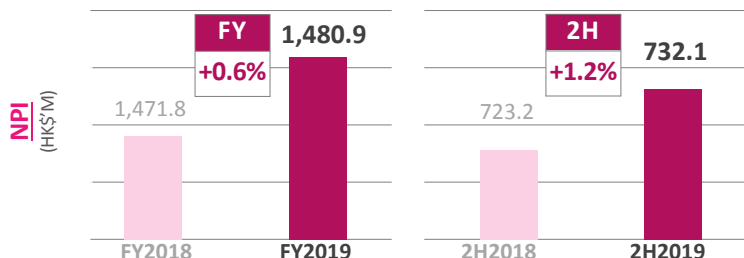
Revenue

- Increased revenue as a result of (i) higher average occupancy, (ii) positive rental reversion, and (iii) increased rental from +WOO after AElS



Property Operating Expense

- Higher expense attributed to (i) higher leasing commissions due to increased leasing activities, (ii) higher A&P cost, and (iii) higher utilities
- Increased minimum wage since May 2019 and the hotter summer months has caused expense to spike up in 2H2019



Net Property Income (NPI)

- Cost to revenue ratio remained stable at 22.1% for FY2019

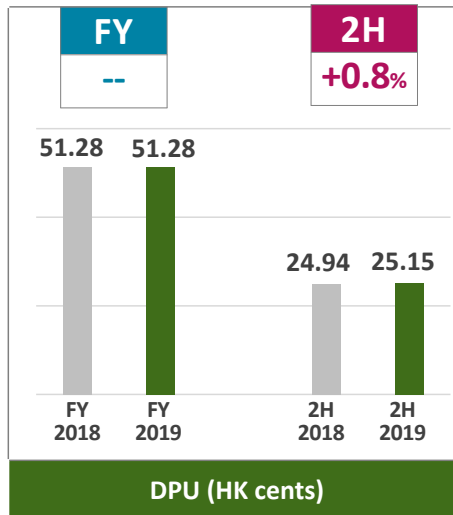
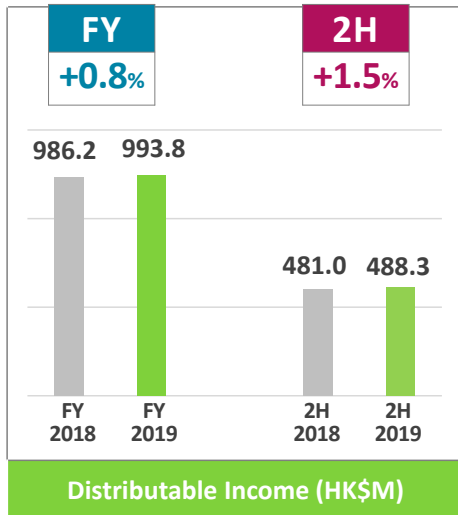
Year ended Dec 2019 | 4

Stable distribution

HK **\$993.8M**
Distributable Income
(FY2019)

51.28 HK Cents
DPU
(FY2019)

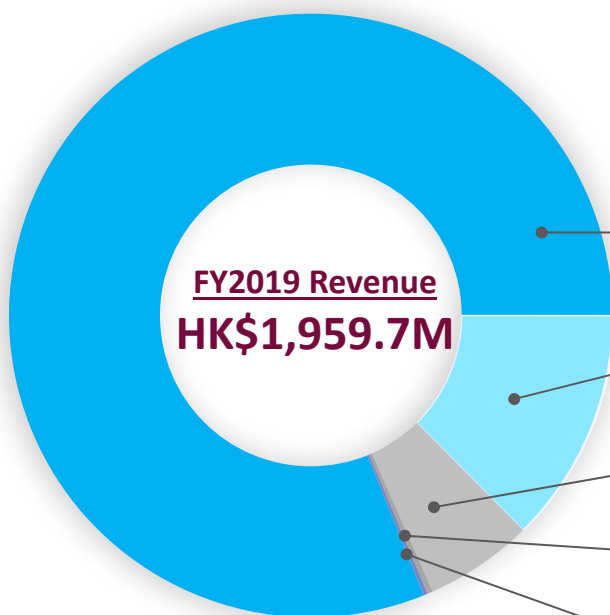
5.6%¹
Distribution Yield



Offers stable and attractive yield

Note: 1. Based on the closing unit price of HK\$9.09 as at 31 Dec 2019

Stable Income Source



>90% Revenue
from stable source

- 81.1% Base rental¹: HK\$1,589.7M**
- 12.6% Charge-out collection²: HK\$246.5M**
- 5.8% Carpark income: HK\$113.5M**
- 0.3% Turnover rent: HK\$5.8M**
- 0.2% Other income: HK\$4.1M**

Notes:

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

Distribution Timetable

S	M	T	W	T	F	S
Feb 9	10	11	12	13	14	15
16	17	18	19 Ex-div	20 Record Date	21	22
23	24	25	26	27	28	29
Mar 1	2	3	4	5	6 Payment	7
8	9	10	11	12	13	14

Distribution Period	1 Jul 2019 to 31 Dec 2019
DPU	25.15 HK cents

Ex-Distribution	19 February 2020
Record Date	20 February 2020
Payment	6 March 2020



Prudent Debt Management

19.8%

Gearing
(Reduced from Dec 18 @20.9%)



3.12%

Effective Borrowing Cost



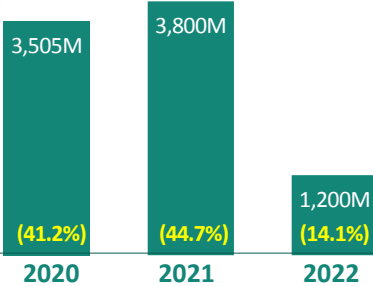
HK\$ **19.8B**

Debt Headroom

In discussion to refinance the HK\$3.2B loan due in Dec 2020

Debt Maturity Profile

(HK\$ as at 31 Dec 19)



53%

Interest Cost Hedged



78%

Unsecured Debt

Year ended Dec 2019 | 9

Portfolio Valuation

Mild increase in valuation with average cap rate remains stable at 4.3%



Portfolio Valuation

HK\$ **42,820M**

▲ **2.0%** from 31 Dec 18



NAV per unit

HK\$ **16.81**

▲ **1.2%** from 31 Dec 18



@HK\$ **13,556**
psf (G) retail



@HK\$ **784K**
per carpark lot





4.3%
Retail cap rate

Year ended Dec 2019 | 10



Resilient Portfolio Performance

2019	1 st half	2 nd half / full year	Outlook / Strategies
 Occupancy	97.4% (as at 30 Jun 2019)	96.9% (as at 31 Dec 2019)	<ul style="list-style-type: none"> • Retain quality tenants • Maintain high occupancy
 Rental	Reversion (for 1 st half) 7.8%	Reversion (for full year) 7.2%	<ul style="list-style-type: none"> • Non-discretionary / services sector remain resilient • Expect weaker demand for retail space • Our high base rent income model offers stability

Well-positioned Trade Mix

Well-diversified tenant base

1,292 tenants

Tenant Retention

77%

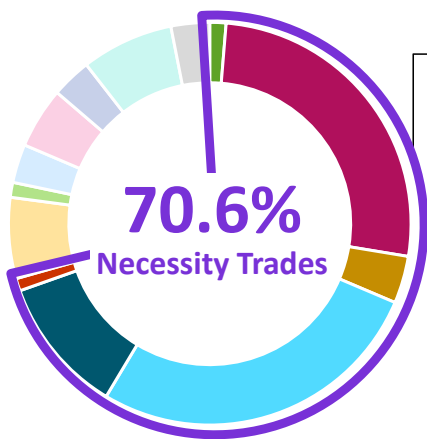
Strong focus on necessity trades

>60%

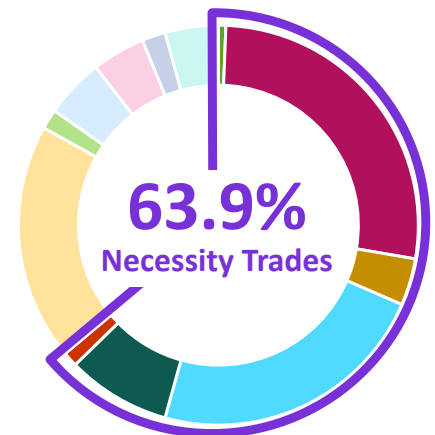
By Gross Rentable Area

Tenant's Trade Mix
(as at 31 Dec 2019)

By Gross Rental Income



1.3%	Community Services	0.6%
26.3%	Food & Beverages	27.1%
3.8%	Homewares	3.8%
27.2%	Services & Education	22.8%
11.0%	Supermarkets	8.4%
1.0%	Wet Markets	1.2%
6.5%	Banking & Real Estate	19.2%
1.2%	Electronics & IT	1.6%
3.1%	Fashion & Shoes	4.8%
4.9%	Gifts, Toys & Jewellery	4.3%
3.2%	Entertainment & Sports	1.9%
7.4%	Others	4.3%
3.1%	Vacant	0.0%



Year ended Dec 2019 | 13

Proactive leasing strategies

Lease Expiry Profile (Based on total leased GRA as at 31 Dec 2019)

42.1%
(FY20)

26.9%
(FY21)

27.2%
(FY22)

3.8%
(FY23*)

*Including 2023 and years beyond

New tenants¹

	<p>Food & Beverage</p>
	<p>Homewares/ Supermarket</p>
	<p>Education/ Services/ Leisure</p>

Expanding tenants¹

Note: 1. Tenants entered in 2H2019

Year ended Dec 2019 | 14

Promoting Fortune Malls

CNY



Easter



Summer



Mid-Autumn



X'mas



Year ended Dec 2019 | 15

Marketing efforts focused to drive tenants' sales



Luck draw @+WOO



Tailored campaign at individual malls



Redemption programs to entice spending



Year ended Dec 2019 | 16

Results Overview
Capital Management
Portfolio Performance



AEIs

Strategy



AEIs at +WOO Phase 1



CAPEX

HK\$150M

Commencement

Jun 2018

Completion

Oct 2019



Enhanced Amenities

Barrier-free access / Family toilet / Baby care room

Upbeat Ambience



Reconfiguration to enhance efficiency

The New +WOO Brand

嘉湖



Following the completion of AEs, Fortune REIT unveiled “+WOO” as the new image of *Fortune Kingwood* on 9 October 2019.

+WOO logo shares the same shape of its mother brand *Fortune Malls*, echoing the same notion of integrated and connected community-circles.

Interior design infused with elements of skylight and flowing lake, symbolizes the endless flow of shopper traffic.



A large LED screen to entice shoppers with entertaining visuals for marketing and in-mall promotions of our tenants.

The New +WOO Brand



Woolu, an adorable brand mascot was created to greet our customers.

Looks like a gourd and represents blessings and fortune, and the colour blue is that of water reflective of the lively image of +WOO.



MORE TO LIFE
生活更精彩

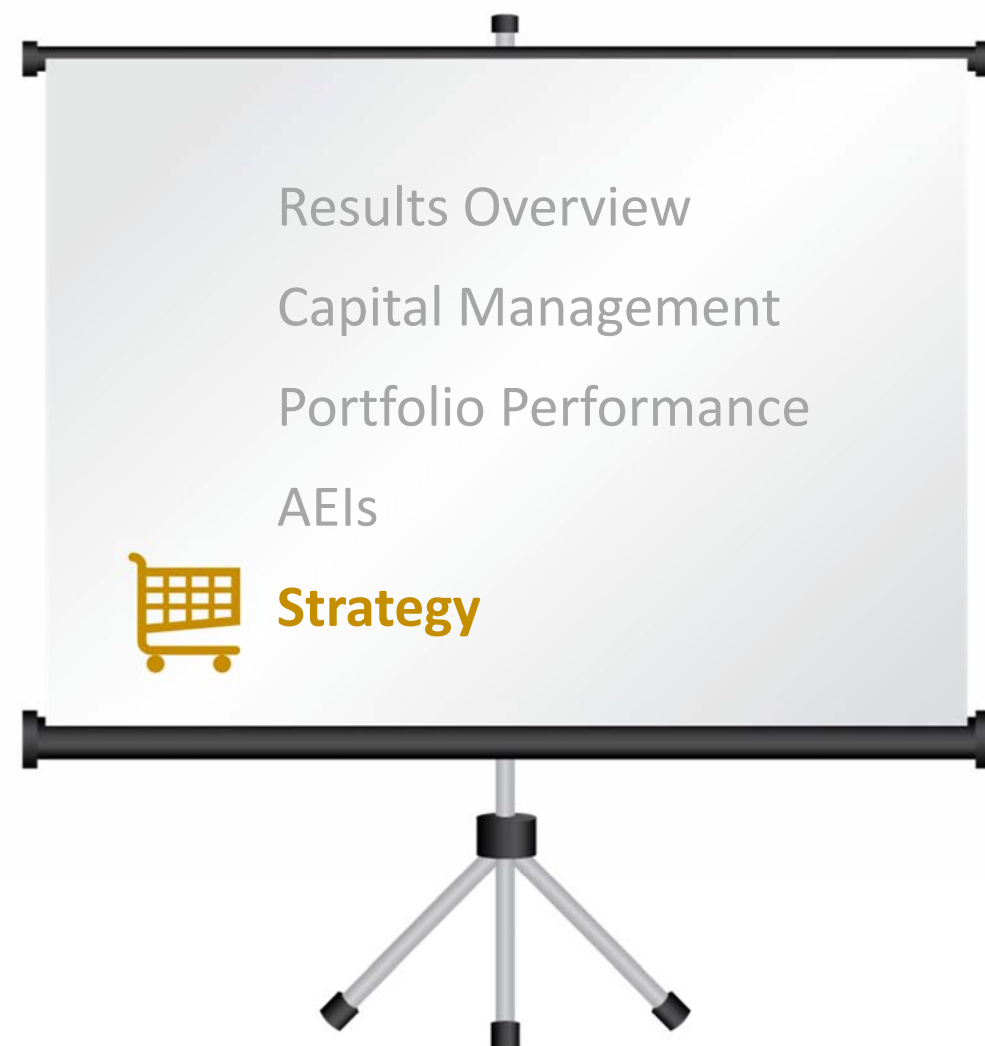
+WOO promises to bring “more to life” with more delights to shoppers



Results Overview
Capital Management
Portfolio Performance
AEIs



Strategy



Why invest in Fortune REIT

Acquisition Growth

Ample debt headroom of HK\$19.8B

AEIs Growth
AEIs at +WOO
to drive growth

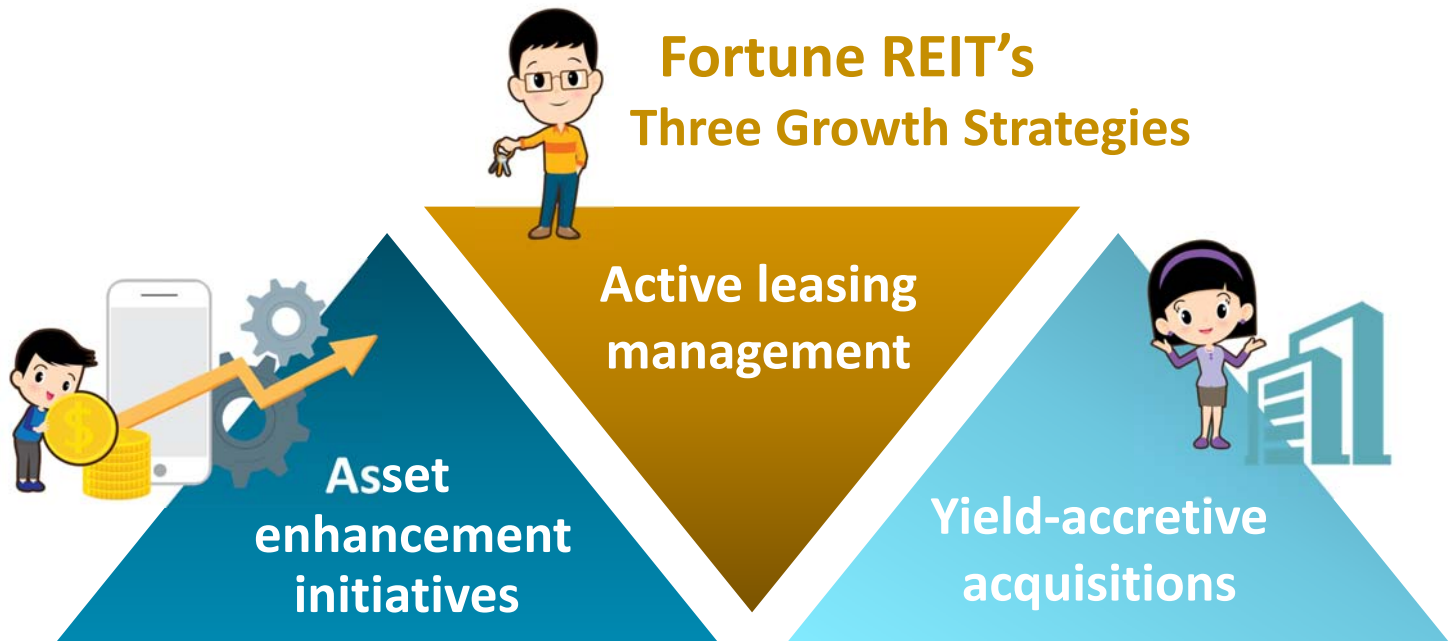
5.6%¹
DPU Yield

Resilient Portfolio
Strong focus on
non-discretionary

Robust Financials

Prudent gearing & majority interest cost hedged

Note: 1. Based on the closing unit price of HK\$9.09 in Hong Kong as at 31 December 2019.



Delisted from SGX-ST on 21 Oct 2019



Fortune REIT Remains listed on HKEX

- Delisting resulted in the Units being removed from SGX-ST.

No change in Unitholders entitlement

- No change in total units in issue
- Unitholders' voting rights and entitlement to distributions not affected by Delisting

Income Statement

HK\$'M	FY 19	FY 18	Variance (%)
Revenue	1,959.7	1,940.1	+1.0%
Property operating expenses	(433.0)	(422.6)	+2.5%
Manager's performance fee	(45.8)	(45.7)	+0.2%
Net property income	1,480.9	1,471.8	+0.6%
Manager's base fee	(127.7)	(121.0)	+5.5%
Finance costs ¹	(298.1)	(255.6)	+16.6%
Change in fair value of investment properties	662.6	4,187.6	-84.2%
Gain on disposal of Provident Square	-	941.1	N/A
Other items ²	(22.1)	(11.9)	+85.7%
Profit before taxation	1,695.6	6,212.0	-72.7%
Income tax expense	(218.8)	(221.2)	-1.1%
Profit for the period	1,476.8	5,990.8	-75.3%
Distributable income	993.8	986.2	+0.8%
DPU (HK\$ cents)	51.28	51.28	-

Notes:

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

Year ended Dec 2019 | 25

Robust Balance Sheet

HK\$'000	31 Dec 2019	31 Dec 2018
Current assets	228,162	613,648
Non current assets	42,821,327	42,018,816
Total assets	43,049,489	42,632,464
Current liabilities	4,931,114	1,688,309
Non current liabilities	5,494,255	8,930,790
Total liabilities	10,425,369	10,619,099
Net assets	32,624,120	32,013,365
Units in issue ('000 units)	1,941,116	1,927,905

Gearing Ratio

19.8%

Portfolio Valuation

HK\$42,820 million

NAV per Unit

HK\$16.81

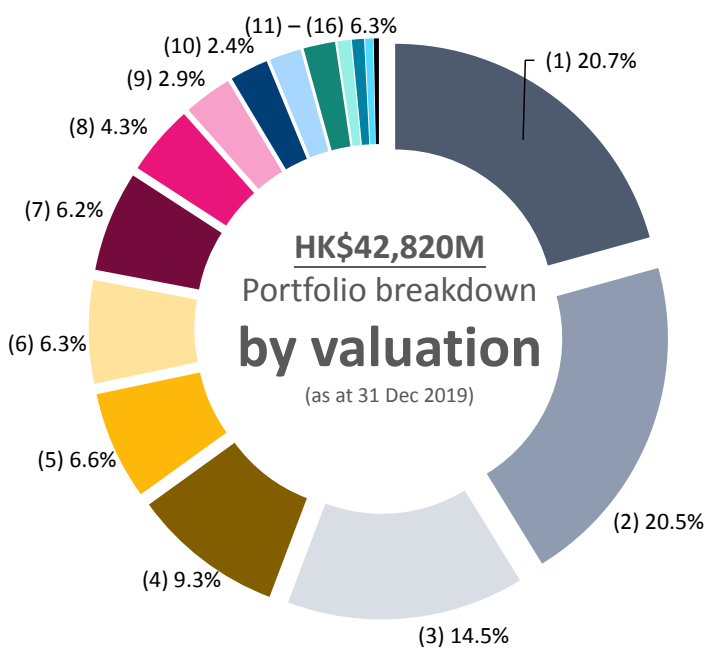
Year ended Dec 2019 | 26

Portfolio occupancy

Fortune REIT's portfolio	GRA(s.f.)	Occupancy		
		31 Dec 19	30 Jun 19	31 Dec 18
1. Fortune City One	414,469	97.6%	99.0%	99.3%
2. +WOO	665,244	96.2%	95.6%	88.4%
3. Ma On Shan Plaza	310,084	99.0%	99.0%	92.2%
4. Metro Town	180,822	100.0%	99.8%	99.2%
5. Fortune Metropolis	332,168	91.1%	90.8%	73.1%
6. Laguna Plaza	163,203	98.8%	99.7%	99.0%
7. Belvedere Square	276,862	94.4%	99.4%	99.8%
8. Waldorf Avenue	80,842	99.3%	100.0%	100.0%
9. Caribbean Square	63,018	100.0%	100.0%	100.0%
10. Jubilee Square	170,616	100.0%	98.3%	97.2%
11. Tsing Yi Square	78,836	98.4%	100.0%	100.0%
12. Smartland	123,544	95.4%	96.0%	96.3%
13. Centre de Laguna	43,000	100.0%	100.0%	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	96.9%	97.4%	93.1%

Year ended Dec 2019 | 27

Portfolio Valuation



Portfolio Valuation¹ (HK\$M)

(1) Fortune City One	8,860
(2) +WOO	8,794
(3) Ma On Shan Plaza	6,225
(4) Metro Town	3,975
(5) Fortune Metropolis	2,841
(6) Laguna Plaza	2,702
(7) Belvedere Square	2,637
(8) Waldorf Avenue	1,847
(9) Caribbean Square	1,263
(10) Jubilee Square	1,011
(11) Tsing Yi Square	831
(12) Smartland	830
(13) Centre de Laguna	345
(14) Hampton Loft	316
(15) Lido Avenue	209
(16) Rhine Avenue	134
Portfolio Total	42,820

Portfolio Valuation

HK\$42,820M

▲ 2.0% from Dec 18

Retail Cap Rate

Average @ **4.3%**

Notes:

1. Valued by Jones Lang Lasalle Ltd as at 31 Dec 2019.

Year ended Dec 2019 | 28

Investment Highlights

HK\$17.6B¹
Market Cap

HK\$42.8B¹
Portfolio
Valuation

HK\$16.81¹
NAV per Unit

16 Years
Continued
Growth

16 Neighborhood malls in Hong Kong

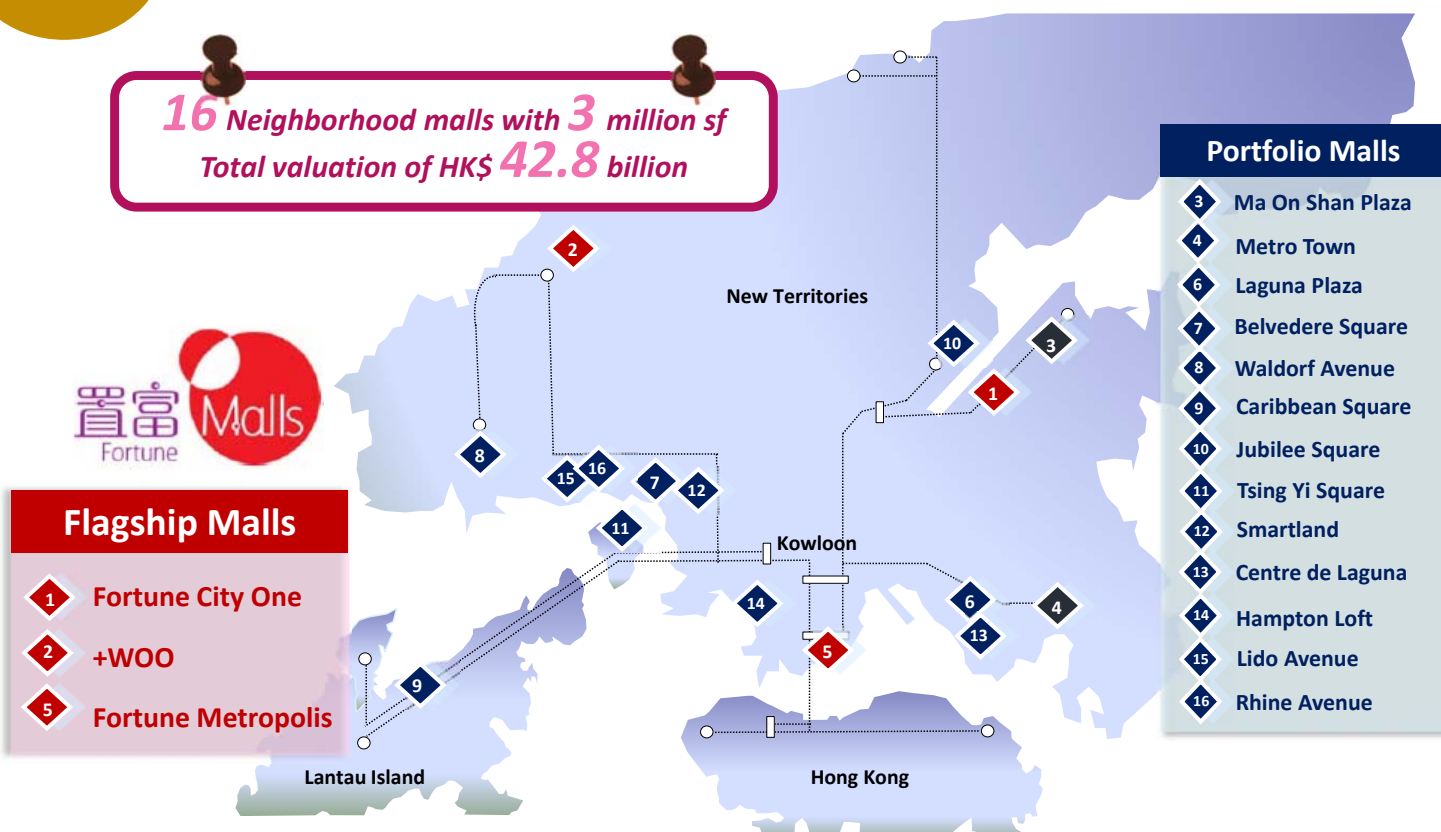


Note:
1. As at 31 December 2019.

Year ended Dec 2019 | 29

Fortune REIT's Portfolio

16 Neighborhood malls with 3 million sf
Total valuation of HK\$ 42.8 billion

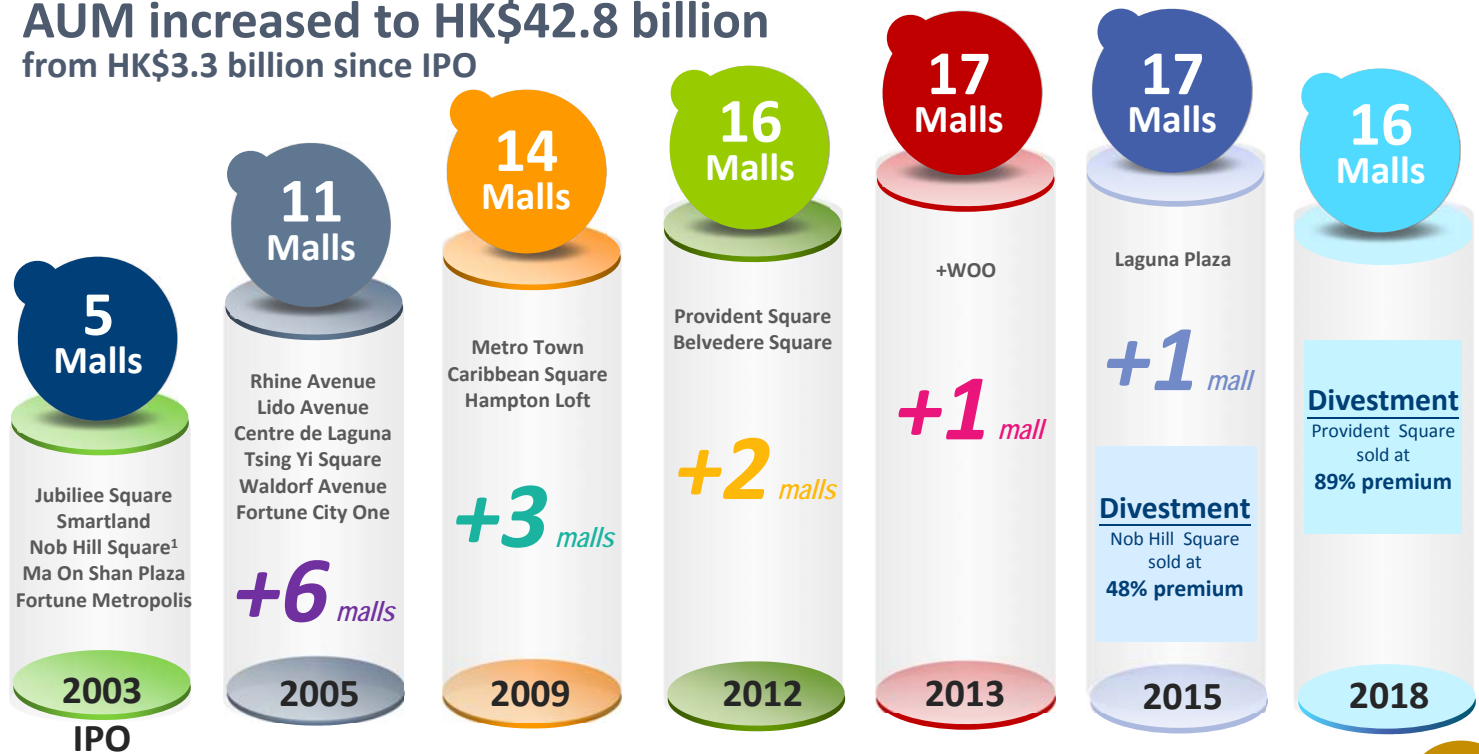


Year ended Dec 2019 | 30

Proven Acquisition Growth

Asset Portfolio grew >13 times in 16 years

AUM increased to HK\$42.8 billion
from HK\$3.3 billion since IPO



Year ended Dec 2019 | 31

Proven Track Record in AEs

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



Year ended Dec 2019 | 32

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

AEIs at Fortune City One

置富第一城
Fortune City One



CAPEX

HK\$150M

Commencement

2010

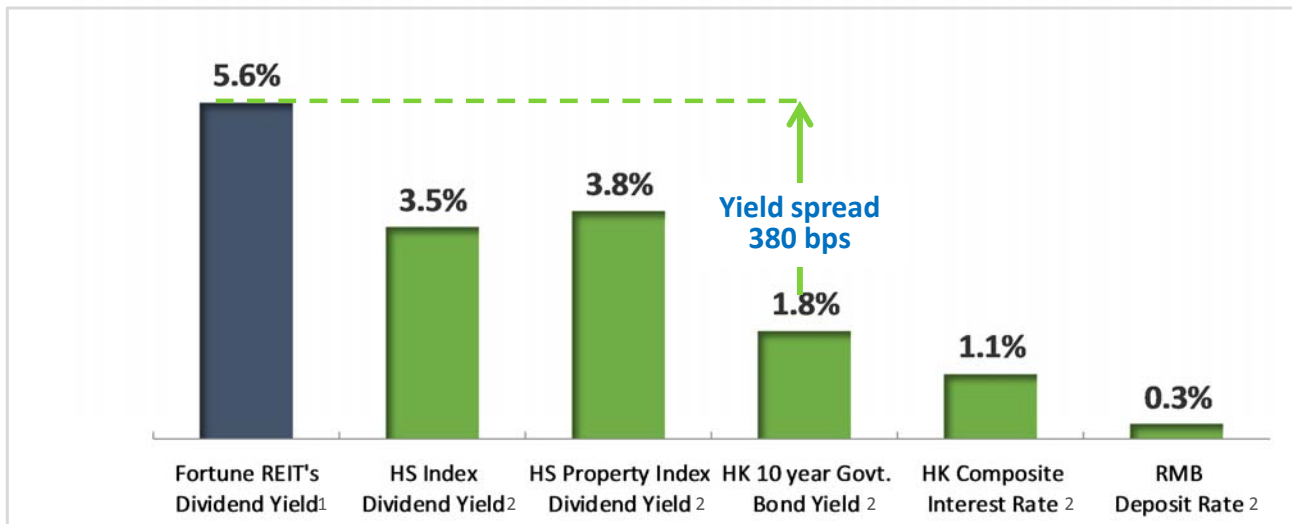
Completion

3Q 2013

Achieved ROI >20%



Offers 5.6% distribution yield with steady growth



Notes:

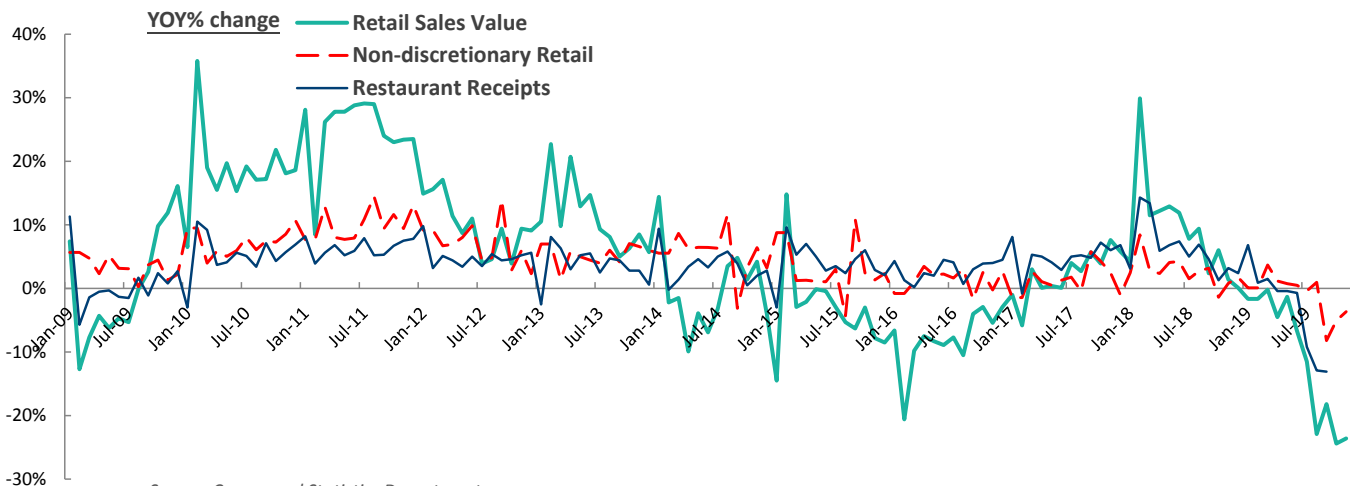
- 1. Based on the closing unit price of HK\$9.09 as at 31 Dec 2019 .
- 2. As at Dec 2019.

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

Hong Kong Retail Sales

HK retail sales slid by 10.3% in 11M19

More resistance for non-discretionary trades & restaurant receipts

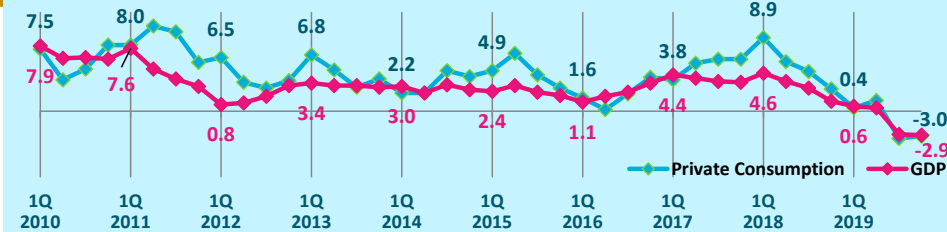


Source: Census and Statistics Department

YOY %	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	11M2019
Total retail sales	+0.6%	+18.3%	+24.9%	+9.8%	+11.0%	-0.2%	-3.7%	-8.1%	+2.2%	+8.7%	-10.3%
Non-dis. retail	+3.5%	+7.4%	+10.1%	+7.0%	+5.4%	+5.4%	+3.2%	+1.2%	+1.3%	+2.8%	-1.0%
Restaurant Receipts	+0.6%	+5.1%	+6.4%	+5.0%	+3.5%	+3.5%	+3.9%	+2.9%	+5.0%	+6.0%	9M: -3.1%

Hong Kong Economy

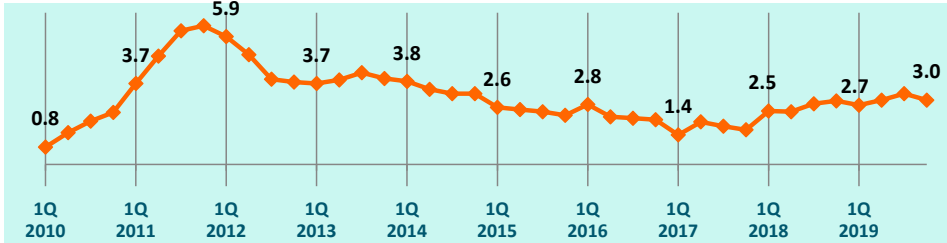
Private Consumption & GDP Year-on-Year Change (%)



GDP (4Q 2019) -2.9%

GDP shrank 2.9% in 4Q and 1.2% for full year 2019, the first annual decline since 2009.

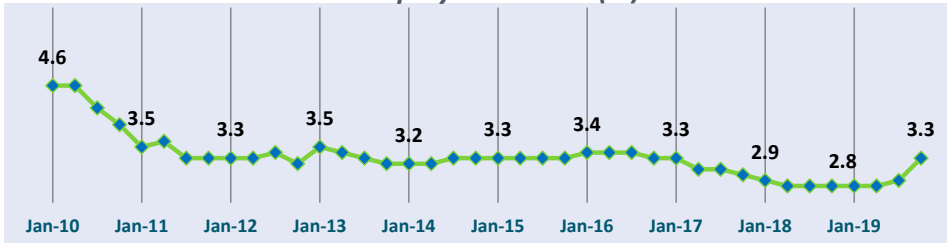
Composite CPI (Underlying) Year-on-Year Change (%)



CPI (4Q 2019) 3.0%

Inflation retreated to 3.0% in 4Q after reaching its recent high last quarter. Overall price pressures remained largely contained.

Unemployment Rate (%)



Unemployment (Oct to Dec 2019) 3.3%

Unemployment rate inched up to 3.3%, but still at low level.

Source: Census & Statistics Department, HK

Year ended Dec 2019 | 37

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