



FORTUNE

置富產業信託

REIT

Financial Results for the
Year Ended December 2016

26 Jan 2017



FORTUNE

置富產業信託

REIT

Results Overview

Capital Management

Portfolio Performance & AEs

Strategy



FY16 Results Overview

DPU growth supported by steady asset performance
Improved profit margin on more efficient operations

Completed AEs at Provident Square; 2 early refinancings completed



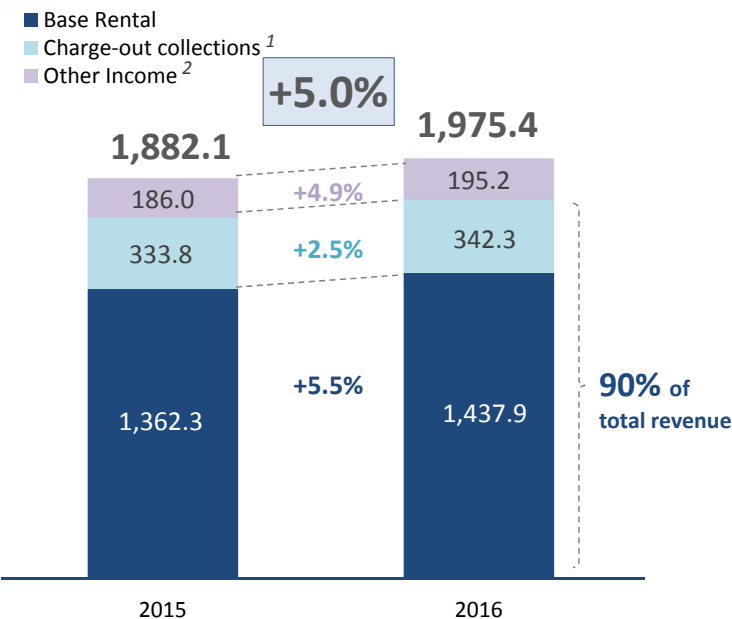
Note:
1. Based on the closing unit price of HK\$8.91 in Hong Kong as at 30 Dec 2016.

| Financial | Balance Sheet | Operational |
|---|---|--|
| Revenue HK\$1,975.4M +5.0% YoY | NAV <small>per unit</small> HK\$12.90 | Passing Rent HK\$41.8 psf +4.5% YoY |
| NPI HK\$1,409.8M +6.5% YoY | Valuation HK\$36,368M +1.3% YoY | Occupancy 96.7% |
| DPU HK\$0.4923 +5.0% YoY | Gearing 29.5% | Rental Reversion 14.0% |

Year ended 31 Dec 2016 | 3

FY16 Revenue up 5.0% YoY

Revenue breakdown (HK\$ million)



Notes:
1. Charge-out collections include utilities & air-conditioning charges, management fees, promotional charges, government rent & rates etc payable by tenants
2. Other income mainly includes car park revenue, license fees and contingent rents

Revenue grew 5.0%

Attributed by positive reversions & completed AEs at Belvedere Square

Stable Income Stream

>90% of total revenue from base rental and charge-out collections

Steady organic growth

Base rental ▲5.5% YoY
Carpark revenue ▲8.8% YoY

Year ended 31 Dec 2016 | 4

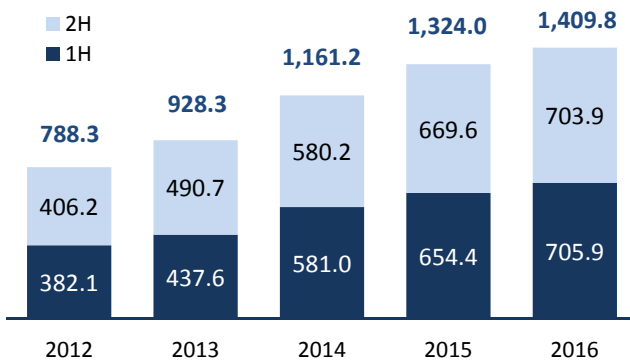
FY16 DPU Up 5.0% YoY

Net Property Income

HK\$1,409.8 million ▲ **6.5%** YoY

NPI grew further on efficient cost control
Cost-to-revenue improved to 26.4%

NPI (HK\$ million)



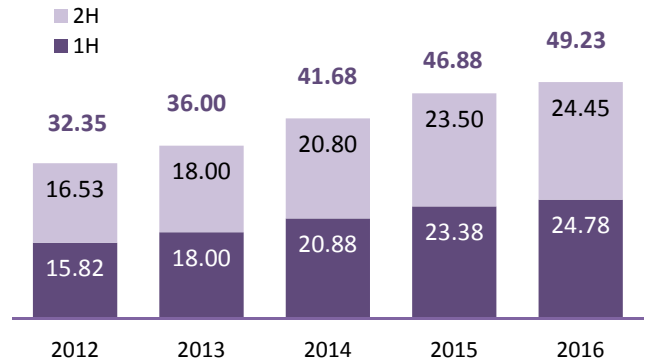
Distribution Per Unit

49.23 HK Cents ▲ **5.0%** YoY

Offers 5.5% yield

based on HK closing unit price of HK\$8.91 on 30 Dec 2016

DPU (HK Cents)



Year ended 31 Dec 2016 | 5

1. Results Overview
2. Capital Management
3. Portfolio Performance & AEs
4. Strategy

Results Overview

Capital Management

Portfolio Performance & AEs

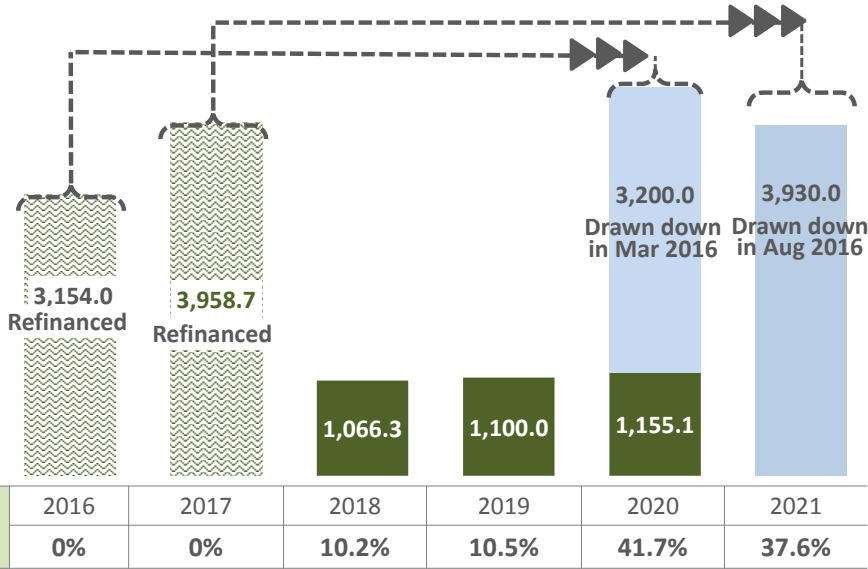
Strategy



Prudent Debt Management

Debt Maturity Profile (HK\$ million)

Average maturity for committed debt **extended to 3.7 years**
No refinancing needs until 2018



Gearing Ratio

29.5%

Debt Headroom

HK\$10.4 billion
(up to 45% gearing limit)

Hedging Ratio

67%

Effective Interest Cost

2.40%

Year ended 31 Dec 2016 | 7

2016 Final Distribution

Distribution Details

| | |
|---------------------|---------------------------|
| Distribution Period | 1 Jul 2016 to 31 Dec 2016 |
| DPU | 24.45 HK cents |
| Ex-Distribution | 9 February 2017 |
| Book Closure | 13 February 2017 |
| Payment | 1 March 2017 |

Distribution Timetable

| S | M | T | W | T | F | S |
|----|------------------|----|------------------|-------------|----|----|
| | | | FEB 1 | 2 | 3 | 4 |
| 5 | 6 | 7 | 8 | 9 Ex-div | 10 | 11 |
| 12 | 13 Book close | 14 | 15 | 16 | 17 | 18 |
| 19 | 20 | 21 | 22 | 23 | 24 | 25 |
| 26 | 27 | 28 | MAR 1 Payment | | | |

Year ended 31 Dec 2016 | 8

Results Overview

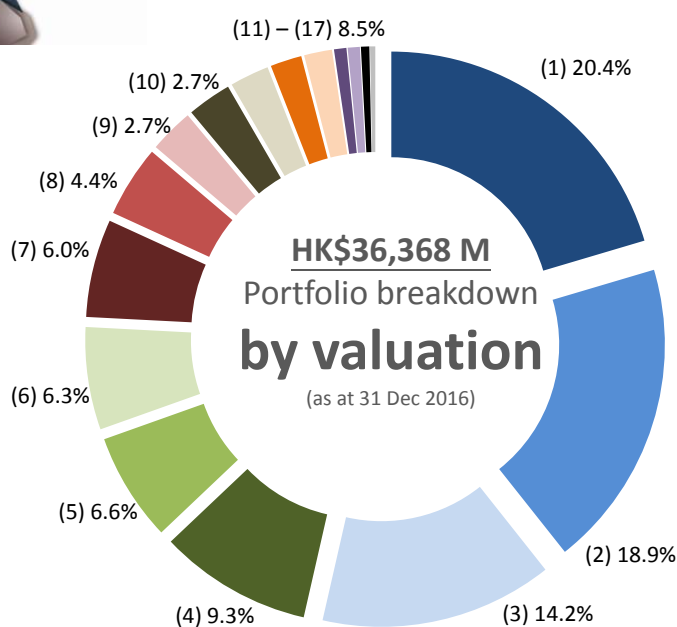
Capital Management

Portfolio Performance & AEs

Strategy



Portfolio Valuation



Portfolio Valuation¹ (HK\$M)

| | | |
|------------------------|--------------------|---------------|
| (1) | Fortune City One | 7,422 |
| (2) | Fortune Kingswood | 6,881 |
| (3) | Ma On Shan Plaza | 5,181 |
| (4) | Metro Town | 3,400 |
| (5) | Fortune Metropolis | 2,414 |
| (6) | Laguna Plaza | 2,280 |
| (7) | Belvedere Square | 2,181 |
| (8) | Waldorf Avenue | 1,594 |
| (9) | Caribbean Square | 991 |
| (10) | Provident Square | 985 |
| (11) | Jubilee Square | 873 |
| (12) | Smartland | 700 |
| (13) | Tsing Yi Square | 622 |
| (14) | Centre de Laguna | 275 |
| (15) | Hampton Loft | 268 |
| (16) | Lido Avenue | 186 |
| (17) | Rhine Avenue | 115 |
| Portfolio Total | | 36,368 |

Portfolio valuation

HK\$36,368M

▲ **1.3% YoY**

Average retail cap rate

4.7%

Kept unchanged since 2011

Note:
1. Valued by Savills as at 31 Dec 2016.

Portfolio performance

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| | Occupancy | |
|------------------------|--------------------|--------------|
| | 31 Dec 16 | 31 Dec 15 |
| 1. Fortune City One | 98.4% | 99.3% |
| 2. Fortune Kingswood | 98.4% | 99.6% |
| 3. Ma On Shan Plaza | 99.2% | 100.0% |
| 4. Metro Town | 100.0% | 100.0% |
| 5. Fortune Metropolis | 95.5% | 98.4% |
| 6. Laguna Plaza | 97.0% | 98.7% |
| 7. Belvedere Square | 100.0% | 97.4% |
| 8. Waldorf Avenue | 100.0% | 99.5% |
| 9. Caribbean Square | 98.3% | 100.0% |
| 10. Provident Square | 84.6% ¹ | 91.7% |
| 11. Jubilee Square | 96.9% | 99.6% |
| 12. Smartland | 96.1% | 99.5% |
| 13. Tsing Yi Square | 99.0% | 100.0% |
| 14. Centre de Laguna | 100.0% | 99.4% |
| 15. Hampton Loft | 66.4% ² | 100.0% |
| 16. Lido Avenue | 100.0% | 100.0% |
| 17. Rhine Avenue | 100.0% | 100.0% |
| Portfolio Total | 96.7% | 98.8% |



Occupancy

96.7%



Rental Reversion

14.0%



Passing rent

HK\$41.8 psf
▲ 4.5% YoY

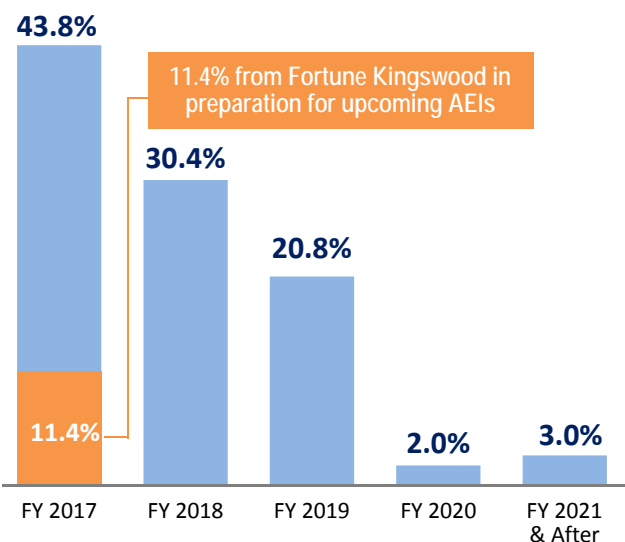
Notes:

1. AEs works completed in 3Q16.
2. Occupancy suffered as a result of the non-renewal of an anchor tenant in Sep 2016.

Opportunistic portfolio for further growth

1. Results Overview
2. Capital Management
3. Portfolio Performance & AEs
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Lease Expiry Profile¹



Note:

1. Based on total leased GRA as at 31 Dec 2016

Selected new tenants (during FY2016)



Expanding tenants at Fortune Malls



Well-positioned Trade Mix

Well-diversified tenant base

1,378 tenants

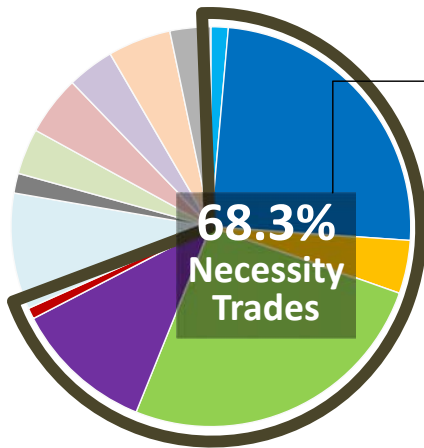
High tenant retention

80.2%

Strong focus on necessity trades

~ **60%**

By Gross Rentable Area

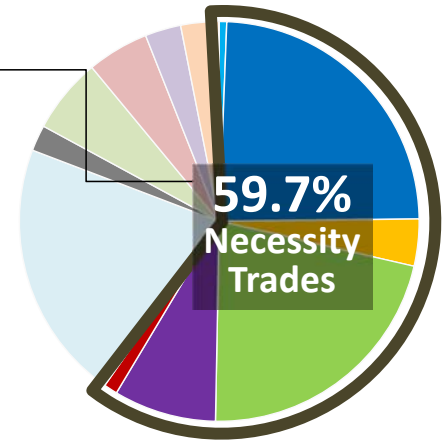


Tenant's Trade Mix

(as at 31 Dec 2016)

| | | |
|-------|-------------------------|-------|
| 1.4% | Community Services | 0.6% |
| 24.7% | Food & Beverages | 24.2% |
| 4.3% | Homewares | 3.8% |
| 25.7% | Services & Education | 21.7% |
| 11.3% | Supermarkets | 8.3% |
| 0.9% | Wet Markets | 1.1% |
| 9.4% | Banking & Real Estate | 21.1% |
| 1.6% | Electronics & IT | 2.1% |
| 3.7% | Fashion & Shoes | 6.1% |
| 4.8% | Gifts, Toys & Jewellery | 5.0% |
| 3.8% | Entertainment & Sports | 2.9% |
| 5.1% | Others | 3.1% |
| 3.3% | Vacant | 0.0% |

By Gross Rental Income



Year ended 31 Dec 2016 | 13

Promoting Fortune Malls

Engaging shoppers with entertainment events and festive decorations



Year ended 31 Dec 2016 | 14

AEIs at Provident Square



AEIs commenced in 1Q16 and completed in 3Q16
Basement floor with enhanced amenities
and more offerings for F&B and household products

1. Results Overview

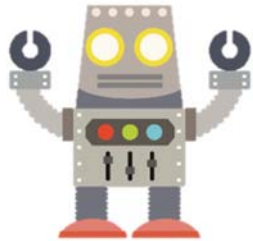
2. Capital Management

3. Portfolio Performance & AEIs

4. Strategy



Before AEIs – a large supermarket



A refreshed atrium

Enriched offerings

After AEIs

AEIs at Provident Square

Received new leasing interests from F&B and household tenants

1. Results Overview

2. Capital Management

3. Portfolio Performance & AEIs

4. Strategy



Supermarket



F&B



Lifestyle Department Store



Furniture Shop



Household Products



Results Overview

Capital Management

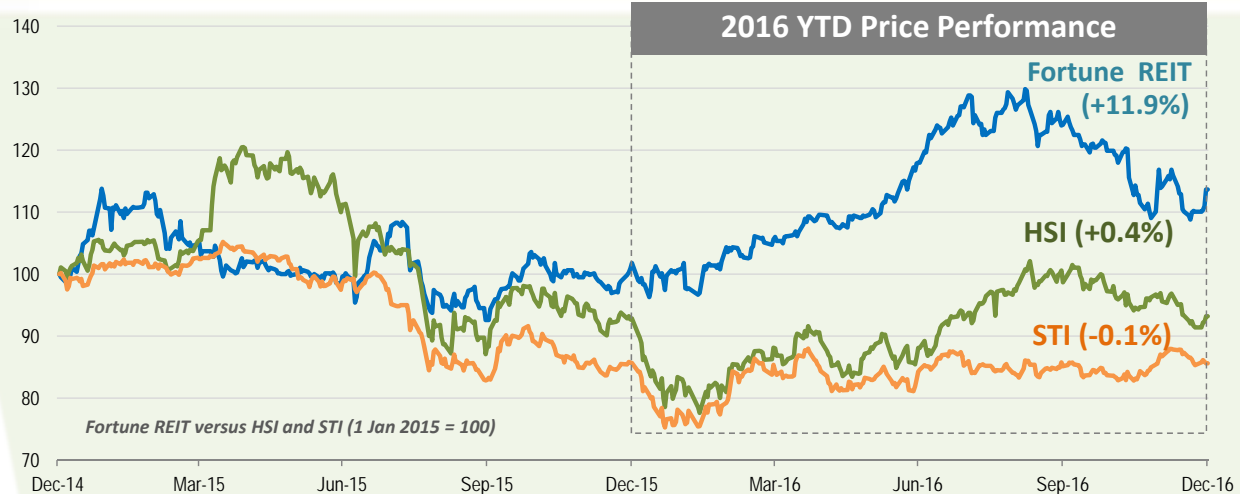
Portfolio Performance & AEs

Strategy



Why Invest in Fortune REIT

Fortune REIT outperformed market and delivered a total return of 18.0%¹ for FY2016



Attractive Valuation

5.5%
DPU Yield

Resilient Portfolio

Strong focus on **Non-discretionary** consumption

Robust Financials

Prudent gearing & majority interest cost hedged

AEs Growth

Outstanding ROIs
For AEs

Acquisition Growth

Track record for **yield accretive acquisition**

Note: 1. Total return is calculated based on the closing unit price of HK\$7.98 and HK\$8.91 in Hong Kong as at 31 December 2015 and 30 December 2016 respectively and the distribution per unit of HK\$0.2350 for 2H 2015 and HK\$0.2478 for 1H 2016.

Appendices

Three Growth Strategies

Our success relies on the precisely coordinated execution of three core growth strategies: (1) yield-accretive acquisitions, (2) active leasing management and (3) asset enhancement initiatives.



Income Statement

| HK\$'M | FY16 | FY15 | Variance (%) |
|---|----------------|----------------|---------------|
| Revenue | 1,975.4 | 1,882.1 | +5.0% |
| Property operating expenses | (521.9) | (517.1) | +0.9% |
| Manager's performance fee | (43.7) | (41.0) | +6.6% |
| Net property income | 1,409.8 | 1,324.0 | +6.5% |
| Manager's base fee | (108.8) | (105.8) | +2.8% |
| Borrowing costs | (283.6) | (265.8) | +6.7% |
| Change in fair value of investment properties | 377.0 | 1,626.5 | -76.8% |
| Gain on disposal of a property company | - | 218.6 | N/A |
| Other items ¹ | 75.2 | (114.9) | -165.4% |
| Profit before taxation | 1,469.6 | 2,682.6 | -45.2% |
| Income tax expense | (211.7) | (196.4) | +7.8% |
| Profit for the period | 1,257.9 | 2,486.2 | -49.4% |
| Distributable income | 935.2 | 884.6 | +5.7% |
| DPU (HK\$ cents) | 49.23 | 46.88 | +5.0% |

Note: 1. Include interest income, trust expense, foreign exchange gain / (loss), and change in fair value of financial instruments

Robust Balance Sheet

| (HK\$'000) | 31 Dec 2016 | 31 Dec 2015 |
|-----------------------------|-------------------|-------------------|
| Current Assets | 652,497 | 783,780 |
| Non Current Assets | 36,418,702 | 35,923,884 |
| Total Assets | 37,071,199 | 36,707,664 |
| Current Liabilities | 1,864,582 | 4,924,666 |
| Non Current Liabilities | 10,661,734 | 7,676,674 |
| Total Liabilities | 12,526,316 | 12,601,340 |
| Net Assets | 24,544,883 | 24,106,324 |
| Units in Issue ('000 units) | 1,902,128 | 1,889,899 |

Portfolio
Valuation

HK\$ 36,368 million

NAV
per Unit

HK\$ 12.90

Year ended 31 Dec 2016 | 21

Investment Highlights

HK\$16.9B¹
Market
Cap

HK\$36.4B¹
Portfolio
Valuation

HK\$12.90¹
NAV

100%
Dividend
Payout

13 Years
Continued
Growth

17 Neighborhood malls in Hong Kong

Dual-listed in Singapore and Hong Kong

2003

2010

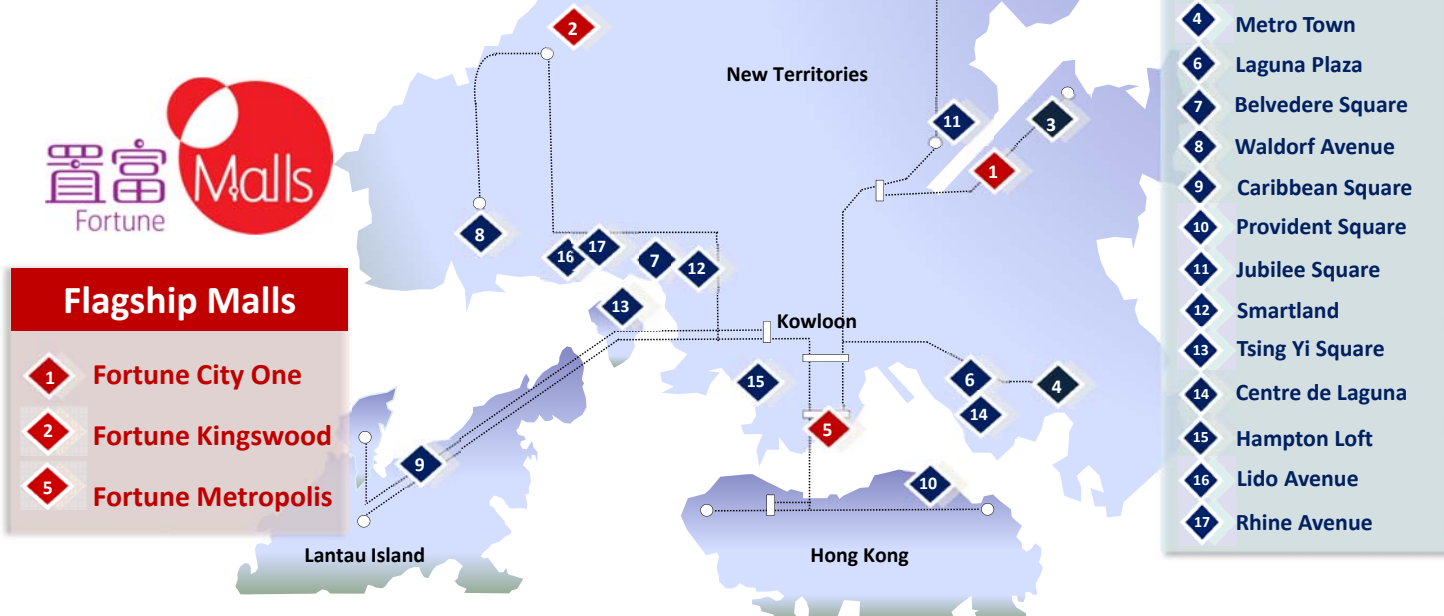


Note: 1. As at 31 Dec 2016

Year ended 31 Dec 2016 | 22

Fortune REIT's Portfolio

17 Neighborhood malls with 3.2 million sf
Total valuation of HK\$36.4 billion



Year ended 31 Dec 2016 | 23

Proven Acquisition Growth

Asset Portfolio grew >10 times in 13 years
AUM increased to HK\$36.4 billion
from HK\$3.3 billion since IPO



Year ended 31 Dec 2016 | 24

Proven Track Record in AEIs

| 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 31 Dec 2016 | 25

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

Year ended 31 Dec 2016 | 26

AEIs at Fortune City One



CAPEX

HK\$150M

Commencement

2010

Completion

3Q 2013

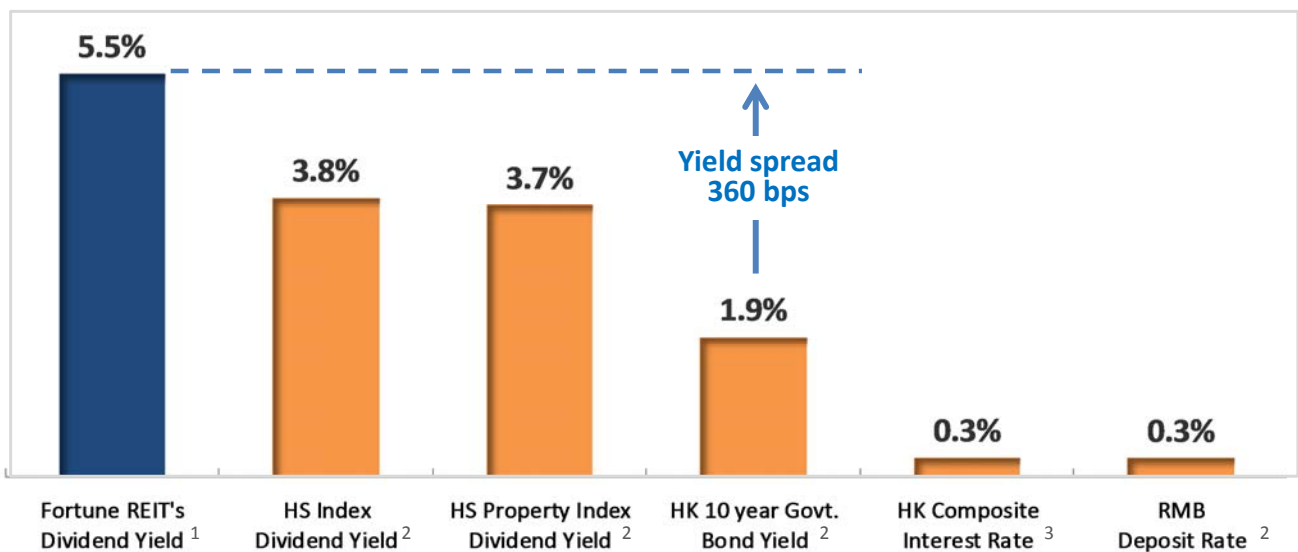
Achieved ROI >20%



Year ended 31 Dec 2016 | 27

Resilient Asset Class with Attractive Yield

Offers 5.5% distribution yield with steady growth



Notes:

1. Based on HK Closing unit price of HK\$8.91 on 30 Dec 2016

2. As at Dec 2016.

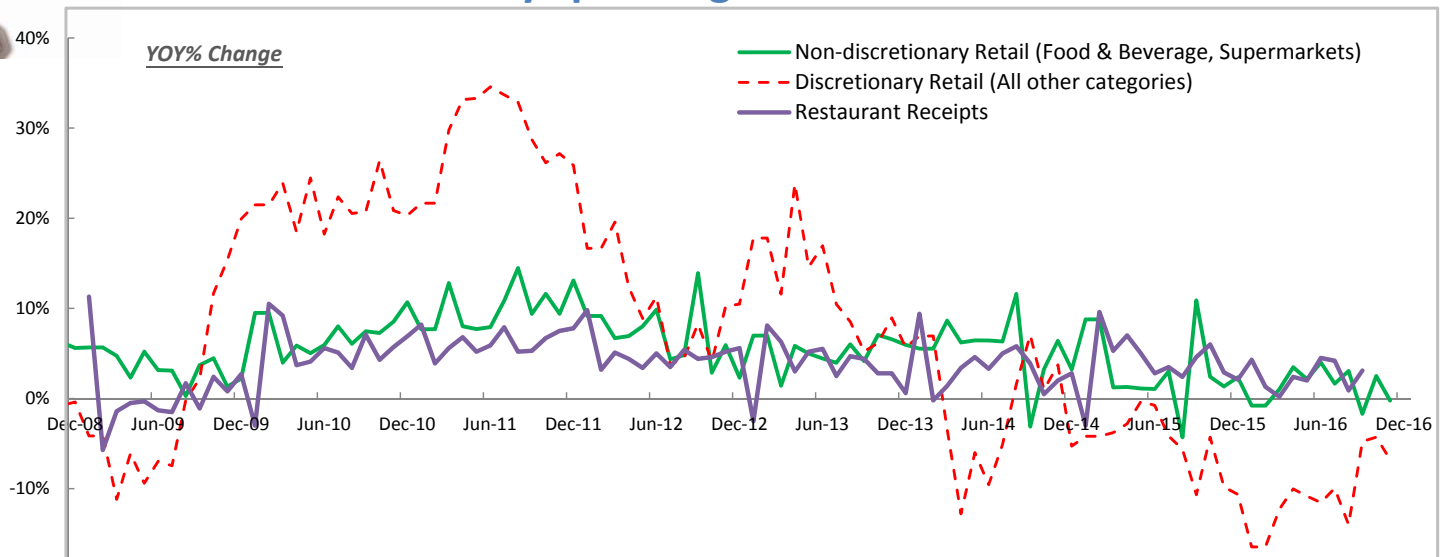
3. As at Nov 2016.

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

Year ended 31 Dec 2016 | 28

Hong Kong Retail Sales

Non-discretionary spending continues to show resilience



Total Retail Sales Value (YoY Change)

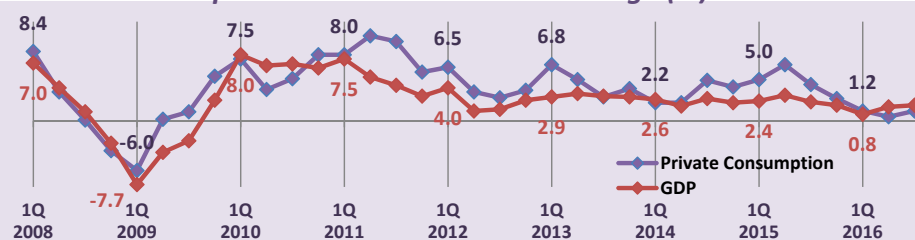


Source: Census and Statistics Department

Year ended 31 Dec 2016 | 29

Hong Kong Economy

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



Private Consumption
(2016 3Q) 1.2%

Private consumption growing modestly and remains an important driver of GDP

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



CPI
(Dec 2016) 2.0%

Inflation eased further and cost increase pressure expected to be contained under the current economic conditions

Unemployment Rate (%)

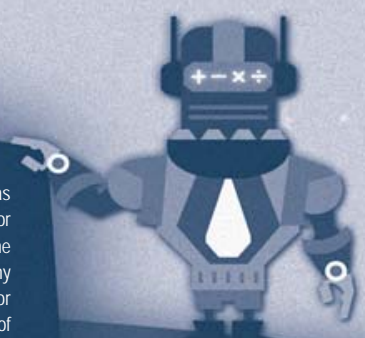


Unemployment
(Oct to Dec 2016) 3.3%

Labour market held largely stable with continuously low unemployment rate

Source: Census & Statistics Department, HK

Year ended 31 Dec 2016 | 30



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