

FORTUNE
置富產業信託 **REIT**

Financial Results

for the 6 months ended June 2020

FORTUNE
置富產業信託 **REIT**

Results Overview

Capital Management

Portfolio Performance

Updates on COVID-19

Enhancement Initiatives

Outlook



1H2020 Results Highlights



Financial highlights

- Revenue -2.3% YoY
- NPI -4.1% YoY
- Distributable Income -3.1% YoY



Payout

- Interim DPU 22.60 HK Cents over a 90% payout ratio
- A prudent approach to retain cash for financial flexibility



Operation Highlights

- Occupancy remains healthy at 95%
- Negative rental reversion but strong tenant retention



Attractive Yield
6.5%

Annualised yield based on the closing unit price of HK\$6.97 as at 30 Jun 2020

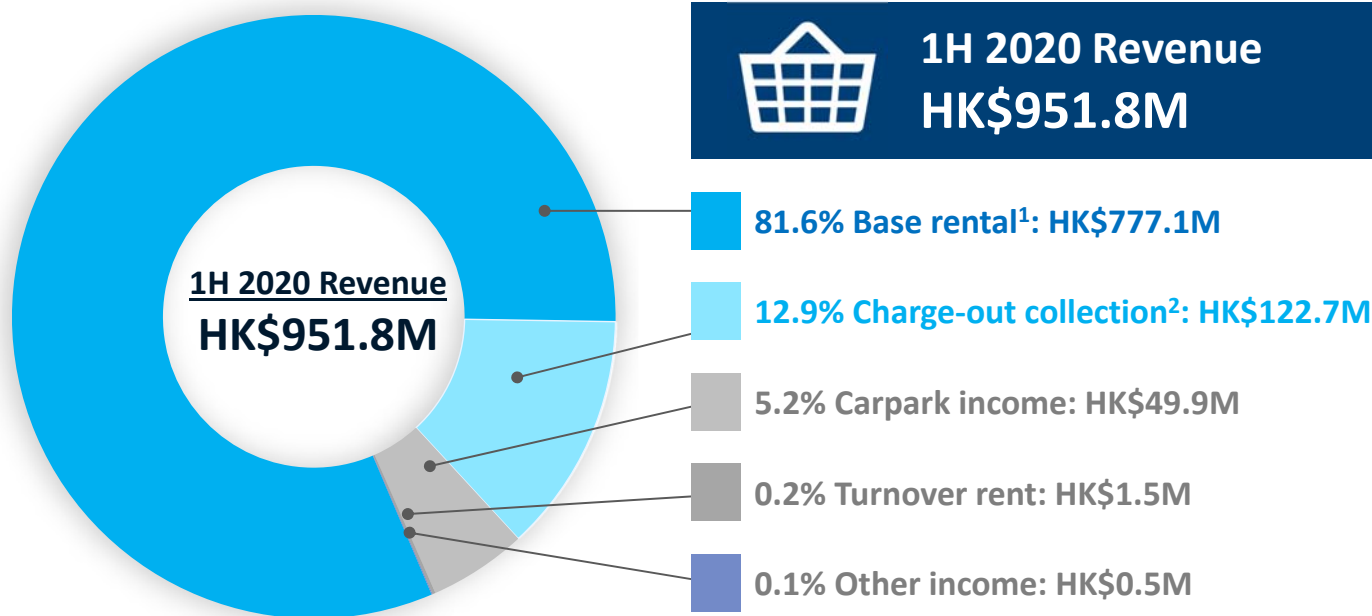
6 months ended Jun 2020 | 3

1H2020 Financial Highlights

(HK\$'M)	1H2020	1H2019	YoY%	Remarks
Revenue	951.8	974.3	-2.3%	<ul style="list-style-type: none"> • Lower revenue as a result of (i) negative rental reversion and (ii) lower carpark income
Property operating expenses	211.4	202.4	+4.5%	<ul style="list-style-type: none"> • Higher expenses mainly due to (i) HK\$6.2M impairment loss under expected credit loss model, (ii) increased marketing expense and building management expenses in response to COVID-19
Net property income	718.2	748.7	-4.1%	<ul style="list-style-type: none"> • Cost to revenue @ 22.2%
Finance cost ¹	139.7	128.4	+8.8%	<ul style="list-style-type: none"> • Due to higher effective borrowing cost and a slightly higher borrowing level
Distributable income	489.7	505.4	-3.1%	

Note: 1. Excluding change in fair value of derivative financial instruments.

6 months ended Jun 2020 | 4



Notes:

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

Results Overview

Capital Management

Portfolio Performance

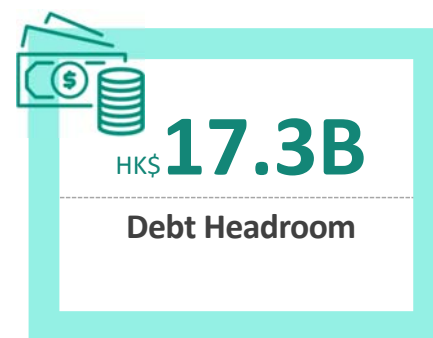
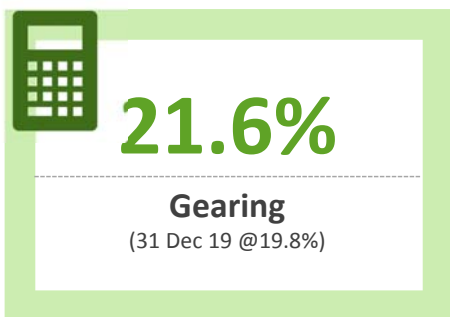
Updates on COVID-19

Enhancement Initiatives

Outlook

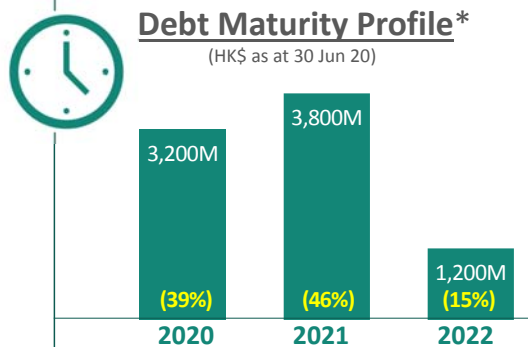


Prudent Debt Management



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

Interest coverage remains healthy at 4.6x

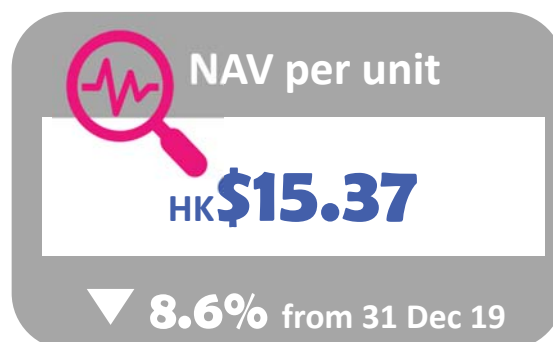
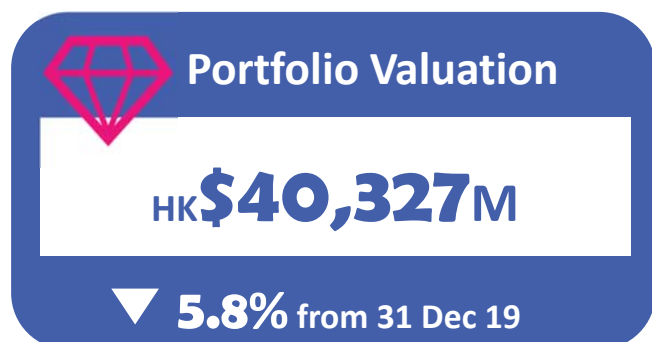


* Exclude revolving credit facilities

6 months ended Jun 2020 | 7

Portfolio Valuation

Decrease in valuation with average cap rate maintained at 4.3%



6 months ended Jun 2020 | 8

- Results Overview
- Capital Management
- Portfolio Performance**
- Updates on COVID-19
- Enhancement Initiatives
- Outlook



Portfolio Performance

Flexible leasing strategies to maintain occupancy over long-term

Occupancy	Tenant Retention
95.0% as at 30 Jun 2020	77% keen to retain quality tenants

Malls' traffic affected by social distancing measures from Feb onwards
Strong pick-up in June with **footfall +25%** and **hourly CP +39%** from April
(but still not back to the pre-COVID-19 levels)

Malls Footfall¹ (YoY%)	Flat	-16%	-23%	-27%	↗ -19%	↗ -13%
	Footfall -16% YoY for 6M2020					
2020 >	Jan >	Feb >	Mar >	Apr >	May >	Jun >
Carpark Income² - Hourly component (YoY%)	-6%	-41%	-33%	-35%	↗ -19%	↗ -16%
	Hourly income -25% YoY for 6M2020					

Notes:

1. Data does not include the 5 smaller malls.
2. In 1H2020, total carpark income decreased by 13% YoY.

Retail sales dominated by local consumption

In Jun 2020, when the epidemic situation gradually brought under control in Hong Kong, many people resumed their daily activities



Education Center





F&B



F&B

 With travel restrictions in place, retail sales will mostly be supported by local consumption

 \$10,000 cash payout by Government is expected to boost local consumption

 Reoccurrence of new waves of local COVID-19 cases in July has added uncertainty to the originally improving situation.

Well-positioned Trade Mix

Well-diversified tenant base

1,272 tenants

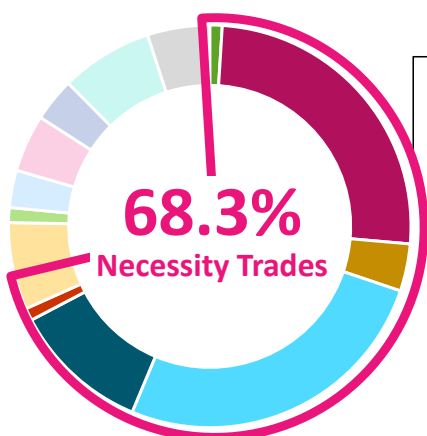
Strong focus on necessity trades

>60%

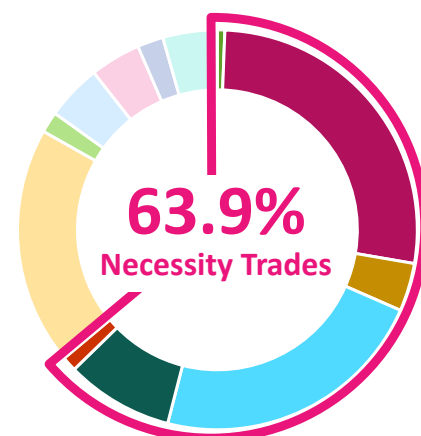
By Gross Rentable Area

Tenant's Trade Mix
(as at 30 Jun 2020)

By Gross Rental Income



1.0%	Community Services	0.6%
25.4%	Food & Beverages	27.1%
3.8%	Homewares	3.9%
26.1%	Services & Education	22.4%
11.0%	Supermarkets	8.7%
1.0%	Wet Markets	1.2%
7.0%	Banking & Real Estate	19.3%
1.2%	Electronics & IT	1.7%
3.0%	Fashion & Shoes	4.5%
4.6%	Gifts, Toys & Jewellery	4.1%
3.5%	Entertainment & Sports	2.1%
7.4%	Others	4.4%
5.0%	Vacant	0.0%



Lease Expiry Profile (Based on total leased GRA as at 30 Jun 2020)



*Including 2023 and years beyond

New tenants¹



Expanding tenants¹



Note: 1. Tenants entered in 1H2020

6 months ended Jun 2020 | 13

- Results Overview
- Capital Management
- Portfolio Performance
- Updates on COVID-19**
- Enhancement Initiatives
- Outlook



Marketing to support tenants' business



Lucky draw campaign to drive spending



Takeaway promotion for F&B tenants



Targeted cash coupon redemptions



6 months ended Jun 2020 | 15

Precautionary measures to combat COVID-19

To safeguard the well-being of shoppers, tenants, staffs and community



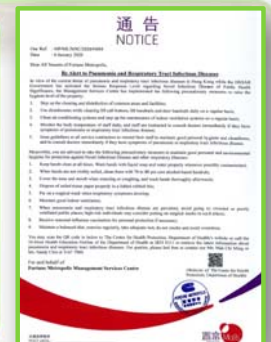
✓ Notice / Signages to remind tenants & the public of good hygiene practices



✓ Enhanced cleaning at high-touch points

✓ More sanitizer machines to prompt frequent cleaning of hands

✓ Providing disinfection machines



6 months ended Jun 2020 | 16

Caring for the Community



Fortune's Volunteers spare efforts in preparing preventive hygienic kits for donation to the needy



Support to our staff



Staggered Working hours



Split Teams Working arrangement



Provision of masks to staff by the Group

Results Overview

Capital Management

Portfolio Performance

Updates on COVID-19

Enhancement Initiatives

Outlook





To enhance shopping experience and attract customers loyalty

- The APP integrates 16 Fortune Malls and serves as the digital shopping guide for over 1,600 shops, eateries and education operators
- Introduced Fortune+ membership scheme where member can convert spending into auspicious rewards
- Other exciting features including:
 - Way-finding function for easy navigation
 - Regular updates for events and promotion offers

6 months ended Jun 2020 | 19

The App very well received with strong download rate



Fortune Metropolis



Fortune City One

Loyalty programme to drive sales



+WOO

6 months ended Jun 2020 | 20

To strengthen +WOO as TSW's leading shopping mall

Phase 1

AEIs completed in Oct 2019



- HK\$150M renovation yielded positive return
- Enriched offerings of F&B, household products and education services

Large and expanding catchment

1,500 new flats upcoming at Tin Wing Station



Phase 2

Currently under planning



- Next to Ginza Station, well connected to TSW / Tuen Mun / Yuen Long
- With TSW's only cinema, re-positioning will focus on lifestyle and entertainment

- Results Overview
- Capital Management
- Portfolio Performance
- Responses to COVID-19
- Enhancement Initiatives
- Outlook**





Retail Environment

- Retail environment remains very difficult with the uncertain development of COVID-19. Resurgence of local cases in July and re-tightening of social distancing measures pose downside risk
- The weak business outlook is expected to result in negative rental reversion or leases re-let at lower rental rates and lower occupancies in 2H2020



Operational Focus

- Flexible leasing strategies to support tenants' operations and maintain a healthy occupancy level
- To tide through challenges ahead with tenants and roll out targeted marketing activities to drive sales and footfall



Capital Management

- To keep a prudent approach on liquidity and cash management
- To secure refinancing ahead of debt expiry

Appendices

Fortune REIT's Three Growth Strategies



Active leasing
management



Asset
enhancement
initiatives



Yield-accretive
acquisitions

Income Statement

HK\$'M	1H 2020	1H 2019	Variance (%)
Revenue	951.8	974.3	-2.3%
Property operating expenses	(211.4)	(202.4)	+4.4%
Manager's performance fee	(22.2)	(23.2)	-4.3%
Net property income	718.2	748.7	-4.1%
Manager's base fee	(62.2)	(63.0)	-1.3%
Finance costs ¹	(292.3)	(181.4)	+61.1%
Change in fair value of investment properties	(2,516.1)	641.3	N/A
Other items ²	(8.3)	(10.5)	-21.0%
(Loss)/Profit before taxation	(2,160.7)	1,135.1	N/A
Income tax expense	(106.7)	(113.3)	-5.8%
(Loss)/Profit for the period	(2,267.4)	1,021.8	N/A
Distributable income	489.7	505.4	-3.1%
Payout Ratio	90%	100%	NA
DPU (HK\$ cents)	22.60	26.13	-13.5%

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 2020 | 25

Robust Balance Sheet

HK\$'000	30 Jun 2020	31 Dec 2019
Current assets	317,745	228,162
Non current assets	40,327,000	42,821,327
Total assets	40,644,745	43,049,489
Current liabilities	5,022,706	4,931,114
Non current liabilities	5,643,922	5,494,255
Total liabilities	10,666,628	10,425,369
Net assets	29,978,117	32,624,120
Units in issue ¹ ('000 units)	1,950,178	1,941,116

Gearing Ratio

21.6%

Portfolio Valuation

HK\$40,327 million

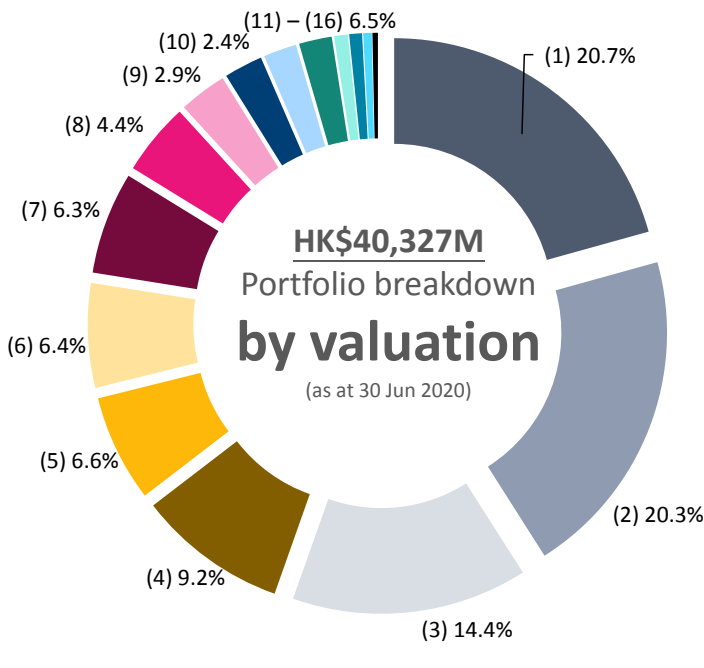
NAV per Unit

HK\$15.37

Note:

1. Include units to be issued.

6 months ended Jun 2020 | 26



Portfolio Valuation¹ (HK\$M)

(1) Fortune City One	8,343
(2) +WOO	8,187
(3) Ma On Shan Plaza	5,817
(4) Metro Town	3,698
(5) Fortune Metropolis	2,642
(6) Belvedere Square	2,576
(7) Laguna Plaza	2,522
(8) Waldorf Avenue	1,787
(9) Caribbean Square	1,178
(10) Jubilee Square	952
(11) Smartland	817
(12) Tsing Yi Square	811
(13) Centre de Laguna	338
(14) Hampton Loft	316
(15) Lido Avenue	209
(16) Rhine Avenue	134
Portfolio Total	40,327

Portfolio Valuation

HK\$40,327M

▼ 5.8% from Dec 19

Retail Cap Rate

Average @ **4.3%**

Notes:

1. Valued by Jones Lang Lasalle Ltd as at 30 Jun 2020.

6 months ended Jun 2020 | 27

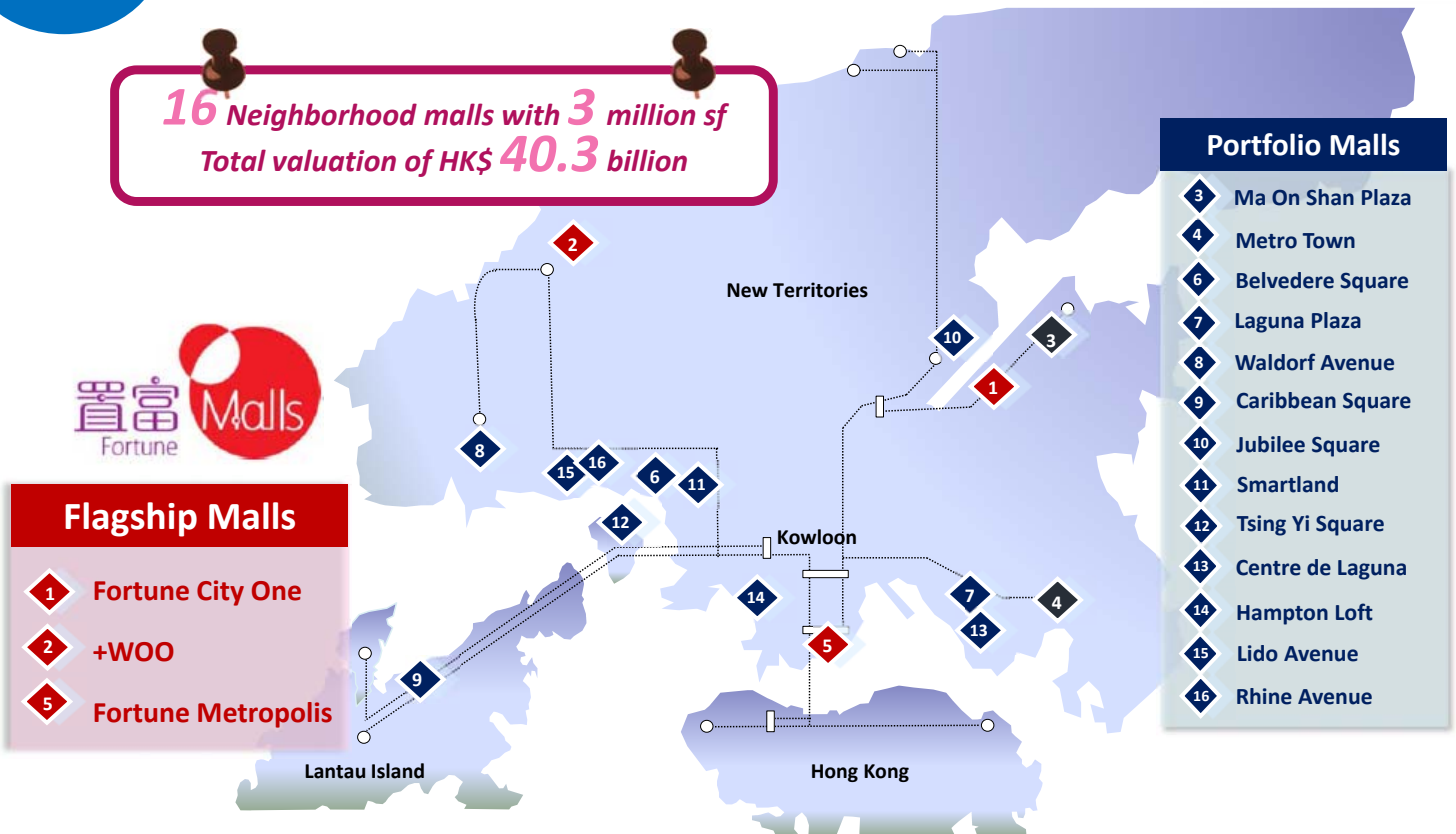
Portfolio occupancy

Fortune REIT's portfolio	GRA(s.f.)	Occupancy		
		30 Jun 20	31 Dec 19	30 Jun 19
1. Fortune City One	414,469	96.6%	97.6%	99.0%
2. +WOO	665,244	95.1%	96.2%	95.6%
3. Ma On Shan Plaza	310,084	88.7%	99.0%	99.0%
4. Metro Town	180,822	97.2%	100.0%	99.8%
5. Fortune Metropolis	332,168	92.5%	91.1%	90.8%
6. Belvedere Square	276,862	93.5%	94.4%	99.4%
7. Laguna Plaza	163,203	98.7%	98.8%	99.7%
8. Waldorf Avenue	80,842	99.3%	99.3%	100.0%
9. Caribbean Square	63,018	100.0%	100.0%	100.0%
10. Jubilee Square	170,616	95.4%	100.0%	98.3%
11. Smartland	123,544	96.0%	95.4%	96.0%
12. Tsing Yi Square	78,836	96.6%	98.4%	100.0%
13. Centre de Laguna	43,000	98.5%	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	95.0%	96.9%	97.4%

6 months ended Jun 2020 | 28

Fortune REIT's Portfolio

16 Neighborhood malls with **3** million sf
Total valuation of **HK\$ 40.3** billion



6 months ended Jun 2020 | 29

Investment Highlights

HK\$13.6B
Market Cap

HK\$40.3B
Portfolio Valuation

HK\$15.37
NAV

60% income from
Non-discretionary trades

MSCI index
Inclusion in
HK Small Cap

16 Neighborhood malls in Hong Kong



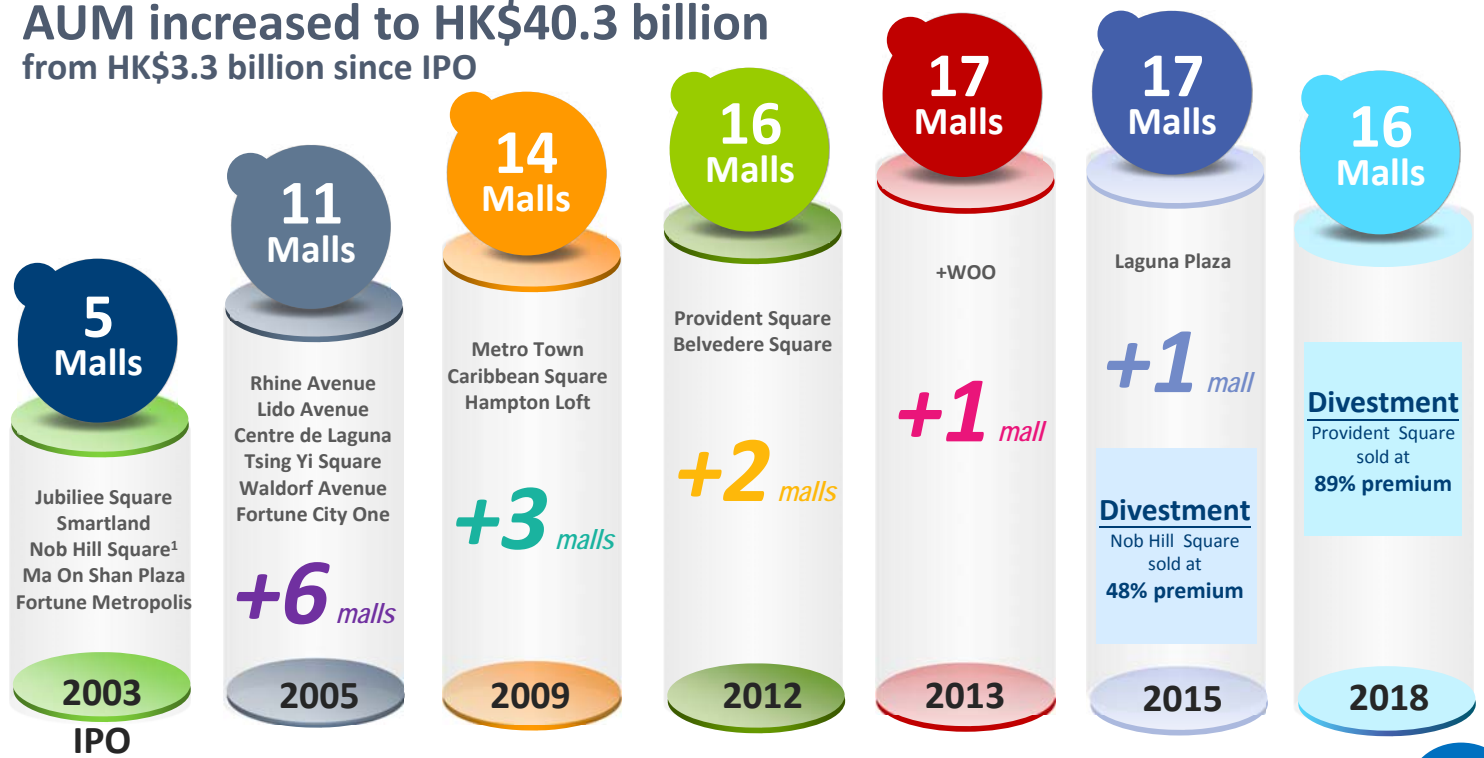
Note:
1. As at 30 Jun 2020.

6 months ended Jun 2020 | 30

Proven Acquisition Growth

Asset Portfolio grew >12 times in 16 years

AUM increased to HK\$40.3 billion
from HK\$3.3 billion since IPO



6 months ended Jun 2020 | 31

Proven Track Record in AElS

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.



6 months ended Jun 2020 | 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

6 months ended Jun 2020 | 33

AEIs at Fortune City One

置富第一城
Fortune City One



CAPEX

HK\$150M

Commencement

2010

Completion

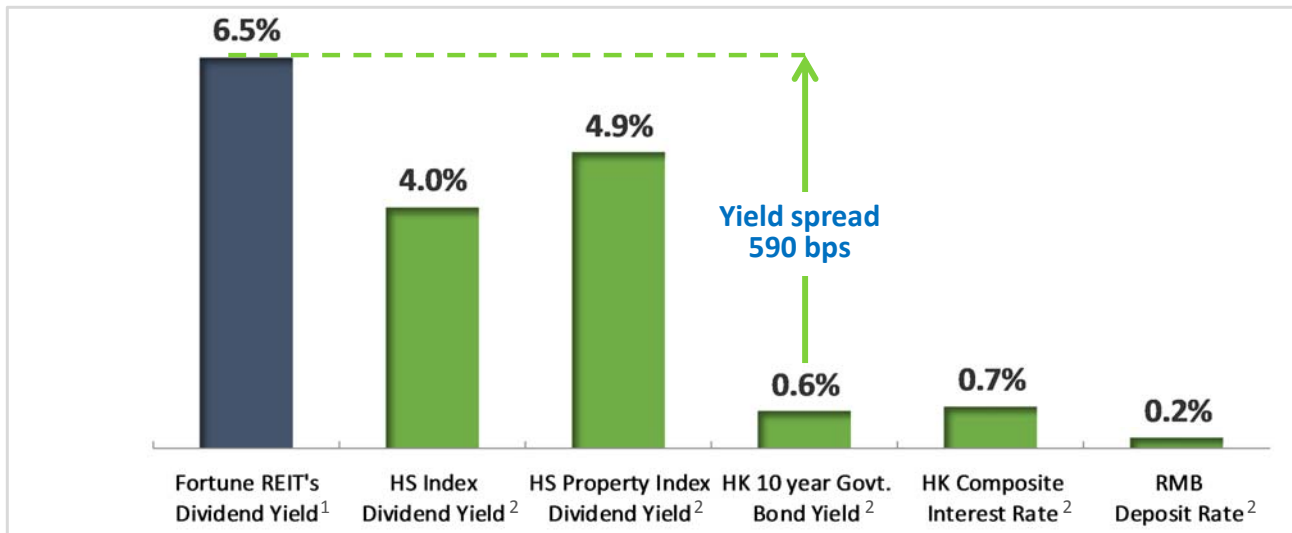
3Q 2013

Achieved ROI >20%



6 months ended Jun 2020 | 34

Offers 6.5% distribution yield with steady growth



Notes:

1. Based on the closing unit price of HK\$6.97 as at 30 Jun 2020 .

2. As at Jun 2020.

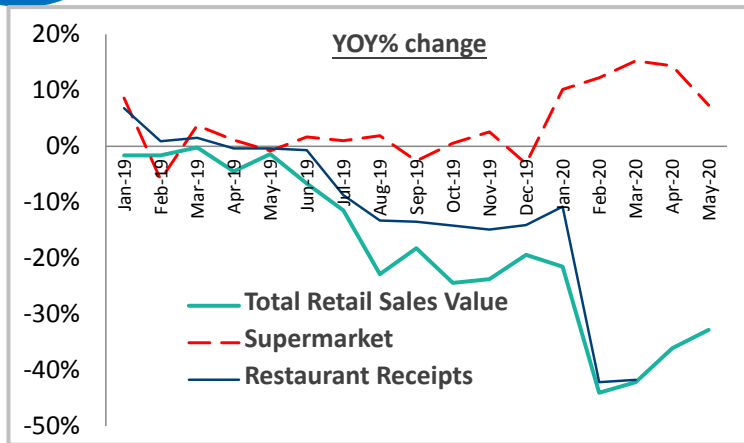
Source: Company Data, Hang Seng Indexes, Hong Kong Monetary Authority

Measures to fight COVID-19 in Hong Kong

	Jan 23 First confirmed case in Hong Kong	Mar 11 WHO declared COVID-19 a global pandemic
Travel / Quarantine	<p><u>Jan 27</u> All foreigners visited Hubei in past 14 days denied entry to HK</p> <p><u>Feb 8</u> 14 days quarantine for all Mainland China arrivals</p>	<p><u>Mar 19</u> 14 days quarantine for all arrivals</p> <p><u>Mar 25</u> All foreigners denied entry to HK</p>
Social Distance Tightening Measures	<p><u>Jan 31</u> All schools effectively suspended after CNY holiday</p>	<p><u>Mar 28</u></p> <ul style="list-style-type: none"> Ban public gathering of over 4 people Compulsory closure of 6 types of places (game ctr, gym, cinema etc) F&B limit to 50% capacity, 4 people each table
Social Distance Loosening Measures	<p><u>May 8</u></p> <ul style="list-style-type: none"> Public gathering relaxed to 8 people 7 types of places to reopen F&B limit relaxed to 8 per table 	<p><u>Apr 1</u> Expanded compulsory closure places to 11 types (beauty parlours, karaoke, nightclub etc)</p> <p><u>May 20</u> Schools to resume classes by batches</p> <p><u>May 29</u> 4 more type of places to reopen</p> <p><u>Jun 19</u></p> <ul style="list-style-type: none"> Public gathering further relaxed to 50 people F&B table limit removed

Jul 15 - new tightening measures to combat the resurgence of local cases

Hong Kong Retail Sales



Total retail sales in HK recorded 11 consecutive months of double-digit decline for the first time amid the prolonged local social incidents and outbreak of COVID-19.

Sales in supermarkets demonstrated resilience, by growing 11.8% YoY in 5M2020

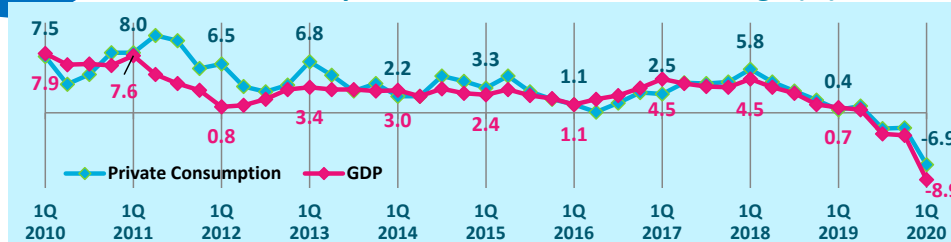
YOY %	1H2019	Jul 2019	Aug 2019	Sep 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020
Retail sales	1H2019 -2.6%	-11.5	-22.9	-18.2	-24.4	-23.7	-19.5	-21.5	-44.0	-42.1	-36.1	-32.9
		2H2019 -20%						5M2020 -34.8%				
Supermarket	1H2019 +1.3%	1.0	1.9	-2.6	0.5	2.6	-3.1	10.1	12.2	15.3	14.4	7.3
		2H2019 Flat						5M2020 +11.8%				
Restaurant Receipts	1H2019 +1.3%	-8.7	-13.3	-13.5	-14.2	-14.9	-14.1	-10.8	-42.1	-41.7	-	-
		2H2019 -13.1%						3M2020 -31.2%				

Source: Census and Statistics Department

6 months ended Jun 2020 | 37

Hong Kong Economy

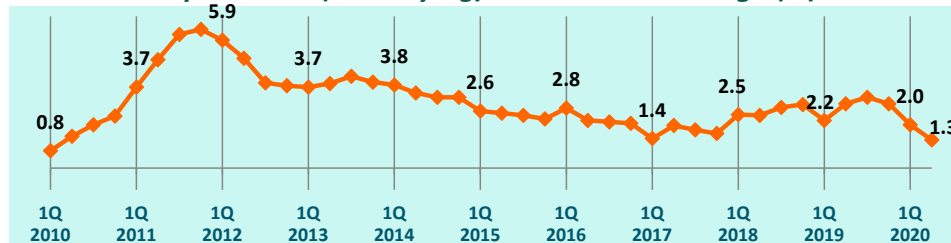
Private Consumption & GDP Year-on-Year Change (%)



GDP (1Q 2020) -8.9%

GDP shrank 8.9% in 1Q, the largest decline on record.

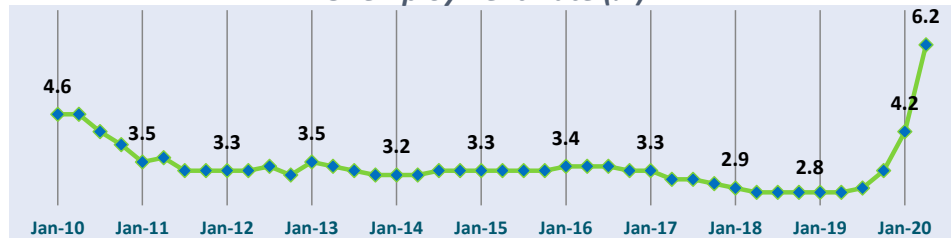
Composite CPI (Underlying) Year-on-Year Change (%)



CPI (2Q 2020) 1.3%

Inflation rate dropped to 1.3%. Price pressure expected to abate further amid subdued economic conditions

Unemployment Rate (%)



Unemployment (Apr to Jun 2020) 6.2%

Unemployment rate surged to 15-year high of 6.2%

Source: Census & Statistics Department, HK

6 months ended Jun 2020 | 38

This document has been prepared by ARA Asset Management (Fortune) Limited, in its capacity as the manager ("REIT Manager") of Fortune Real Estate Investment Trust ("Fortune REIT") solely for use at the presentation to analysts in relation to the announcement of the financial results of Fortune REIT and may not be copied, reproduced, published or redistributed without permission. Neither this document nor any copy of it may be taken or transmitted into or distributed, directly or indirectly, in the United States or to any U.S. person (within the meaning of Regulation S under the United States Securities Act of 1933, as amended). Neither this document nor any copy of it may be taken or transmitted into Canada or distributed or redistributed in Japan or to any resident thereof. The distribution of this document in other jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about and observe, any such restrictions. By attending this presentation, you are agreeing to be bound by the foregoing restrictions and representing that you have understood and accepted the disclaimers set out herein. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

This document does not constitute an offer or invitation to purchase or subscribe for any units or related financial instruments of Fortune REIT in Hong Kong or in any other jurisdiction and no part of it shall form the basis of or be relied upon in connection with any contract, commitment or investment decision in relation thereto. No action has been taken or will be taken by the REIT Manager, Fortune REIT, any of their respective affiliates, directors, officers or employees, representatives or advisers, to register these materials as an offering document or otherwise to permit public distribution of this document.

The information contained in this document is not intended to provide, and you may not rely on this document as providing, a complete or comprehensive analysis of the Fortune REIT's financial or trading position or prospects. This document may contain forward looking statements. Investors are cautioned that the actual results may differ materially from those set forth in any forward looking statement herein. The past performance of Fortune REIT is not necessarily indicative of the future performance of Fortune REIT and nothing contained in this document is or, shall be relied on, as a promise or forecast as to the future.

No representation or warranty as to the information contained in this document's accuracy or completeness, or the reasonableness of any opinion expressed herein, or the reliability of any project or forecast contained herein, is made and no reliance should be placed on this document in making any business or investment decision. All opinions expressed herein are based on information available as of the date hereof and are subject to change without notice.

None of the REIT Manager, Fortune REIT, nor any of its respective officers, employees, agents, representatives and/or associates shall have any responsibility, liability whatsoever (in negligence or otherwise) for any loss howsoever arising from, relating from or based upon any use of this document or its contents or reliance upon any opinion or statement contained herein or for any errors or omission of any kind or otherwise arising in connection with this document. The exclusion of liability provided herein shall protect the REIT Manager, Fortune REIT, its officers, employees, agents, representatives and/or associates in all circumstances. In addition, by attending this presentation, you agree to waive any and all claims for liability against the REIT Manager, Fortune REIT, its officers, employees, agents, representatives and/or associates in all circumstances.



Contact Us

ARA Asset Management (Fortune) Limited

Justina Chiu Chief Executive Officer	<i>JustinaChiu@ara-group.com</i>
Jenny Hung Director, Investments and IR	<i>JennyHung@ara-group.com</i>
Jimmy Ong Assistant Manager, IR and Research	<i>JimmyOng@ara-group.com</i>

Hong Kong Office

Unit 901, Level 9, Fortune Metropolis,
6 The Metropolis Drive, Hunghom,
Kowloon, Hong Kong

Tel: +852 2169 0928
Fax: +852 2169 0968

<http://www.fortunereit.com>
<http://www.fortunemalls.com.hk>



Follow Fortune REIT on



Website



LinkedIn



Twitter

Follow Fortune Malls on



Website



Facebook



WeChat