

## Financial Results

for the year ended December 2020

### Results Overview

Capital Management

Portfolio Performance

Response to COVID-19

Enhancement Initiatives

Outlook



# FY2020 Results Highlights

## Financial highlights

- Revenue -5.9% YoY
- NPI -7.1% YoY
- Distributable Income -2.4% YoY
- DPU 47.16 HK cents over a 95% payout ratio

## Capital Management

- Secured HK\$4B new facilities, including HK\$1B sustainability-link loan
- Gearing at 22.4%

## Operation Highlights

- Occupancy remains healthy at 95.8%
- Negative rental reversion but strong tenant retention at 84%
- Rental collection rate ~ 99%



Attractive Yield

6.4%

Based on the closing unit price of HK\$7.39 as at 31 Dec 2020

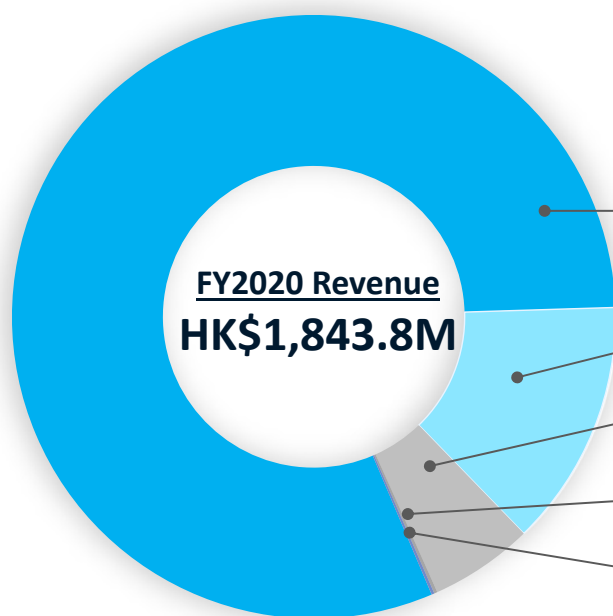
Year ended Dec 2020 | 3

# FY2020 Financial Highlights

(HK\$'M)	FY2020	FY2019	YoY%	Remarks
Revenue	1,843.8	1,959.7	-5.9%	<ul style="list-style-type: none"> <li>• Lower revenue as a result of negative rental reversions, lower carpark income and certain rental concession granted to tenants</li> <li>• Lower expenses mainly due to lower leasing commission and utilities cost; partly offset by higher A&amp;P cost, and HK\$6M allowance for credit losses</li> <li>• Cost to revenue @ 23.1%</li> <li>• Savings due to lower HIBOR in 2H 2020</li> </ul>
Property operating expenses	425.1	433.0	-1.8%	
Net property income	1,376.1	1,480.9	-7.1%	
Finance cost <sup>1</sup>	245.8	266.9	-7.9%	
Distributable income	970.4	993.8	-2.4%	

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

Year ended Dec 2020 | 4



FY2020 Revenue  
HK\$1,843.8M

80.9% Base rental<sup>1</sup>: HK\$1,491.6M

13.2% Charge-out collection<sup>2</sup>: HK\$244.2M

5.5% Carpark income: HK\$102.1M

0.2% Turnover rent: HK\$3.2M

0.2% Other income: HK\$2.8M

Notes:

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

Results Overview

**Capital Management**

Portfolio Performance

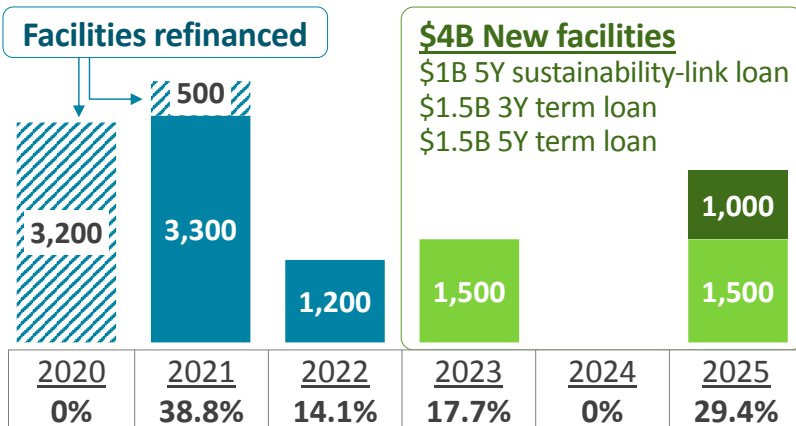
Response to COVID-19

Enhancement Initiatives

Outlook



## Debt Maturity Profile<sup>1</sup> as at 31 Dec 2020 (HK\$M)



## Key Debt Metrics as at 31 Dec 2020

Total Borrowing	HK\$8.8B
Gearing	22.4%
Effective Borrowing Cost	2.8%
Debt Headroom up to 50% <sup>2</sup>	HK\$21.7B
Interest Cost Hedge Ratio	50%
Interest Coverage	5.0x
Committed Undrawn Facilities	HK\$0.7B

## The refinancing has enhanced financing flexibility



Maiden sustainability-linked loan - enjoys interest saving if ESG performance meets target



Extended debt maturity with a well-staggered profile



All loans becoming unsecured and all assets unencumbered

Notes: 1. Exclude revolving credit facilities. 2. Gearing limit increased to 50% under the revised REIT Code.

Year ended Dec 2020 | 7

# Portfolio Valuation

## Lower valuation with average cap rate maintained at 4.3%



### Portfolio Valuation

HK\$39,075M

▼ 8.7% from 31 Dec 19



### NAV per unit

HK\$14.62

▼ 13.0% from 31 Dec 19

### HK\$ psf (G) retail



12.3K

### HK\$ per carpark lot



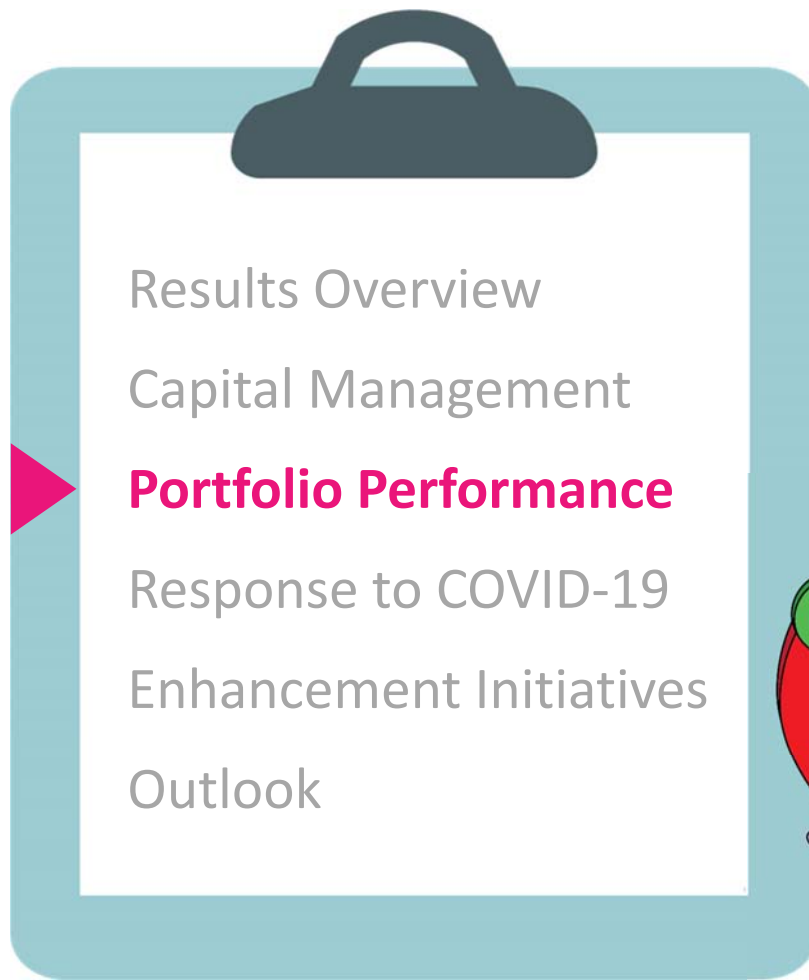
784K

### Retail cap rate



4.3%

Year ended Dec 2020 | 8



## Resilient Portfolio Performance



**95.8%**

(as at 31 Dec 2020)

- Occupancy remained stable throughout 2020
- Strong tenant relationship and flexible leasing strategy to retain tenants



**84%**

(FY2020)

- Tenant retention is one of highest level in recent years



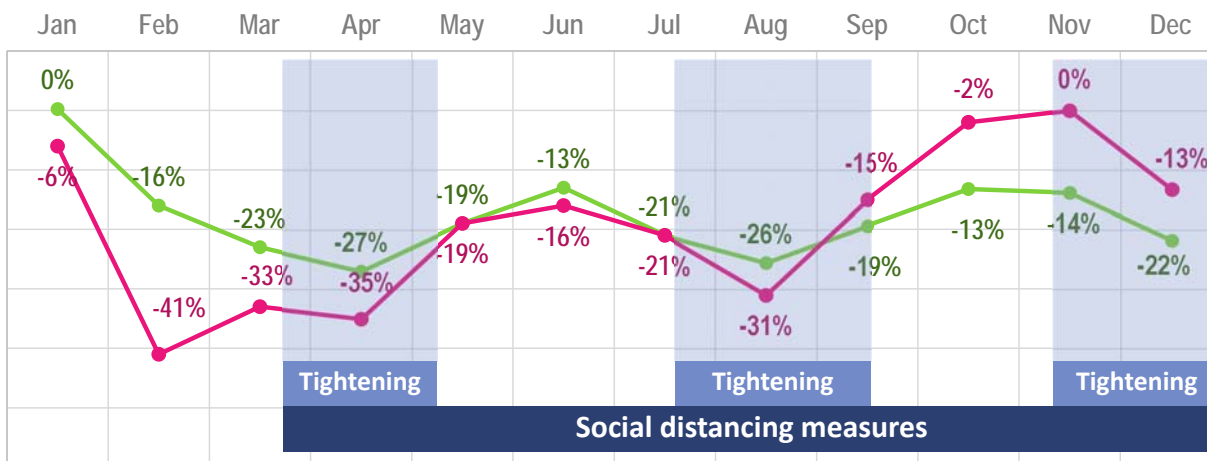
**~99%**

(FY2020)

- High rental collection rate adds to income stability

# Footfall and Hourly Carpark Income in FY2020

• Footfall YoY% • Hourly CP income YoY%



For 12M2020

Hourly CP income  
**-19.8% YoY**

Footfall  
**-16.7% YoY**

- Social distancing measures led to lower patronage to Fortune Malls
- Signs of normalization in traffic as both shoppers and tenants more adapted to social distancing measures
- In 2H2020, restricted dine-in hours affected patronage in the evening

Notes: 1. Footfall data does not include the 5 smaller malls.  
2. Total carpark income for FY2020 decreased by 10.1% YoY.

Year ended Dec 2020 | 11

# Well-positioned Trade Mix

Well-diversified tenant base

**1,271** tenants

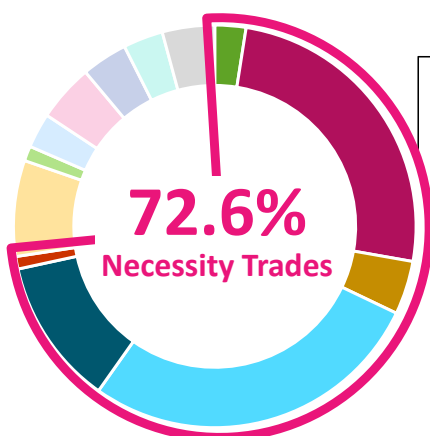
Strong focus on necessity trades

**>60%**

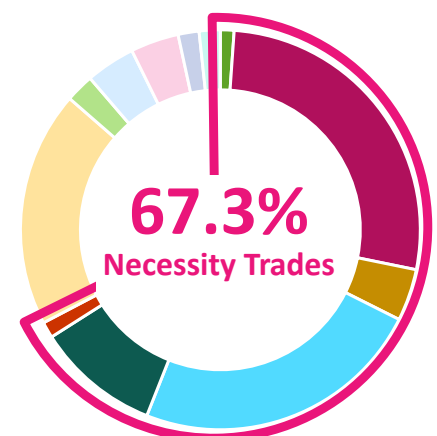
By Gross Rentable Area

Tenant's Trade Mix  
(as at 31 Dec 2020)

By Gross Rental Income

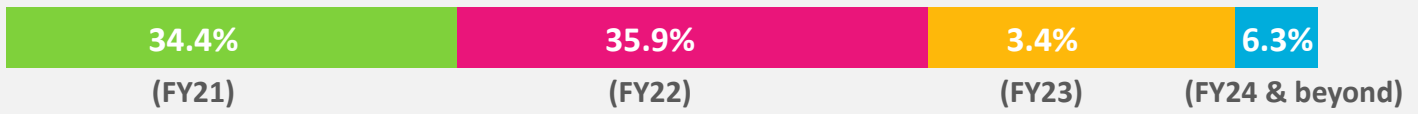


2.5%	Community Services	1.1%
25.3%	Food & Beverages	27.1%
4.3%	Homewares	4.2%
27.7%	Services & Education	23.6%
11.8%	Supermarkets	10.0%
1.0%	Wet Markets	1.3%
7.7%	Banking & Real Estate	19.1%
1.2%	Electronics & IT	2.3%
2.8%	Fashion & Shoes	4.0%
4.6%	Gifts, Toys & Jewellery	3.9%
3.7%	Entertainment & Sports	1.7%
3.2%	Others	1.7%
4.2%	Vacant	0.0%



Year ended Dec 2020 | 12

## Lease Expiry Profile (Based on total leased GRA as at 31 Dec 2020)



### New tenants<sup>1</sup>



Note: 1. Tenants entered in 2H2020

### Expanding tenants<sup>1</sup>



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



# Marketing strategies to boost tenants' sales



## Various sales-driven campaigns in to drive spending at Fortune Malls

### Wet market redemption at Fortune City One



# Step up measures to combat COVID-19

## Safety of shoppers, tenants, staffs and community is our utmost priority

All our 16 Fortune Malls support *Leave Home Safe App* launched by the government



## Comprehensive cleaning and strict precaution



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## Fortune Malls APP



Fortune Malls featuring the Fortune+ Membership Scheme where members can convert spending into auspicious rewards.

The App also serves as digital shopping guide of more than 1,600 shops across Fortune Malls, with regular updates for events and promotions as well as a way finding function enabling easy navigation in the malls.



# Successful AEs at +WOO Phase 1



CAPEX

HK\$150M

Commencement

Jun 2018

Completion

Oct 2019

**Achieved 10.5% ROI**

Enhanced amenities & mall environment



Entice shoppers with entertaining visuals for marketing and in-mall promotions

Year ended Dec 2020 | 19

# AEIs at +WOO Phase 2



CAPEX

HK\$300M

Commencement

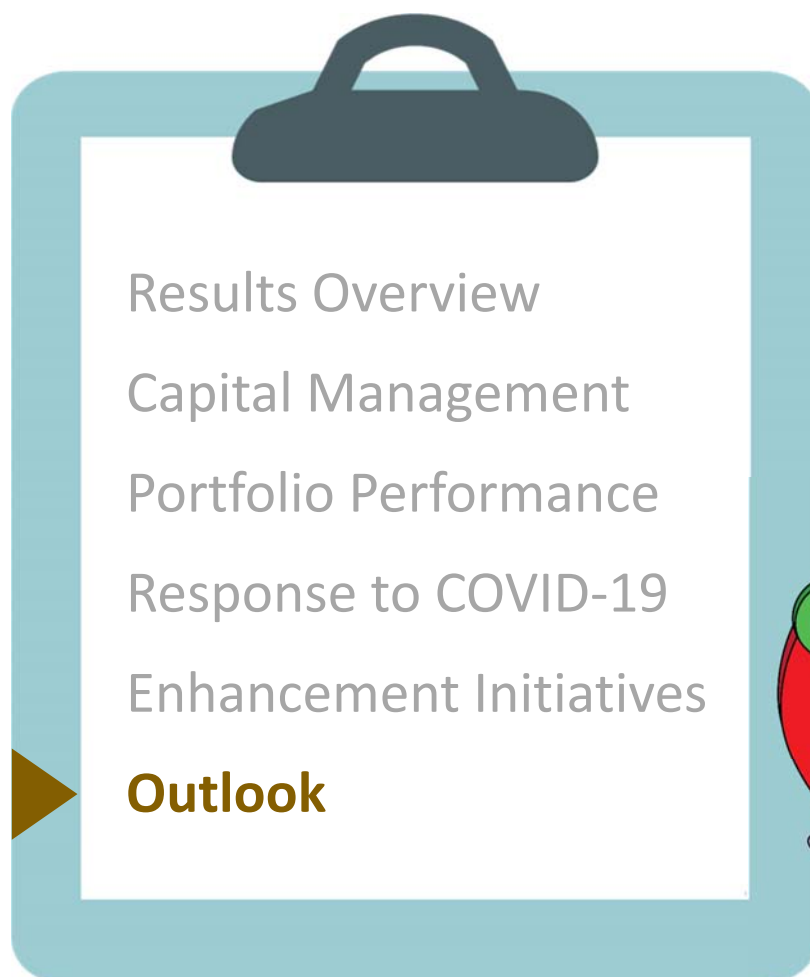
1H 2021

- Extend the AEs to Phase 2 to cater for the **expanding catchment** in Tin Shui Wai
- To elevate shopper experience via **digital & interactive means**
- To incorporate **green building initiatives**
- To carry out renovation **in phases** to manage rental downtime



Atrium perspective

Year ended Dec 2020 | 20



## Outlook & strategy



### Retail Environment

- Near term outlook remains uncertain with recovery determined by an effective control of the pandemic
- Retail sales will benefit from a low base off 2020 and continue to be driven by domestic demand before travel normalizes



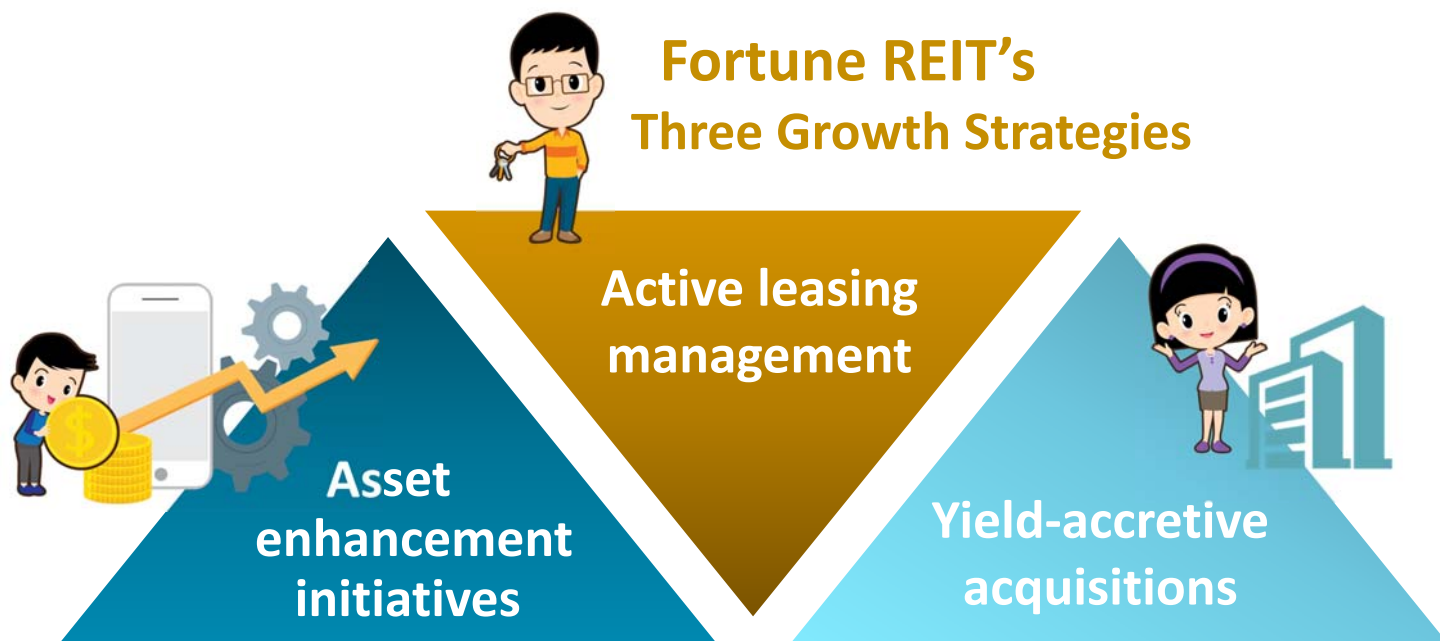
### Operational Focus

- Focus is to retain tenants and maintain stable occupancy
- Kick-start major AEs at +WOO Phase 2. Manage down time by phasing out the project and secure tenant pre-commitments in advance.



### Capital Management

- A prudent approach to liquidity and cash management
- To secure refinancing for HK\$3.3B ahead expiry in Aug 2021



## Income Statement

HK\$'M	FY 2020	FY 2019	Variance (%)
Revenue	1,843.8	1,959.7	-5.9%
Property operating expenses	(425.1)	(433.0)	-1.8%
Manager's performance fee	(42.6)	(45.8)	-7.0%
Net property income	1,376.1	1,480.9	-7.1%
Manager's base fee	(122.2)	(127.7)	-4.3%
Finance costs <sup>1</sup>	(426.6)	(298.1)	43.1%
Change in fair value of investment properties	(3,800.0)	662.6	-673.5%
Other items <sup>2</sup>	(14.4)	(22.1)	-34.8%
(Loss)/Profit before taxation	(2,987.0)	1,695.6	-276.2%
Income tax expense	(205.9)	(218.8)	-5.9%
(Loss)/Profit for the period	(3,193.0)	1,476.8	-316.2%
Distributable income	970.4	993.8	-2.4%
Payout Ratio	95%	100%	-5.0%
DPU (HK\$ cents)	47.16	51.28	-8.0%

Notes:

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

# Robust Balance Sheet

HK\$'000	31 Dec 2020	31 Dec 2019
Current assets	261,261	228,162
Non current assets	39,075,000	42,821,327
<b>Total assets</b>	<b>39,336,261</b>	<b>43,049,489</b>
Current liabilities	4,829,028	4,931,114
Non current liabilities	5,875,731	5,494,255
<b>Total liabilities</b>	<b>10,704,759</b>	<b>10,425,369</b>
<b>Net assets</b>	<b>28,631,502</b>	<b>32,624,120</b>
Units in issue <sup>1</sup> ('000 units)	1,958,887	1,941,116

Gearing Ratio

22.4%

Portfolio Valuation

HK\$39,075 million

NAV per Unit

HK\$14.62

Notes:

1. Include units to be issued.

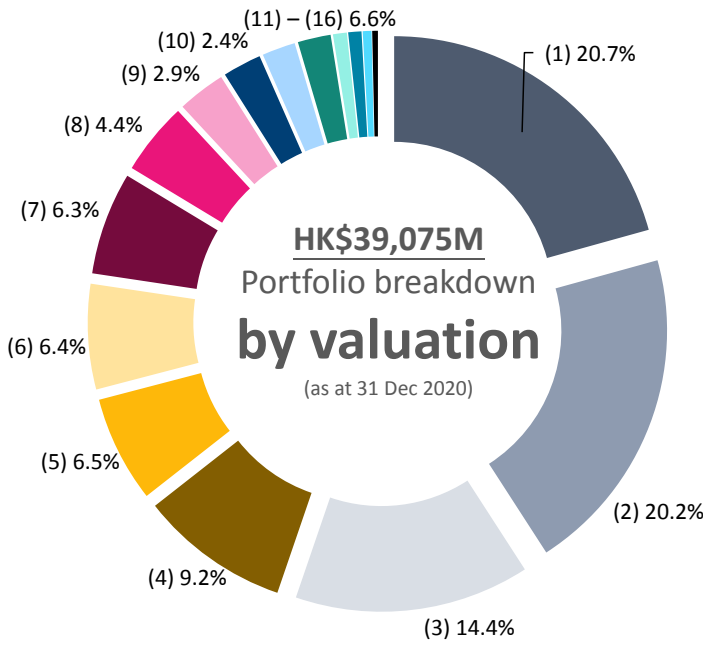
Year ended Dec 2020 | 25

# Portfolio occupancy

Fortune REIT's portfolio	GRA(s.f.)	Occupancy		
		31 Dec 20	30 Jun 20	31 Dec 19
1. Fortune City One	414,469	98.1%	96.6%	97.6%
2. +WOO	665,244	93.2%	95.1%	96.2%
3. Ma On Shan Plaza	310,084	97.8%	88.7%	99.0%
4. Metro Town	180,822	99.6%	97.2%	100.0%
5. Fortune Metropolis	332,168	88.7%	92.5%	91.1%
6. Belvedere Square	276,862	91.4%	93.5%	94.4%
7. Laguna Plaza	163,203	100.0%	98.7%	98.8%
8. Waldorf Avenue	80,842	99.0%	99.3%	99.3%
9. Caribbean Square	63,018	100.0%	100.0%	100.0%
10. Jubilee Square	170,616	100.0%	95.4%	100.0%
11. Smartland	123,544	98.9%	96.0%	95.4%
12. Tsing Yi Square	78,836	96.6%	96.6%	98.4%
13. Centre de Laguna	43,000	99.0%	98.5%	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	97.6%	100.0%	100.0%
<b>Portfolio Total</b>	<b>3,001,882</b>	<b>95.8%</b>	<b>95.0%</b>	<b>96.9%</b>

Year ended Dec 2020 | 26

# Portfolio Valuation



## Portfolio Valuation<sup>1</sup> (HK\$M)

(1) Fortune City One	8,087
(2) +WOO	7,880
(3) Ma On Shan Plaza	5,622
(4) Metro Town	3,585
(5) Fortune Metropolis	2,544
(6) Belvedere Square	2,514
(7) Laguna Plaza	2,455
(8) Waldorf Avenue	1,738
(9) Caribbean Square	1,150
(10) Jubilee Square	926
(11) Smartland	795
(12) Tsing Yi Square	790
(13) Centre de Laguna	330
(14) Hampton Loft	316
(15) Lido Avenue	209
(16) Rhine Avenue	134
<b>Portfolio Total</b>	<b>39,075</b>

## Portfolio Valuation

**HK\$39,075M**

▼ 8.7% from Dec 19

## Retail Cap Rate

Average @ **4.3%**

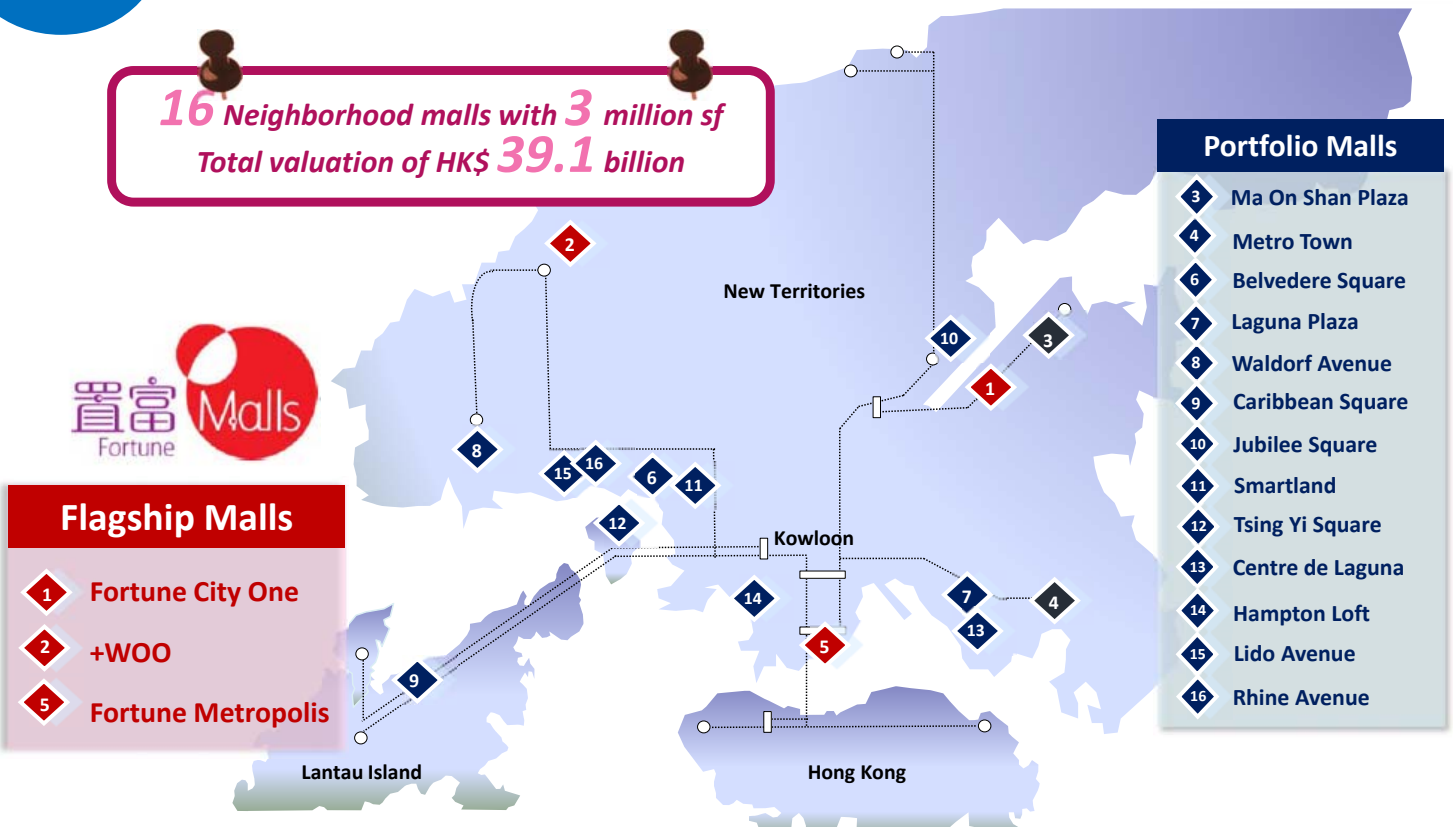
Notes:

1. Valued by Jones Lang Lasalle Ltd as at 31 Dec 2020.

Year ended Dec 2020 | 27

# Fortune REIT's Portfolio

**16** Neighborhood malls with **3** million sf  
Total valuation of HK\$ **39.1** billion



Year ended Dec 2020 | 28

# Investment Highlights

**HK\$14.5B**  
Market Cap

**HK\$39.1B**  
Portfolio Valuation

**HK\$14.62**  
NAV

**60% income from**  
Non-discretionary trades

**MSCI index**  
Inclusion in HK Small Cap

16 Neighborhood malls in Hong Kong

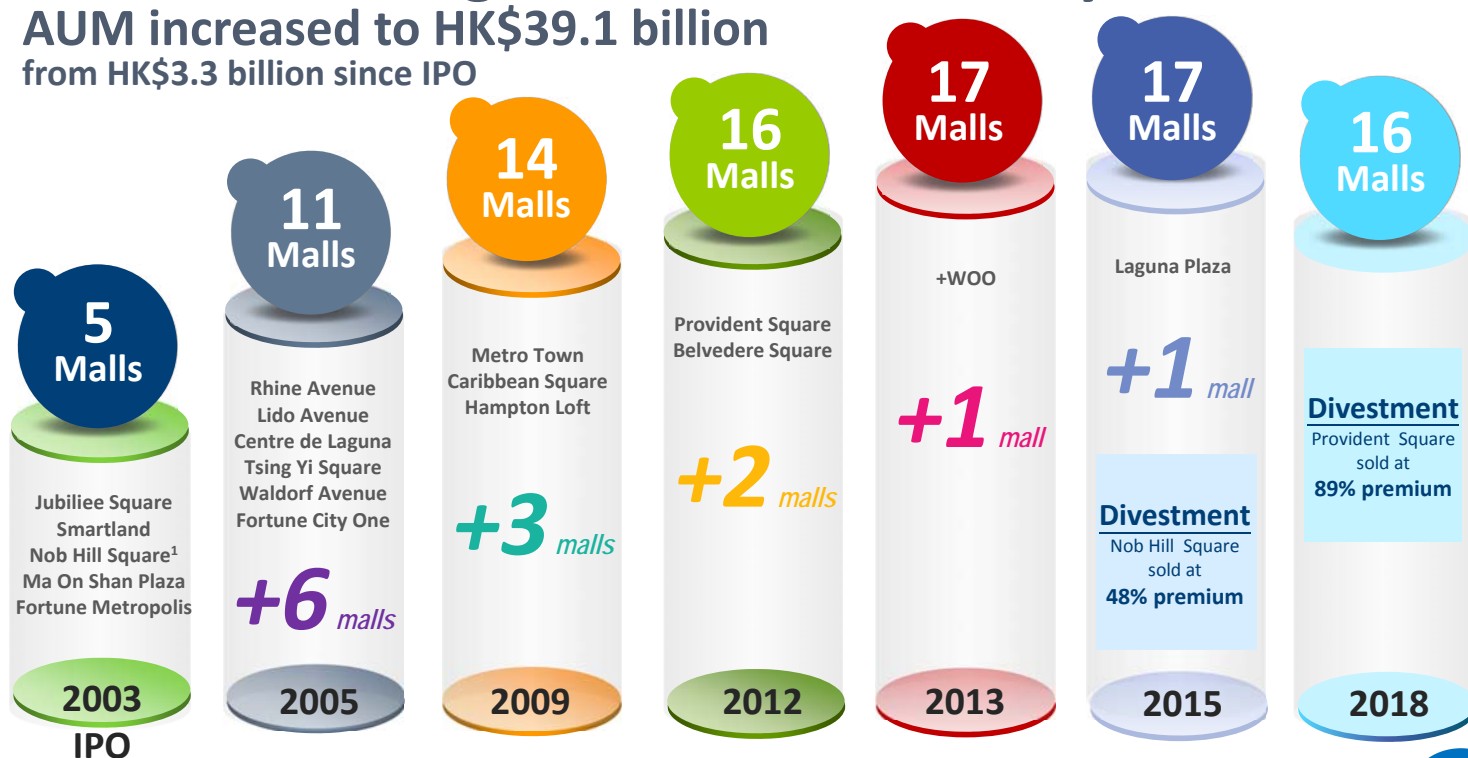


Note:  
1. As at 31 Dec 2020.

Year ended Dec 2020 | 29

# Proven Acquisition Growth

**Asset Portfolio grew >11 times in 17 years**  
AUM increased to HK\$39.1 billion  
from HK\$3.3 billion since IPO



Year ended Dec 2020 | 30

# Proven Track Record in AEs

Property / Enhanced Area	Completion	CAPEX (HK\$)	ROI <sup>1</sup>
+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.

Year ended Dec 2020 | 31

# 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



New tenants after AEIs

Year ended Dec 2020 | 32



# AEIs at Fortune City One



CAPEX

HK\$150M

Commencement

2010

Completion

3Q 2013

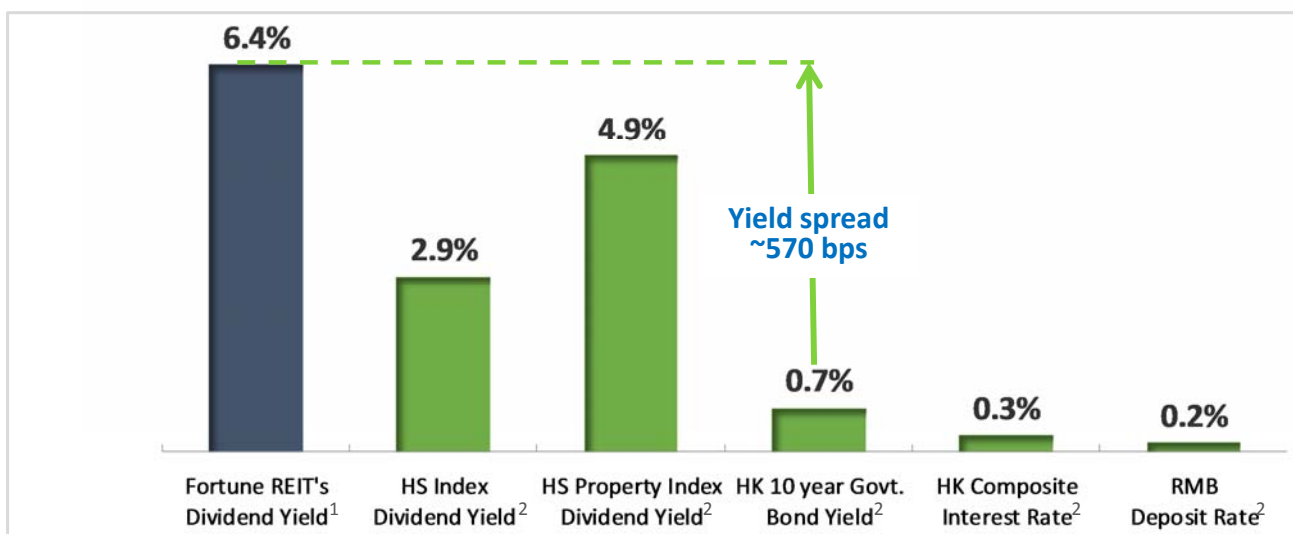
Achieved ROI >20%



Year ended Dec 2020 | 33

# Resilient Asset Class with Attractive Yield

Offers 6.4% distribution yield with steady growth



Notes:

1. Based on the closing unit price of HK\$7.39 as at 31 Dec 2020.

2. As at Dec 2020.

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

Year ended Dec 2020 | 34

# Sustainability Endeavors

Above benchmark score  
25% improvement from 2019



## Green Financing



Maiden sustainability-linked loan of HK\$1B. Enjoys interest saving if ESG performance meets target



## Recognition

Constituent for 4 consecutive years



Hang Seng Corporate Sustainability Index

## Green Building Initiatives



Energy management system - Metro Town



Installation of solar panels - Laguna Plaza, Fortune City One

# Social Distancing Measures in Hong Kong

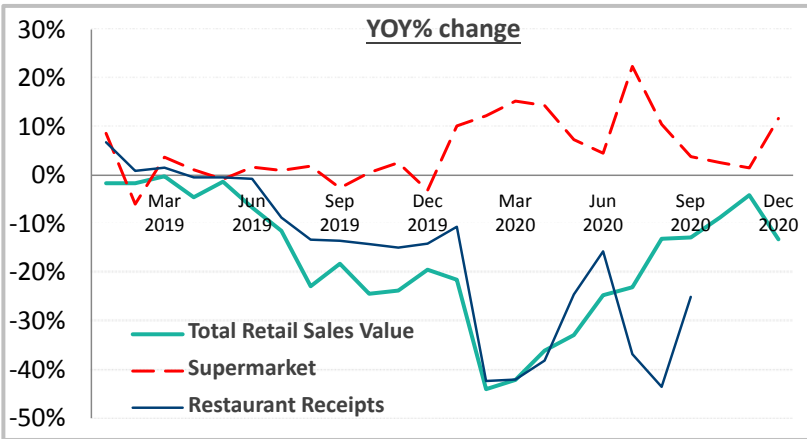
In response to COVID-19, Hong Kong has maintained social distancing measures for most of the time in 2020

Sectors such as restaurants, education operators, beauty salons, fitness center and entertainment venue were subject to mandatory restrictions.

2020	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
School	Suspended / Holiday							Suspended / Holiday				Suspended	
Dine-in limit per table				4	8		8	4	2	4	6	4	2
Dine-in hours restriction (after)								6pm	9pm - mn		2am	10pm - mn	6pm
Other venues <sup>1</sup>				Closed				Closed				Closed	

Note: 1. Including game centre, cinema, gym, beauty parlour

# Hong Kong Retail Sales



HK retail sales value recorded 23 consecutive months of decline amid the prolonged local social incidents and outbreak of COVID-19.

In 2020, HK retail sales value fell by 24.3%, the largest annual decline on record.

Sales in supermarkets demonstrated resilience, by growing 9.7% YoY in 2020.

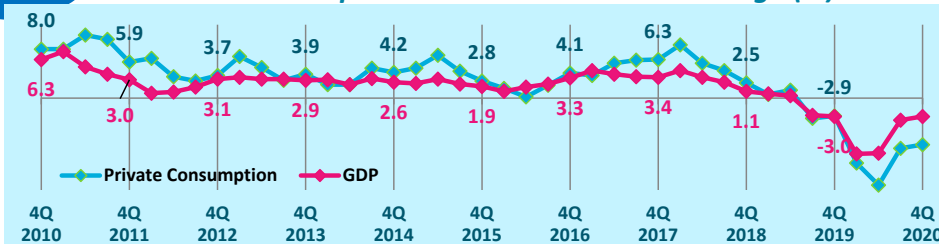
YOY %	FY2019	Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	Jun 2020	Jul 2020	Aug 2020	Sep 2020	Oct 2020	Nov 2020	Dec 2020
<b>Retail sales</b>	<b>FY2019 -11.1%</b>	<b>FY2020 -24.3%</b>											
		-21.5	-44.0	-42.1	-36.1	-32.9	-24.7	-23.1	-13.1	-12.8	-8.7	-4.1	-13.2
<b>Supermarket</b>	<b>FY2019 +0.7%</b>	<b>FY2020 +9.7%</b>											
		10.1	12.2	15.3	14.4	7.3	4.5	22.4	10.5	3.8	2.6	1.5	11.7
<b>Restaurant Receipts</b>	<b>FY2019 -5.9%</b>	<b>9M2020 -30.8%</b>											
		-10.6	-42.4	-42.1	-38.2	-24.5	-15.7	-36.8	-43.6	-25.1	-	-	-

Source: Census and Statistics Department

Year ended Dec 2020 | 37

# Hong Kong Economy

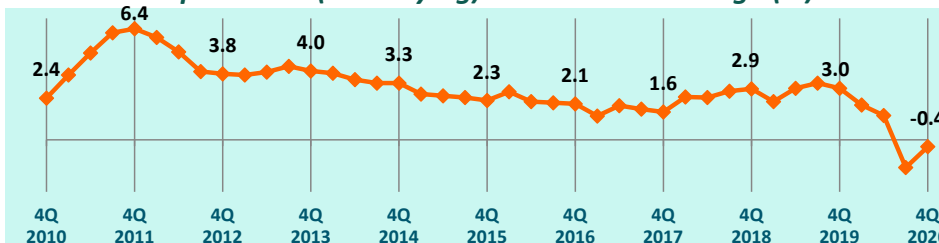
## Private Consumption & GDP Year-on-Year Change (%)



**GDP (4Q 2020) -3.0%**

GDP shows signs of bottoming after shrank 9.0% in 1Q, the largest decline on record. Overall GDP fell by 6.1% for 2020.

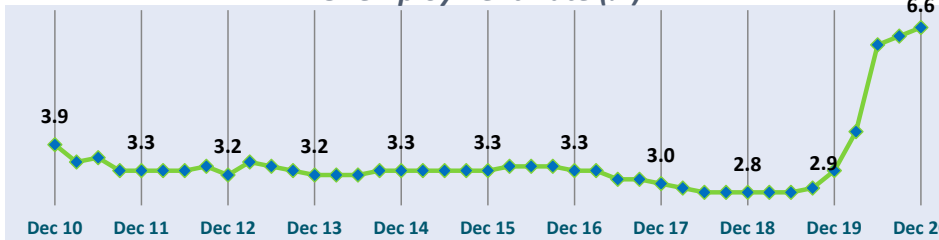
## Composite CPI (Underlying) Year-on-Year Change (%)



**CPI (4Q 2020) -0.4%**

Deflation for the first time since 2009. Overall inflationary pressure likely to stay mild in near term due to impact from COVID-19.

## Unemployment Rate (%)



**Unemployment (Oct to Dec 2020) 6.6%**

Unemployment rate surged to 16-year high of 6.6%.

Source: Census & Statistics Department, HK

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