



Financial Results for the 6 Months ended June 2019

26 July 2019



Results Overview

- Capital Management
- Portfolio Performance
- AEIs
- Strategy

1H2019 Results Highlights



Financial Performance

Revenue +0.7%

NPI +1.1%

On like-for-like basis¹

4.9%

Distribution yield²



Portfolio Performance

97.4%

Occupancy

7.8%

+ve reversion continues



Capital Management

20.5%

Gearing ratio

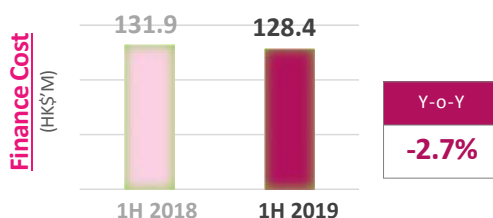
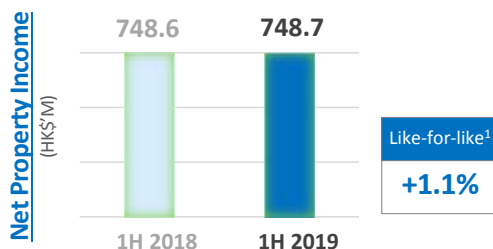
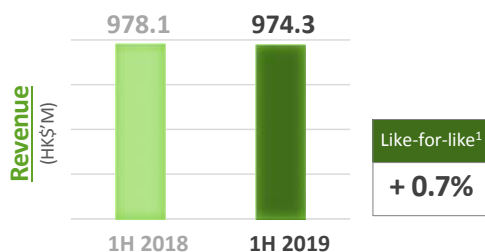
59%

Hedging ratio

Notes: 1. Excluding Provident Square and Fortune Kingswood from both periods.
2. Annualised yield based on the closing unit price of HK\$10.74 in Hong Kong as at 28 June 2019.

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1H 2019 Results Overview



Revenue

- ☹️ Affected by loss of income contribution from Provident disposal and transitional vacancies due to ongoing AElS/repositioning works
- 😊 Positive rental reversions and increased carpark income contributed to organic growth (Revenue +0.7% like-for-like)
- 😊 Strong pick up in occupancy; rental uplift to be fully reflected in 2H2019

Net Property Income

- 😊 Savings in operating expenses supported a stable NPI
- 😊 Attributed by Provident disposal and a more efficient operation
- 😊 Cost-to-revenue ratio improved to 20.8%

Finance Cost

- ☹️ Higher HIBOR in 1H2019 on average compared to 1H2018, increased interest cost for floating portion of debt
- 😊 Impact of higher HIBOR more than offset by interest savings from HK\$1.95B loan repayment after Provident disposal

Note: 1. Excluding Provident Square and Fortune Kingswood from both periods.

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1H 2019 Results Overview

HK **\$505.4M**
Distributable Income

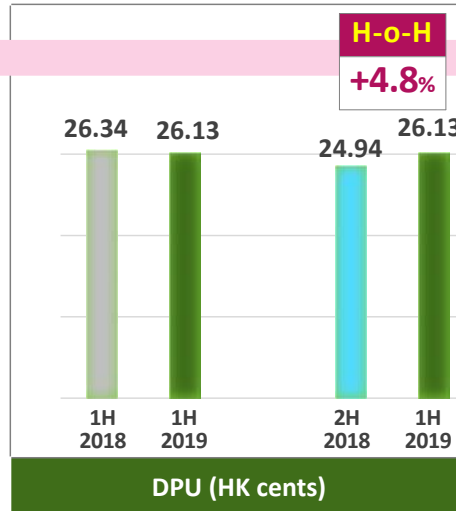
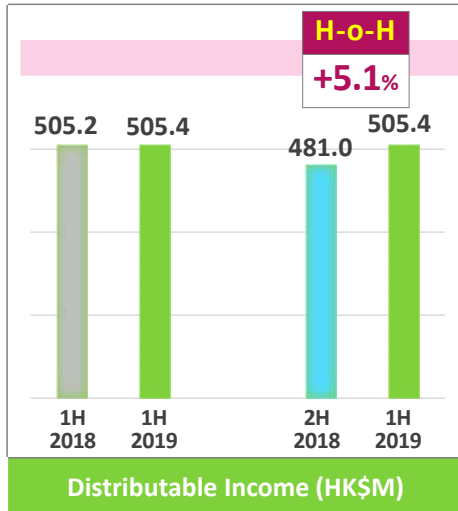
(1H 2019)

26.13 HK Cents
DPU

(1H 2019)

4.9%¹
Distribution Yield

(Annualized)



Growth vs 2H 2018

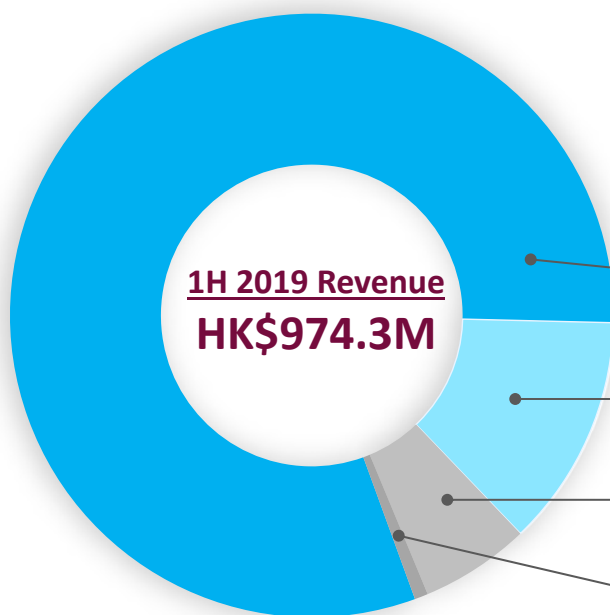
Revenue +1.3%
NPI +3.5%
DPU +4.8%

Attributed by higher occupancy & lower operating cost

Note: 1. Annualised yield based on the closing unit price of HK\$10.74 in Hong Kong as at 28 June 2019

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Stable Income Source



>90% Revenue from stable source

81% Base rental¹: HK\$788.6M

12% Charge-out collection²: HK\$121.5M

6% Carpark income: HK\$57.2M

1% Other income³: HK\$7.0M

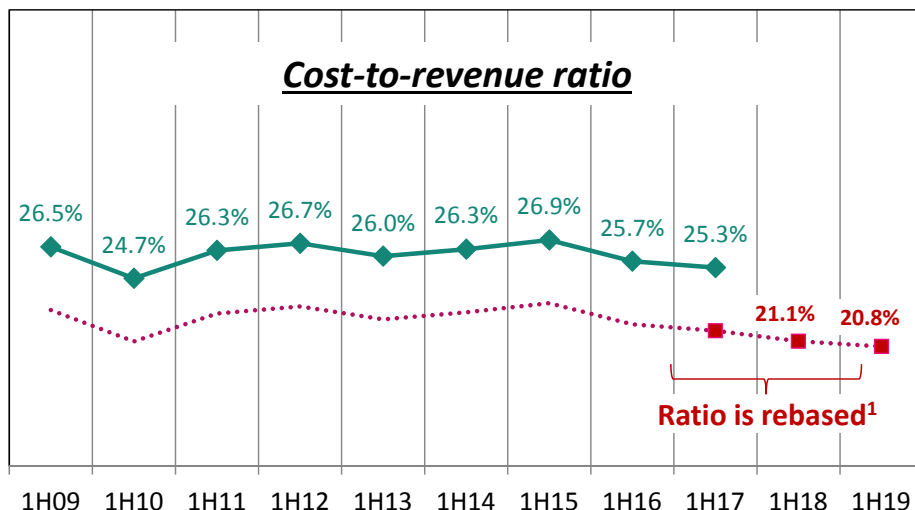
Notes:

1. Including license income.
2. Charge-out collection includes utilities charges + management fees etc.
3. Other income includes atrium income + turnover rents etc.

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The most efficient HK-REIT

Among those with majority income from retail assets



Note: 1. Cost-to-revenue ratio is rebased according to the new classification of "Revenue" and "Property Operating Expenses".

2019 Interim Distribution

Distribution Timetable

S	M	T	W	T	F	S
				Aug 1	2	3
4	5	6	7	8	9	10
11	12	13 Ex-div	14 Record Date	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29 Payment	30	31

Distribution Period	1 Jan 2019 to 30 Jun 2019
DPU	26.13 HK cents

Ex-Distribution	13 August 2019
Record Date	14 August 2019
Payment	29 August 2019

Results Overview



Capital Management

Portfolio Performance

AEIs

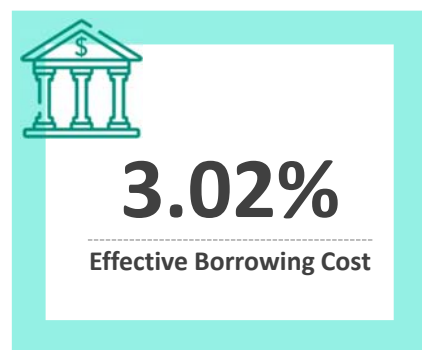
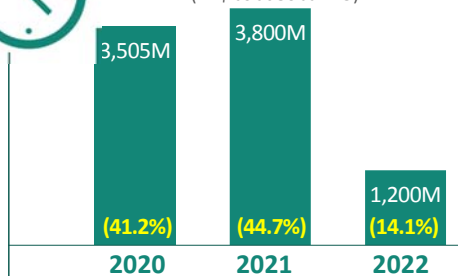
Strategy



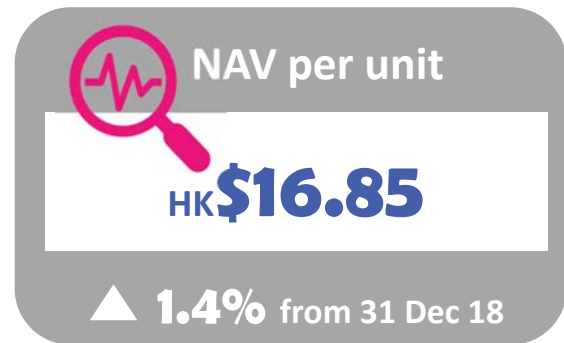
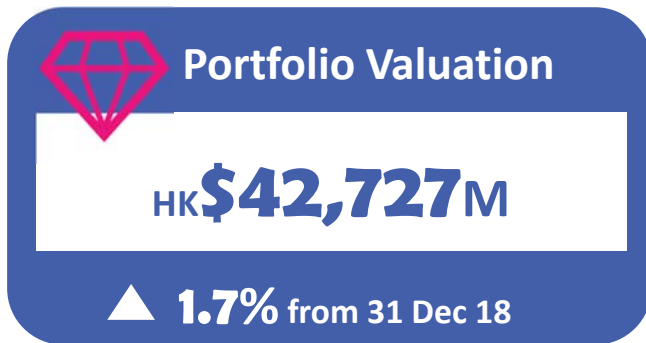
Prudent Debt Management



Debt Maturity Profile
(HK\$ as at 30 Jun 19)



Increase in valuation drove higher NAV



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Results Overview

Capital Management



Portfolio Performance

AEIs

Strategy

Resilient Portfolio Performance

Occupancy

97.4%

From 93.1% end of 2018

Rental Reversion

7.8%

For renewals in 1H2019

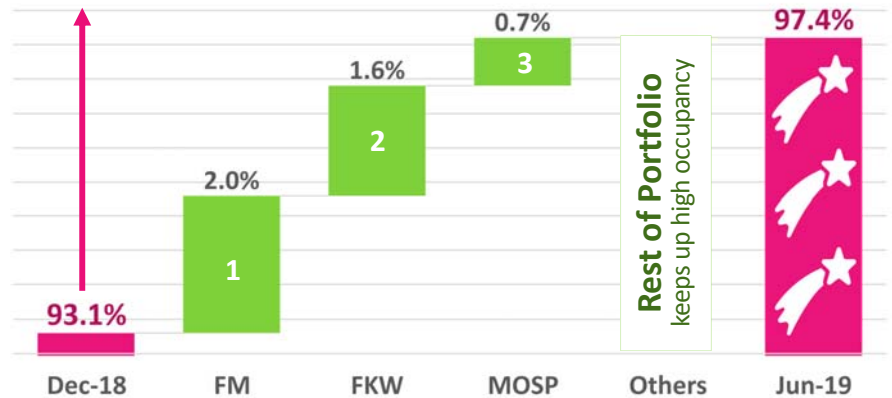
Lease Expiry

16.7%

of GRA¹ expires in 2H 2019

Note: 1. Based on total leased GRA as at 30 June 2019

Occupancy picked up notably in 1H19
Rental uplift to fully reflect in 2H19 ↘



Higher portfolio occupancy driven by 3 major malls

- 1 Fortune Metropolis @90.8%**
~81K sf of new lettings including a Jewelry as anchor and other eateries
- 2 Fortune Kingswood @95.6%**
~68K sf of new lettings mainly from West Block AElS
- 3 Ma On Shan Plaza @99.0%**
~24K sf of new lettings mainly from repositioning of a fitness center

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Successful Tenant Repositioning

Ma On Shan Plaza

Subdivision of a fitness center well-committed including a new beauty salon.



MOSP remains an attractive spot for F&B expansion.



Fortune Metropolis

Widen offerings with a new Jewelry tenant as anchor, eateries and other retail trades



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New

Expanding



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Well-positioned Trade Mix

Well-diversified tenant base

1,309 tenants

Tenant retention

74.8%

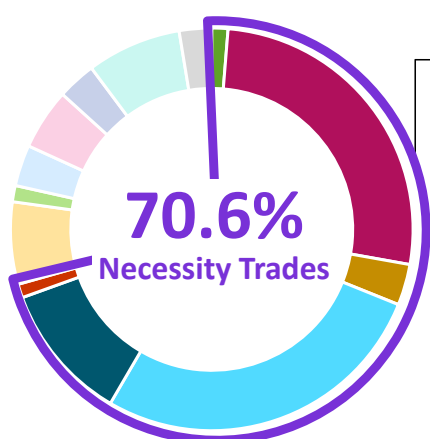
Strong focus on necessity trades

>60%

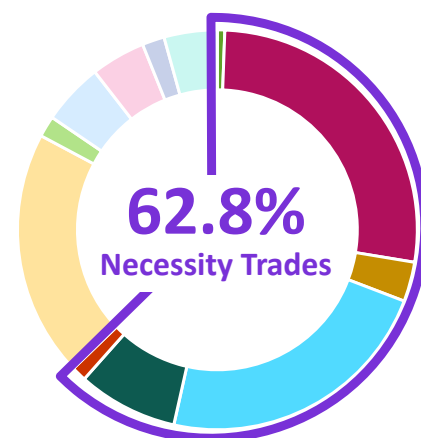
By Gross Rentable Area

Tenant's Trade Mix
(as at 30 Jun 2019)

By Gross Rental Income



1.3%	Community Services	0.6%
26.5%	Food & Beverages	27.0%
3.3%	Homewares	3.2%
27.3%	Services & Education	22.7%
11.1%	Supermarkets	8.1%
1.1%	Wet Markets	1.2%
6.6%	Banking & Real Estate	20.0%
1.3%	Electronics & IT	1.7%
3.3%	Fashion & Shoes	5.0%
4.9%	Gifts, Toys & Jewellery	4.4%
3.1%	Entertainment & Sports	1.8%
7.6%	Others	4.3%
2.6%	Vacant	0.0%



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Promoting Fortune Malls



Easter




Chinese New Year

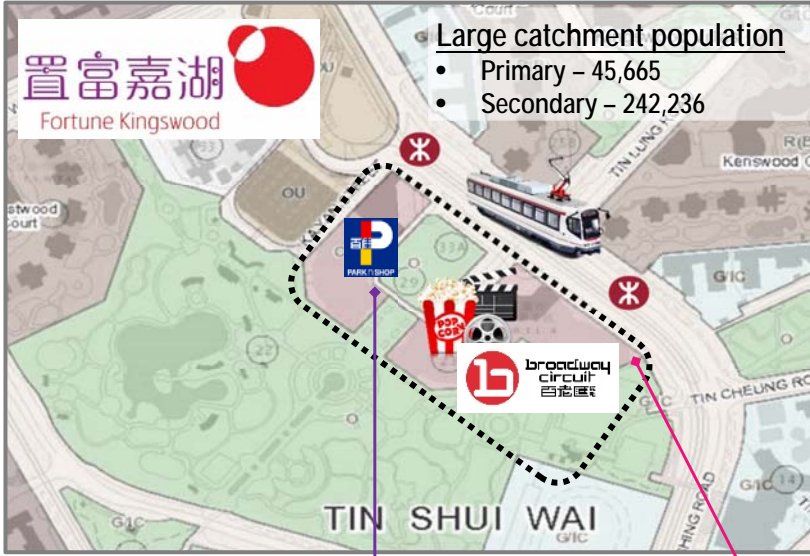


Mothers' Day

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Results Overview
Capital Management
Portfolio Performance
 AEIs
Strategy

Largest-ever AEs at Kingswood



Largest shopping mall in TSW

Developed in 1996 with GRA 665,244sf

West Block – Over 90% committed

- ✓ With the largest supermarket in TSW as attractions
- ✓ AEs to expand offerings in F&B, household product
- ✓ AEs to complete in phases by end of 2019

East Block – to unlock further potential

- ✓ Next to Ginza Station, easily connected to TSW / Tuen Mun / Yuen Long
- ✓ With the ONLY cinema in Tin Shui Wai
- ✓ Positioning to focus on lifestyle and entertainment

AEIs at Kingswood West Block



CAPEX
HK\$150M

Commencement
Jun 2018

Completion
2019



West Block over 90% leased; East Block continues to do well



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- Results Overview
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- AEIs



Strategy

Acquisition Growth

Ample debt headroom of HK\$19.3B

AEIs Growth

AEIs at Fortune Kingswood to drive growth

4.9%¹
DPU Yield

Resilient Portfolio

Strong focus on non-discretionary

Robust Financials

Prudent gearing & majority interest cost hedged

Note:

1. Annualised yield based on the closing unit price of HK\$10.74 in Hong Kong as at 28 June 2019.

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Appendices

Fortune REIT's Three Growth Strategies



Active leasing management



Asset enhancement initiatives



Yield-accretive acquisitions

Delisting from SGX-ST

Tentative Dates



Fortune REIT remains listed on HKSE

- SGX-Delisting will result in the Units being removed from SGX-ST
- Units will only be traded on HKSE

No change in Unitholders entitlement

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

To help and bear cost for Unit Transfer

- Appointed UOBKH as designated broker to help Unitholders setting up account to transfer Units to HK Registrar
- Fortune REIT to bear cost for Unit Transfer Process for Units to be removed from CDP and transferred to HK Registrar

If SG Unitholders take NO action

- Their units will be automatically transferred from CDP to HK Register upon Delisting
- Physical Unit Certificates will be posted to them by ordinary mail.

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Income Statement

HK\$'M	1H 2019	1H 2018	Variance (%)
Revenue	974.3	978.1	-0.4%
Property operating expenses	(202.4)	(206.2)	-1.9%
Manager's performance fee	(23.2)	(23.3)	-0.4%
Net property income	748.7	748.6	+0.0%
Manager's base fee	(63.0)	(58.4)	+7.9%
Finance costs ¹	(181.4)	(89.5)	+102.7%
Change in fair value of investment properties	641.3	3,011.5	-78.7%
Gain on disposal of Provident Square	-	941.1	N/A
Other items ²	(10.5)	(4.9)	+114.3%
Profit before taxation	1,135.1	4,548.4	-75.0%
Income tax expense	(113.3)	(113.4)	-0.1%
Profit for the period	1,021.8	4,435.0	-77.0%
Distributable income	505.4	505.2	+0.1%
DPU (HK\$ cents)	26.13	26.34	-0.8%

Notes:

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

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Robust Balance Sheet

HK\$'000	30 Jun 2019	31 Dec 2018
Current assets	614,062	613,648
Non current assets	42,733,848	42,018,816
Total assets	43,347,910	42,632,464
Current liabilities	2,069,935	1,688,309
Non current liabilities	8,685,278	8,930,790
Total liabilities	10,755,213	10,619,099
Net assets	32,592,697	32,013,365
Units in issue ('000 units)	1,933,977	1,927,905

Gearing Ratio

20.5%

Portfolio Valuation

HK\$42,727 million

NAV per Unit

HK\$16.85

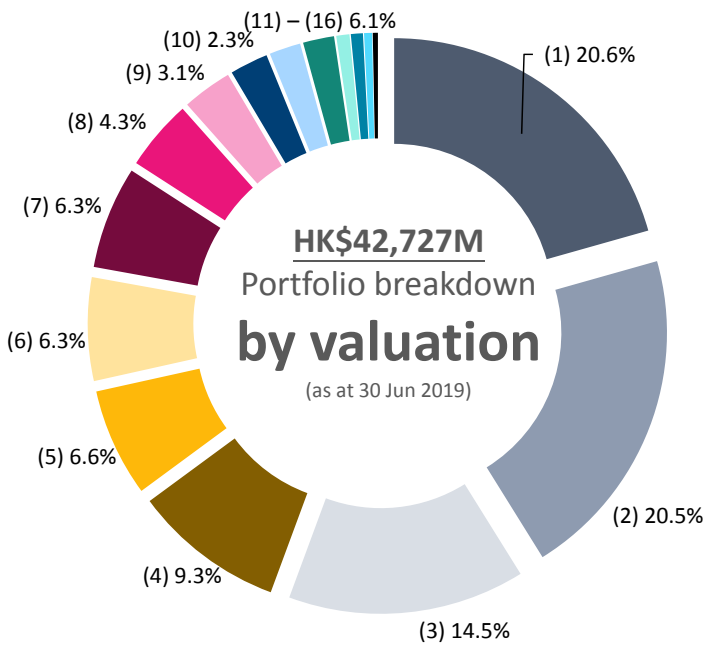
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Portfolio occupancy

Fortune REIT's portfolio	GRA(s.f.)	Occupancy		
		30 Jun 19	31 Dec 18	30 Jun 18
1. Fortune City One	414,469	99.0%	99.3%	98.6%
2. Fortune Kingswood	665,244	95.6%	88.4%	94.0%
3. Ma On Shan Plaza	310,084	99.0%	92.2%	99.6%
4. Metro Town	180,822	99.8%	99.2%	100.0%
5. Fortune Metropolis	332,168	90.8%	73.1%	83.1%
6. Laguna Plaza	163,203	99.7%	99.0%	98.1%
7. Belvedere Square	276,862	99.4%	99.8%	99.5%
8. Waldorf Avenue	80,842	100%	100%	100.0%
9. Caribbean Square	63,018	100%	100%	100.0%
10. Jubilee Square	170,616	98.3%	97.2%	96.2%
11. Smartland	123,544	96.0%	96.3%	95.6%
12. Tsing Yi Square	78,836	100.0%	100.0%	100.0%
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	97.4%	93.1%	96.0%

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Portfolio Valuation



Portfolio Valuation¹ (HK\$M)

(1) Fortune City One	8,811
(2) Fortune Kingswood	8,764
(3) Ma On Shan Plaza	6,196
(4) Metro Town	3,960
(5) Fortune Metropolis	2,829
(6) Laguna Plaza	2,697
(7) Belvedere Square	2,680
(8) Waldorf Avenue	1,847
(9) Caribbean Square	1,304
(10) Jubilee Square	1,002
(11) Smartland	822
(12) Tsing Yi Square	813
(13) Centre de Laguna	344
(14) Hampton Loft	315
(15) Lido Avenue	209
(16) Rhine Avenue	134
Portfolio Total	42,727

Portfolio Valuation

HK\$42,727M

▲ 1.7% from Dec 18

Retail Cap Rate

Average @ **4.3%**

Notes:

1. Valued by Jones Lang Lasalle Ltd as at 30 Jun 2019.

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Investment Highlights

HK\$20.7B¹
Market Cap

HK\$42.7B¹
Portfolio Valuation

HK\$16.85¹
NAV

100%
Dividend Payout

15 Years
Continued Growth

16 Neighborhood malls in Hong Kong

Dual-listed in Singapore and Hong Kong



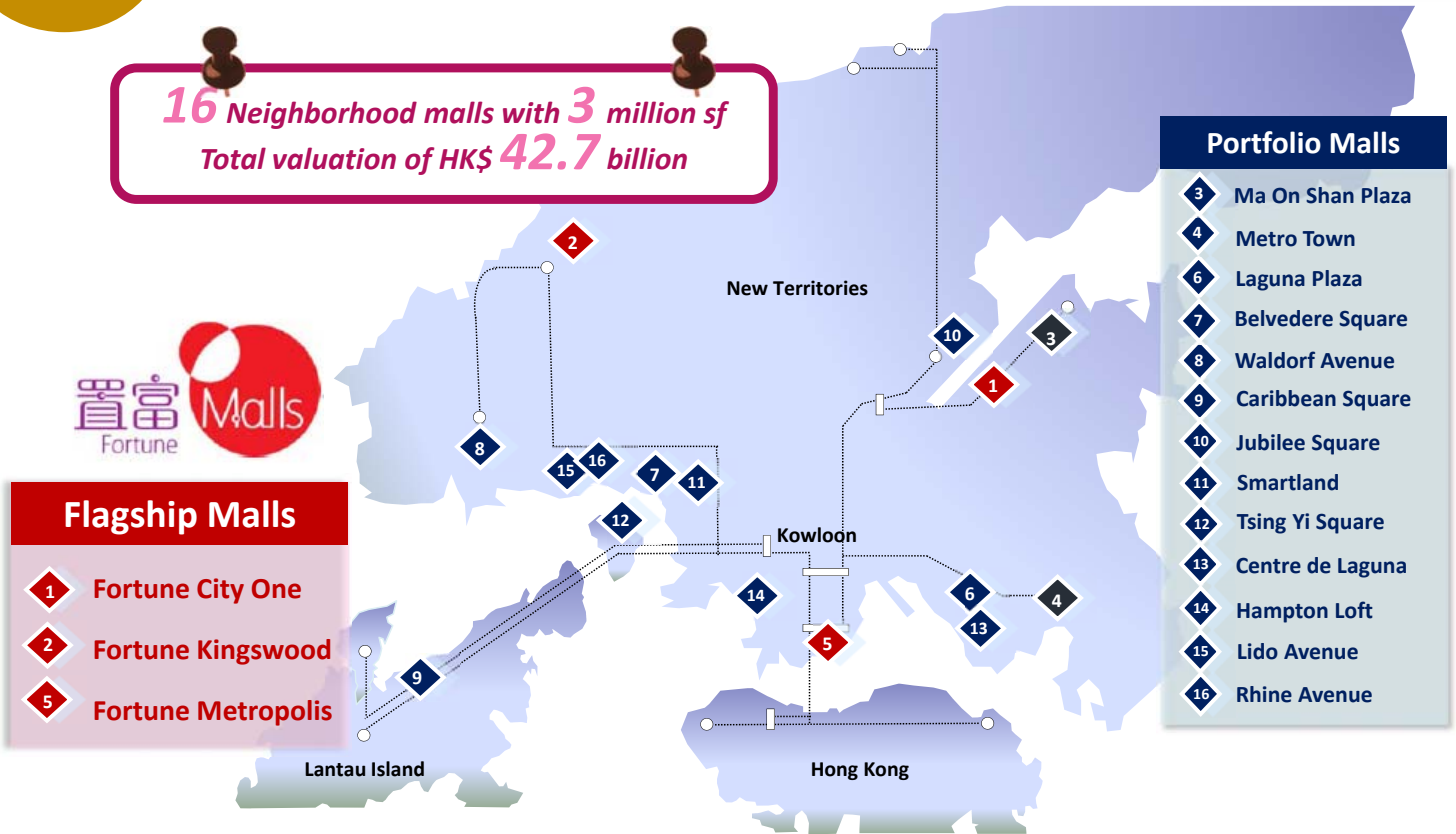
Note:

1. As at 30 June 2019.

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Fortune REIT's Portfolio

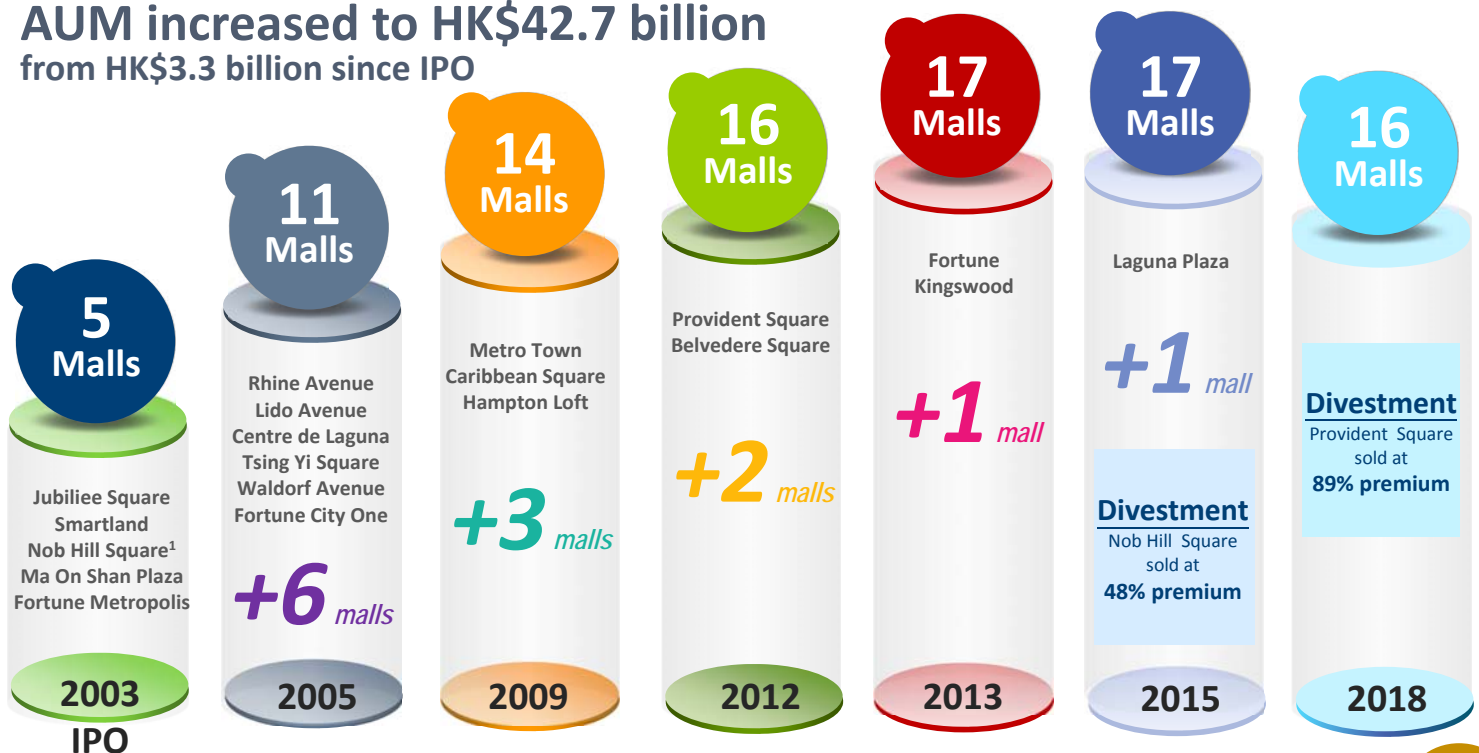
16 Neighborhood malls with 3 million sf
Total valuation of HK\$ 42.7 billion



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Proven Acquisition Growth

Asset Portfolio grew >11 times in 15 years
AUM increased to HK\$42.7 billion
from HK\$3.3 billion since IPO



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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.

AEIs at Belvedere Square Phase 3 (BS3)



CAPEX

HK\$80M

Commencement

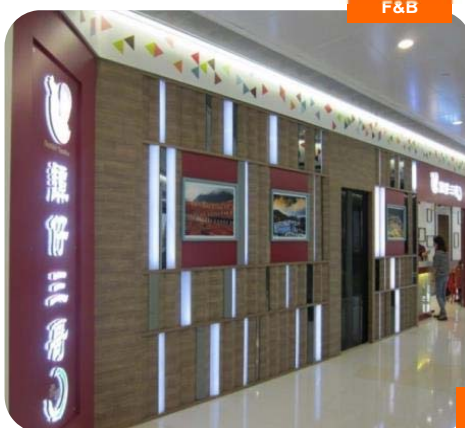
3Q 2014

Completion

4Q 2015

Achieved ROI 20.3%

Received strong leasing interests



New tenants after AEIs

AEIs at Fortune City One



CAPEX

HK\$150M

Commencement

2010

Completion

3Q 2013

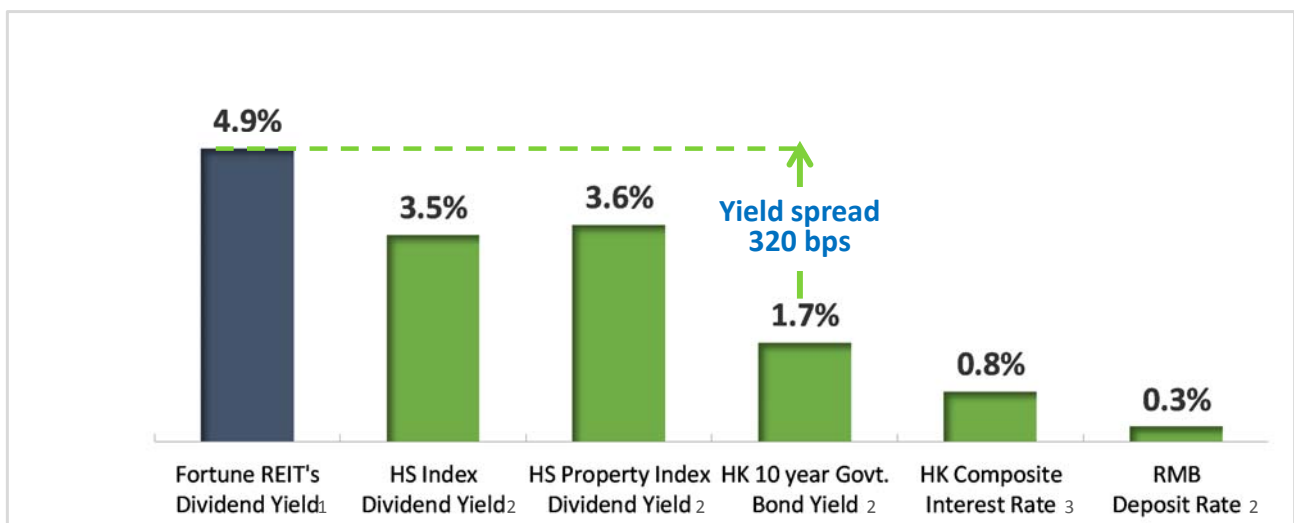
Achieved ROI >20%



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Resilient Asset Class with Attractive Yield

Offers 4.9% distribution yield with steady growth



Notes:

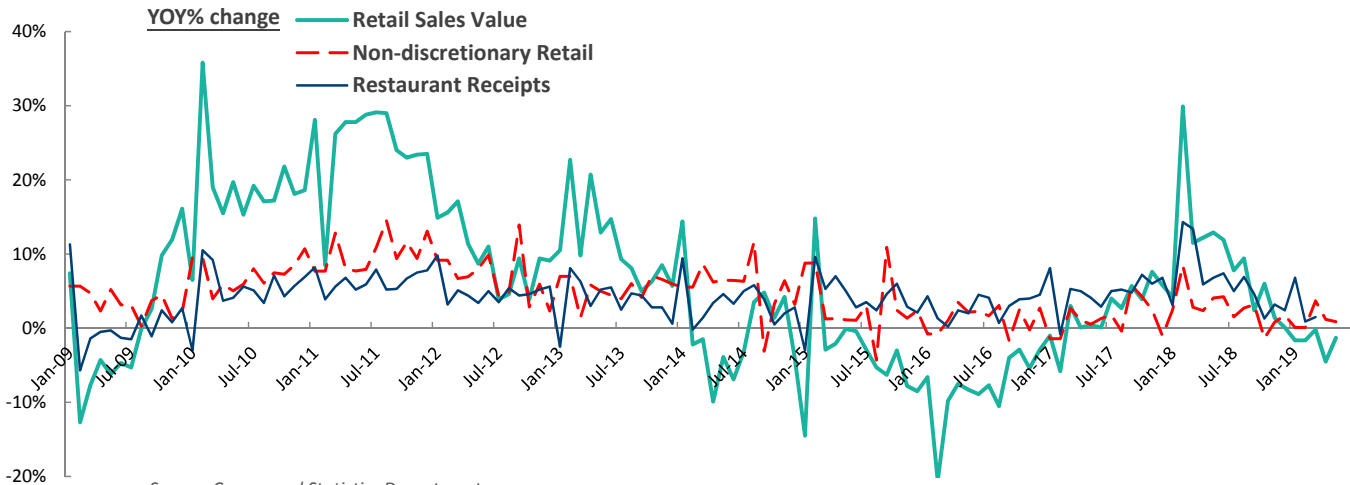
1. Annualised yield based on the closing unit price of HK\$10.74 in Hong Kong as at 28 June 2019 .
2. As at Jun 2019.
3. As at May 2019.

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

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HK retail sales declined by 1.8% in 5M19

Resilient non-discretionary trades & restaurant receipts



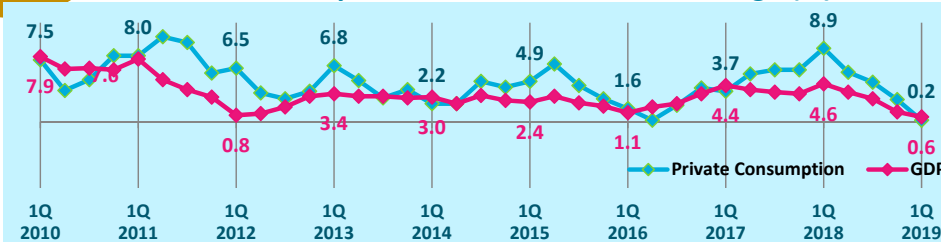
Source: Census and Statistics Department

YOY %	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	5M2019
Total retail sales	+0.6%	+18.3%	+24.9%	+9.8%	+11.0%	-0.2%	-3.7%	-8.1%	+2.2%	+8.7%	-1.8%
Non-dis. retail	+3.5%	+7.4%	+10.1%	+7.0%	+5.4%	+5.4%	+3.2%	+1.2%	+1.3%	+2.8%	+2.9%
Restaurant Receipts	+0.6%	+5.1%	+6.4%	+5.0%	+3.5%	+3.5%	+3.9%	+2.9%	+5.0%	+6.0%	1Q19: +3.0%

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Hong Kong Economy

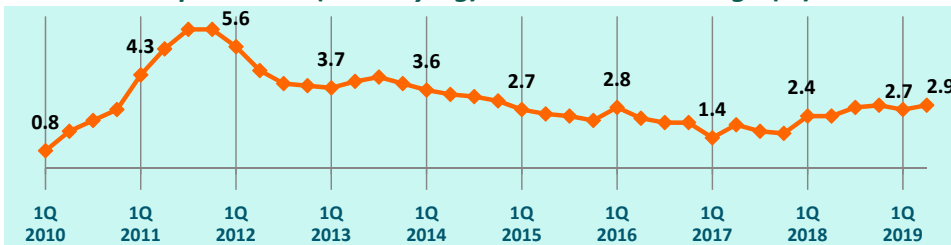
Private Consumption & GDP Year-on-Year Change (%)



Private Consumption
(1Q 2019) 0.2%

GDP expanded modestly by 0.6% in 1Q. Private Consumption only showed marginal expansion.

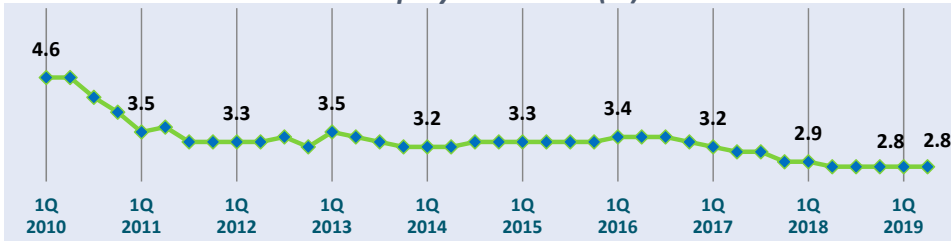
Composite CPI (Underlying) Year-on-Year Change (%)



CPI
(2Q 2019) 2.9%

Inflation went up slightly in 2Q but the overall price pressures are expected to remain largely contained.

Unemployment Rate (%)



Unemployment
(Apr to Jun 2019) 2.8%

Labour market stayed tight with continuously low unemployment rate.

Source: Census & Statistics Department, HK

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