



# THE POWER OF FORTUNE



**FORTUNE**  
置富產業信託 **REIT**



ANNUAL **2014** REPORT

Stock Code

Hong Kong 778 | Singapore F25U



## THE POWER OF FORTUNE

FORTUNE has double meaning of being "Fortune REIT" and "Wealth", Fortune REIT always tries our BEST to nurture sustainable growth and has spawned enormous value for our Unitholders. With a solid decade of experience in investment, management and enhancement of retail malls and properties around Hong Kong, we remain committed to creating solid, sustainable returns for our Unitholders and thriving retail environments for our tenants and shoppers.

All the above are the "POWER of FORTUNE".

## ABOUT FORTUNE REIT

Fortune Real Estate Investment Trust ("Fortune REIT") is a real estate investment trust constituted by a trust deed (the "Trust Deed") entered into on 4 July 2003 (as amended) made between ARA Asset Management (Fortune) Limited, as the manager of Fortune REIT (the "Manager"), and HSBC Institutional Trust Services (Singapore) Limited, as the trustee of Fortune REIT (the "Trustee").

Listed on 12 August 2003 on the Singapore Exchange Securities Trading Limited (the "SGX-ST") with a dual primary listing on The Stock Exchange of Hong Kong Limited (the "SEHK") on 20 April 2010, Fortune REIT was Asia's first cross-border REIT and also the first REIT to hold assets in Hong Kong.

Following the completion of the acquisition of Laguna Plaza on 9 January 2015, Fortune REIT currently holds a portfolio of 18 private housing estate retail properties in Hong Kong comprising of 3.27 million square feet ("Sq.ft.") of retail space and 2,756 carparking spaces.

# 2014 ANNUAL REPORT

**FORTUNE**  
REAL ESTATE  
INVESTMENT TRUST

## ABOUT THE MANAGER

Fortune REIT is managed by ARA Asset Management (Fortune) Limited, a wholly-owned subsidiary of ARA Asset Management Limited (“ARA”), Asia’s premier integrated real estate fund manager which is listed on the Main Board of the SGX-ST since November 2007.

ARA currently manages real estate investment trusts and private real estate funds that are invested in the office, retail, logistics/industrial, hospitality and residential sectors in the Asia Pacific region, complemented by its in-house real estate management services and advisory services.

Established in 2002, to date it has over 1,100 professionals in 15 cities managing total assets in excess of S\$26 billion.

## OUR MISSION

The Manager’s key objective is to deliver regular and stable returns to holders of Fortune REIT units (“Unitholders”) through proactive management of Fortune REIT’s portfolio of assets and acquiring properties that generate long term benefits to Unitholders.

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# A LEADING SHOPPING MALL INVESTOR IN HONG KONG

## YIELDING HONG KONG'S BIGGEST SHOPPING MALL TRANSACTION TWO YEARS IN A ROW

Following the HK\$5,849 million-acquisition of Fortune Kingswood in 2013, Fortune REIT (through its wholly owned subsidiary) entered into a sale and purchase agreement to acquire Laguna Plaza for HK\$1,918.5 million on 5 December 2014. Fully funded by debt, the acquisition is expected to be DPU-accretive for Unitholders. The acquisition was completed on 9 January 2015.

## EXPANDING THROUGH ACCRETIVE ACQUISITION

Started in 2003 with HK\$3.3 billion of assets, Fortune REIT's portfolio has enlarged by 10 times to HK\$34.6 billion as of today, making it one of the fastest growing REITs in the region.





# LAGUNA PLAZA

18<sup>th</sup>  
PROPERTY



麗港城商場

Laguna Plaza



Located in Kwun Tong, in the heart of Kowloon East, Laguna Plaza is fortuitously situated within Laguna City, a large scale private housing estate of 8,000 units. It is just a convenient five-minute walk from Lam Tin MTR station through a covered footbridge and walkway. The property reinforces and complements our foothold in the catchment – the combination of Laguna Plaza with our nearby Centre de Laguna together forms a substantial commercial component of Laguna City, thus providing Fortune REIT with the potential to streamline operations and further optimize the tenant mix in the future.

Location	Kwun Tong, Kowloon, Hong Kong
Gross rentable area	163,203 Sq.ft.
Number of car parking lots	150
Purchase consideration	HK\$1,918.5 million
Valuation by independent valuer (as at 31 October 2014) <sup>1</sup>	HK\$2,080 million

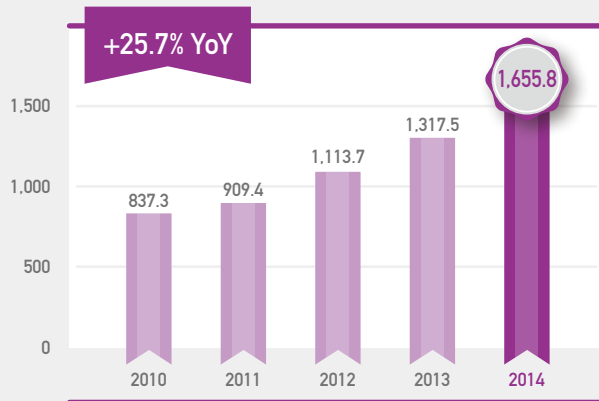
With the acquisition successfully completed on 9 January 2015, Fortune REIT now holds a portfolio of 18 retail properties with a total gross rentable area of 3.27 million Sq.ft.

Note:

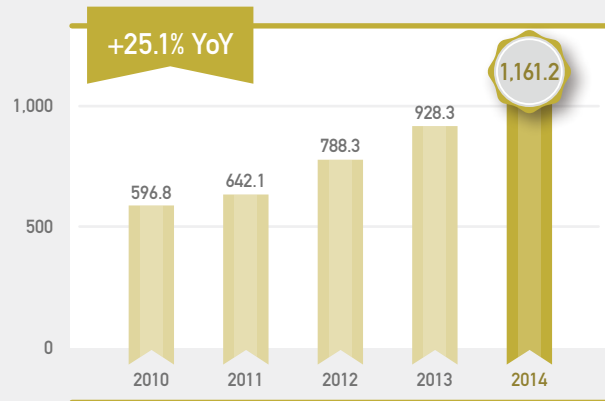
1. By valuation methodologies of income capitalisation and direct comparison.

# FINANCIAL HIGHLIGHTS

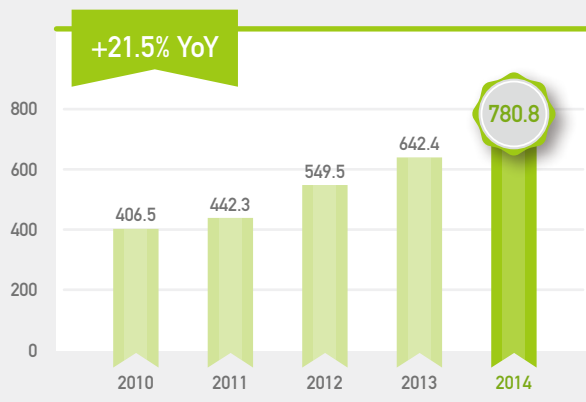
**Gross Revenue (HK\$m)**  
**HK\$1,655.8M**



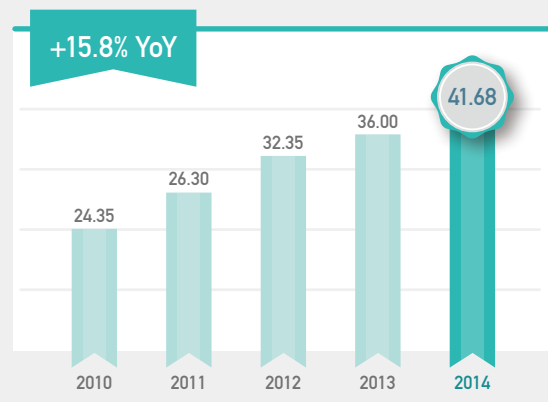
**Net Property Income (HK\$m)**  
**HK\$1,161.2M**



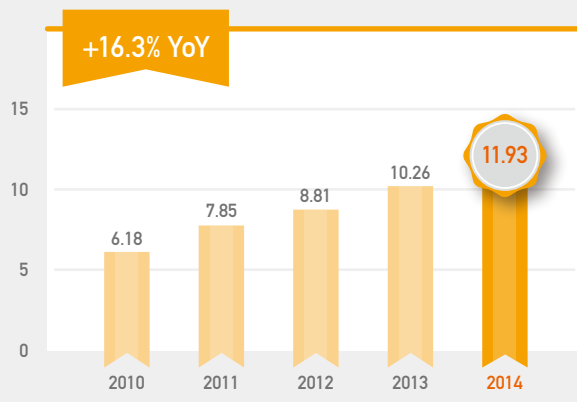
**Income Available for Distribution (HK\$m)**  
**HK\$780.8M**



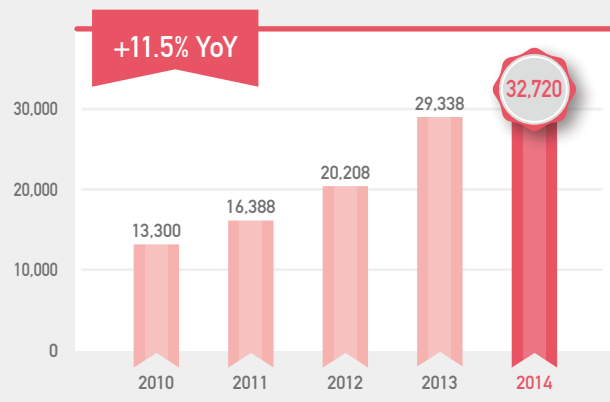
**Distribution Per Unit (HK cents)**  
**41.68 HK Cents**



**Net Asset Value Per Unit (HK\$)**  
**HK\$11.93**



**Property Valuation (HK\$m)**  
**HK\$32,720M**



# UNIT PERFORMANCE



ACHIEVED A TOTAL RETURN OF

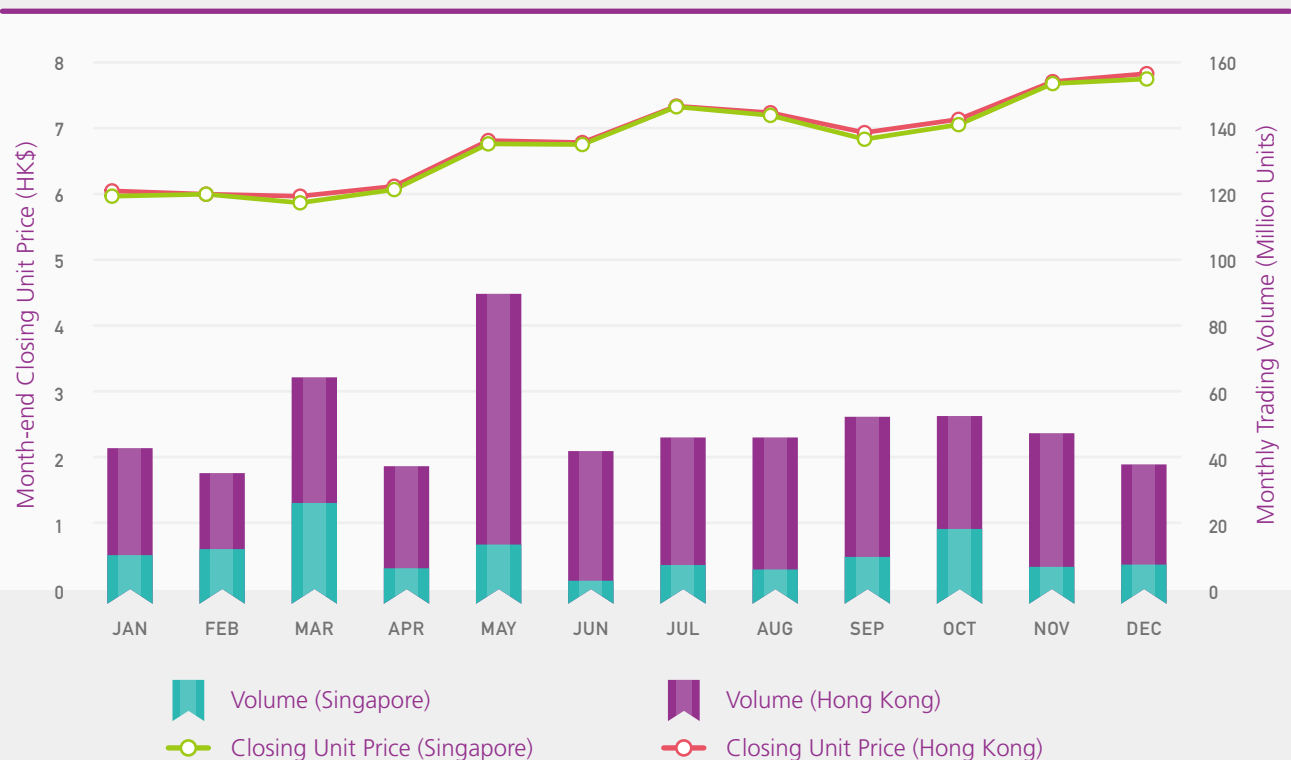
**+32.2%**<sup>1</sup>

FOR UNITHOLDERS



	Singapore	Hong Kong
Opening unit price	HK\$6.11 (3 January 2014)	HK\$6.15 (2 January 2014)
Closing unit price (31 December 2014)	HK\$7.76	HK\$7.84
Intraday high (31 December 2014)	HK\$7.78	HK\$7.84
Intraday low (21 March 2014)	HK\$5.60	HK\$5.68
Total volume traded	138,742,000 Units	464,309,812 Units

## Monthly Trading Performance



Note:

1. Total return based on the unit price appreciation in 2014 plus the distribution per unit ("DPU") of the financial year ended 31 December 2014.

# 2014 CORPORATE MILESTONES

JANUARY

24



Announced financial results for the full year 2013. Total revenue and distributable income rose 18.3% and 16.9% year-on-year respectively.

FEBRUARY

28

A final DPU of 18.00 Hong Kong cents was paid for the six months ended 31 December 2013.



MAY

8

Announced financial results for the three months ended 31 March 2014. Total revenue and distributable income rose 34.0% and 26.5% year-on-year respectively.



JULY

25

Announced financial results for the six months ended 30 June 2014. Total revenue and distributable income rose 33.5% and 27.2% year-on-year respectively.



AUGUST

29

Announced financial results for the nine months ended 30 September 2014. Total revenue and distributable income rose 33.0% and 26.8% year-on-year respectively.



NOVEMBER

11



An interim DPU of 20.88 Hong Kong cents was paid for the six months ended 30 June 2014.



MARCH  
24



Fortune REIT has won champion in seven categories of "Asia's Best Companies Poll 2014" by FinanceAsia. Notable accreditations include:

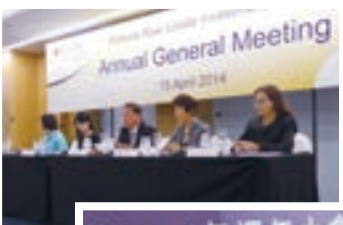
- No. 1 Best Managed Company in Hong Kong
- No. 1 Best Mid-cap in Hong Kong (for the third consecutive year)
- No. 1 Most Committed to a Strong Dividend Policy in Hong Kong (for the second consecutive year)

APRIL  
8

Successfully refinanced Fortune REIT's loan facilities of HK\$1,400 million at lower interest margin with enlarged revolving credit facility, thus enhancing debt flexibility for further growth. Fortune REIT will have no refinancing needs until 2016.



APRIL  
15



The 2014 annual general meeting was held in Hong Kong, where Unitholders could also participate from Singapore via video conference. All three resolutions set out at the annual general meeting were duly passed.

DECEMBER  
5

NEW  
MILESTONE



ENTERED INTO A  
SALE AND PURCHASE  
AGREEMENT TO  
ACQUIRE LAGUNA  
PLAZA FOR  
**HK\$1,918.5  
MILLION.**



We have built on the enormous success achieved during our first decade and ended 2014 on a high note – marked by our first acquisition from an independent third party and the highest revenue growth since 2006 with record-breaking rental reversion.



DR. CHIU KWOK HUNG, JUSTIN  
Chairman



On behalf of the Board of Directors of ARA Asset Management (Fortune) Limited (the “**Board**”), the Manager of Fortune REIT, I am pleased to present the annual results of Fortune REIT for the financial year ended 31 December 2014 (“**FY2014**” or the “**Reporting Year**”).

We have built on the enormous success achieved during our first decade and ended 2014 on a high note – marked by our first acquisition from an independent third party and the highest revenue growth since 2006 with record-breaking rental reversion.

In fact, 2014 was a challenging year for the retail market, where the overall Hong Kong retail sales ended a period of high-speed growth beginning in 2009. However, the resilient nature of our business providing non-discretionary products and services has once again enabled us to maintain a steady growth and deliver a total return of 32.2%<sup>1</sup> to our Unitholders for the Reporting Year. Fortune REIT’s revenue and net property income surged by 25.7% and 25.1% to a record HK\$1,655.8 million and HK\$1,161.2 million respectively. Income available for distribution was HK\$780.8 million, which translates into a DPU of 41.68 HK cents for FY2014, up 15.8% year-on-year.

The rigorous execution of our three core strategies – **Asset Investment**, **Asset Management** and **Asset Enhancement** has enabled Fortune REIT to outperform and deliver satisfactory returns for more than a decade. These strategies have also helped to build a sustainable growth platform of Fortune REIT going forward.

## ASSET INVESTMENT

As the largest ever acquisition of Fortune REIT at a consideration HK\$5,849 million, Fortune Kingswood has immediately contributed to the portfolio revenue upon its completion in October 2013 and has become the most important growth driver during the Reporting Year. Having its first full-year contribution, Fortune Kingswood accounted for 18.4% of Fortune REIT’s net property income growth in 2014.

On 5 December 2014, we entered into a sale and purchase agreement to acquire Laguna Plaza in Kwun Tong, Hong Kong for HK\$1,918.5 million. Successfully completed on 9 January 2015, this marks Fortune REIT’s first-ever acquisition from an independent third party. At a yield of 4.7% and fully funded by debt, we expect the acquisition to be yield-accretive. Together with Centre de Laguna under our existing portfolio, the two properties will create a synergistic cluster for further growth.

These two acquisitions have once again proven our ability in identifying an ideal target to expand our portfolio and further reinforced Fortune REIT’s leading position as a property investor among all Hong Kong REITs. Subsequent to our dual-listing in Hong Kong in 2010, we have acquired quality assets worth a total of HK\$11 billion which have helped in contributing significant DPU growth to our Unitholders throughout the past few years.

## ASSET MANAGEMENT

During the Reporting Year, Fortune REIT’s portfolio of private housing estate retail properties continued to excel in every operational aspect amid an overall softening of retail sales growth in Hong Kong. Key performance indicators were all pointing to historical highs – (i) portfolio occupancy stood at a high of

Note:

1. Total return based on the unit price appreciation in 2014 plus FY2014 DPU.

97.3% as at 31 December 2014 despite frictional vacancy caused by asset enhancement initiatives ("**AEIs**") at Belvedere Square; (ii) portfolio passing rent was up 8.7% year-on-year to HK\$36.4 per Sq.ft. and (iii) rental reversion for renewals during the Reporting Year was 23.8%. These solid results are the best endorsement of our success in actively managing our properties.

## ASSET ENHANCEMENT

We have always strived to further improve our portfolio to maximize their potential and enhance returns for our Unitholders.

The AEIs at Belvedere Square has commenced in September 2014 as scheduled. The capital expenditure is estimated to be approximately HK\$80 million with a target return on investment ("**ROI**") of 15%. This major renovation aims to transform the mall through an enhanced shopping ambience and a more efficient layout so as to accommodate higher-yielding retailers. The project will be completed in phases throughout 2015 and is expected to contribute to further revenue growth for Fortune REIT.

Following Belvedere Square, we are looking to embark on another major AEIs at Fortune Kingswood. Fortune Kingswood, as the largest shopping center in Tin Shui Wai, a fast-growing new town with a population of almost 300,000, presents us with considerable upgrade potential. We aim to position Fortune Kingswood as a regional mall, transforming it into the new shopping and entertainment focal point in Tin Shui Wai.

## REPLENISHED FINANCIAL CAPACITY

In April 2014, Fortune REIT proactively refinanced one of its existing loan facilities of HK\$1,400 million ahead of its maturity in February 2015 on more favorable terms. The interest margin under the new facilities has significantly reduced from 2.0% to 1.4% per annum over Hong Kong Interbank Offer Rate ("**HIBOR**"). The new facilities, which will become due in April 2019, extended Fortune REIT's overall debt maturity profile and there will be no refinancing needs until 2016.

## RECOGNITION OF THE UNPARALLELED PERFORMANCE IN CORPORATE GOVERNANCE

Fortune REIT broadened its recognition among the investment community in 2014, by remarkably winning numerous prestigious awards in corporate management and corporate governance. Nominated and voted by institutional investors and analysts across the region, Fortune REIT has been named as champion in seven categories within the Asia's Best Companies Poll 2014 conducted by FinanceAsia, an unprecedented success for us on the poll. In particular, Fortune REIT has not only been named as "Best Managed Company in Hong Kong," but also honored as "Hong Kong's Best Mid Cap" for the third consecutive year and "Most Committed to a Strong Dividend Policy" for the second consecutive year. Along with winning five other prestigious corporate governance awards from reputable organizations, these achievements collectively testify to the Manager's constant concerted efforts on upholding the strictest standards of corporate governance year after year.



Despite volatile external market conditions and moderate economic growth in Hong Kong, Fortune REIT has recorded a 25.5% unit price appreciation in 2014, versus 1.3% and 7.2% for Hang Seng Index and Hang Seng Property Index respectively. Together with the FY2014 DPU of 41.68 HK cents, a total return of 32.2% was achieved. With our commitment to enhance Unitholders' returns, the DPU has increased by more than 71.2% since our dual listing in Hong Kong in 2010. At the same time, Fortune REIT's market capitalization also increased by 146.8% at the time of the dual listing to HK\$14.6 billion as at 31 December 2014.

## OUTLOOK

Hong Kong's economic growth moderated in the first three quarters of 2014, underpinned by a drop in tourist spending and a concurrent slowdown in domestic demand. While the economy in the United States registered a gradual recovery, growth momentum in Mainland China has moderated. Overall, the value of total retail sales in Hong Kong for the first eleven months of 2014 increased marginally by 0.2% in value over the same period in 2013. Looking ahead, the near-term performance of retail sales will continue to depend mainly on the job and income conditions as well as the expansion pace of inbound tourism. Nevertheless, Fortune REIT's portfolio of private housing estate retail properties which mainly cater to day-to-day shopping needs is expected to weather the short-term economic fluctuations due to the resilient nature of the non-discretionary retail sector.

We consistently strive to execute our three core strategies in a cautious, measured and disciplined way. The solid business foundation and platform that we have built throughout the past decade give us a compelling competitive advantage in sustaining our resilience and maintaining good performances amidst economic uncertainties.

## APPRECIATION

I would like to express my sincere appreciation to my fellow board members for their efforts in upholding the highest standards of corporate management and corporate governance. On behalf of the Board, I would also like to thank our staff, trustee, investors, tenants, shoppers and business partners for their continued support to Fortune REIT.

With your trust and support, we will work hard to continue our legacy, enhance the sustainability and excellence of Fortune REIT, and execute on our three core strategies to drive Fortune REIT to prosper and flourish in the next decade!

**DR. CHIU KWOK HUNG, JUSTIN**

*Chairman*

**ARA ASSET MANAGEMENT (FORTUNE) LIMITED**

*As Manager of Fortune REIT*

21 January 2015

# THREE GROWTH STRATEGIES



Fortune REIT's success was built upon the pillars of three core growth strategies, which have allowed us to pursue opportunities in a prudent way and grow in a sustainable manner over the years.

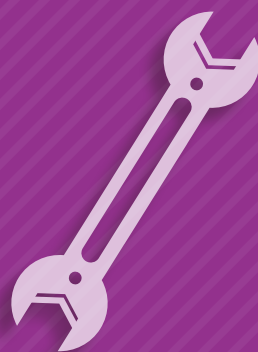


#### YIELD-ACCRETIVE ACQUISITION

As the most significant acquisition in Fortune REIT's history, Fortune Kingswood accounted for 18.4% of Fortune REIT's net property income growth for its first full-year contribution in 2014.

#### ACTIVE LEASING MANAGEMENT

Occupancy remained solid at 97.3% as at 31 December 2014. Portfolio rental reversion of 23.8% was recorded for the Reporting Year, the highest in Fortune REIT's history.



#### ASSET ENHANCEMENT INITIATIVES (AEIs)

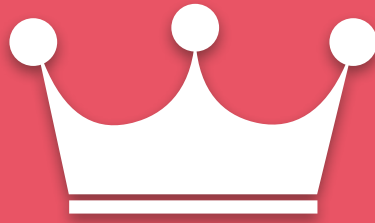
The AEIs at Belvedere Square commenced in September 2014 as scheduled. Completion is expected by end of 2015 targeting a 15% return on investment.



**THE POWER...**







## WE DELIVERED 11 YEARS OF SUSTAINABLE GROWTH



Fortune REIT has been growing its distributable income consistently in the past 11 years since listing in 2003, rewarding Unitholders with a satisfactory total return while achieving remarkable recognition from the investment community.



**THE POWER TO  
DELIVER  
SUSTAINABLE  
GROWTH**

## FINANCIAL REVIEW

Fortune REIT's FY2014 total revenue and net property income ("NPI") increased by 25.7% and 25.1% year-on-year to HK\$1,655.8 million and HK\$1,161.2 million respectively, representing the strongest growth since 2006. The robust results were mainly accomplished through the diligent execution of our three core strategies – asset investment, asset management and asset enhancement. During the Reporting Year, solid occupancy rates, the record-breaking rental reversion across the portfolio and full year income stream from Fortune Kingswood all contributed to the strong net property income growth. In particular, Fortune Kingswood accounted for 18.4% of the NPI growth.

Total property operating expenses for FY2014 (excluding the Manager's performance fee) increased by 27.2% year-on-year to HK\$458.4 million. The increase was mainly attributed to the full-period effect of additional expenses from Fortune Kingswood. Despite the inflationary pressure, the cost-to-revenue ratio stood at 27.7% for the Reporting Year (2013: 27.4%).

Total borrowing costs, excluding non-tax deductible front end fees, for the Reporting Year totaled HK\$215.1 million, an increase of 39.8% over the previous year, mainly as a result of the drawdown of additional loan facilities in October 2013 to finance the acquisition of Fortune Kingswood.

Fortune REIT recorded an income available for distribution amounting to HK\$780.8 million for FY2014, an increase of 21.5% from a year earlier. The DPU for the Reporting Year was 41.68 HK cents (2013: 36.00 HK cents), comprising an interim and final DPU

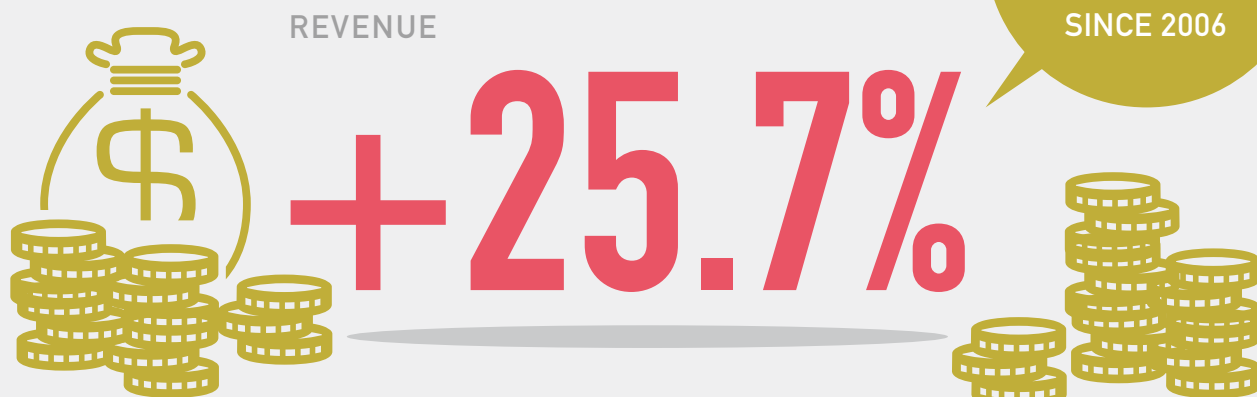
of 20.88 HK cents and 20.80 HK cents respectively. The DPU was 15.8% higher than that of the previous year, registering a double-digit growth for the third consecutive year. Based on the average closing unit price of HK\$7.80 in Singapore and Hong Kong as at 31 December 2014, the FY2014 DPU represented a yield of 5.3%.

### Final Distribution

The final DPU of 20.80 HK cents for the six months ended 31 December 2014 will be paid on 27 February 2015 to unitholders on the registers of Unitholders of Fortune REIT as at 5 February 2015.

### Proactive Capital Management

Fortune REIT strengthened its financial position during the Reporting Year. Capitalizing on an opportunity of liquidity in Hong Kong's credit market in April 2014, the Manager proactively refinanced Fortune REIT's existing loan facilities of HK\$1,400 million at a lower cost ahead of their maturity in February 2015 (the "2014 Facilities"). The interest margin under the 2014 Facilities has been lowered to 1.4% per annum over HIBOR (down from 2% per annum over HIBOR). The 2014 Facilities, which are due in April 2019, also extended Fortune REIT's weighted average term to maturity of debt. Further, the enlarged revolving credit





facility of HK\$700 million provides Fortune REIT with a strong foundation to deliver stable returns and pursue growth opportunities when they arise.

As at 31 December 2014, total committed loan facilities amounted to HK\$10,623 million. Fortune REIT closed the Reporting Year with a gearing ratio and an aggregate leverage of 29.4% (31 December 2013: 32.7%), weighted average term to maturity of debt of 2.4 years, and an average all-in cost of debt of 2.17% (31 December 2013: 2.59%). Fortune REIT's gross liability as a percentage of the gross assets of Fortune REIT decreased to 33.4% as at 31 December 2014 (31 December 2013: 37.0%). The net current liabilities as at 31 December 2014 was HK\$1,179.7 million, the majority of which came from revolving credit facilities. There is an option to roll over the revolving credit facilities up to their maturities.

Fortune REIT had obtained both secured and unsecured loan facilities. The former are secured over Fortune REIT's 15 investment properties, which carried an aggregate fair value of HK\$30,275 million as at 31 December 2014. The Trustee has provided guarantees for all of the loan facilities.

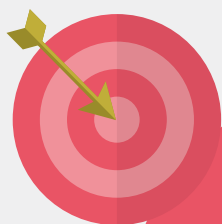
Available liquidity stood at HK\$1,418.4 million as at 31 December 2014, comprising committed undrawn facilities of HK\$730.0 million and cash on hand of HK\$688.4 million. Fortune REIT currently possesses sufficient financial capability to satisfy its financial commitments and working capital requirements.

During the Reporting Year, the Manager has prudently stepped up its effort to mitigate the impact of interest rate fluctuations. As at 31 December 2014, the interest cost for approximately 55% (31 December 2013: 37%) of Fortune REIT's outstanding debt has been hedged through interest rate swaps and caps. The Manager will continue to closely monitor interest rate movements and may, depending on market conditions, consider putting in place additional hedging arrangements.

Net asset value per unit amounted to HK\$11.93 as at 31 December 2014, up 16.3% from HK\$10.26 at the end of 2013, mainly as a result of the increase in valuation of investment properties.

### Portfolio Valuation

As at 31 December 2014, Fortune REIT's portfolio of 17 retail properties were appraised at HK\$32,720 million by Jones Lang LaSalle Limited. This represents an increase of 11.5% and 6.0% respectively from the valuation of HK\$29,338 million as at 31 December 2013, and HK\$30,880 million as at 30 June 2014. As the capitalization rates adopted remain unchanged, the increase in valuation was attributed to an overall improvement in asset performance. The higher valuation also resulted in a revaluation gain of HK\$3,321.8 million for the Reporting Year.



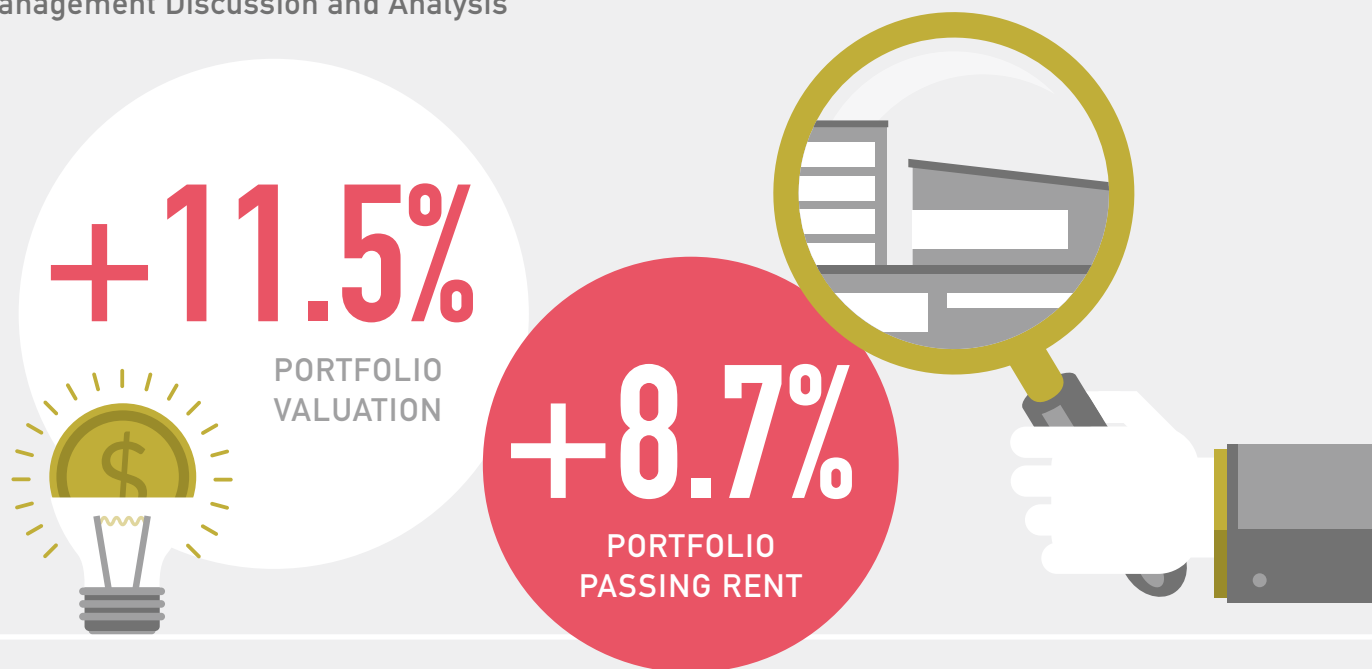
**NEW  
RECORD HIGH  
AND  
ACCELERATING FOR  
5 CONSECUTIVE  
YEARS**

**+23.8%**

RENTAL REVERSION



## ● Management Discussion and Analysis



### OPERATIONS REVIEW

Fortune REIT's portfolio of private housing estate retail properties continued to shine despite the moderation of overall Hong Kong retail sales during the Reporting Year. Proactive leasing strategies coupled with various successful AELs have driven leasing demand at Fortune Malls. The occupancy rate remained healthy at 97.3% as at 31 December 2014 (31 December 2013: 98.7%) despite frictional vacancies at Belvedere Square due to AELs. Notwithstanding a much higher base of rental level of the expiring leases, a portfolio rental reversion of 23.8% was recorded for the Reporting Year, the highest in Fortune REIT's history. Growing our business in a sustainable manner, rental reversion has been accelerating for five consecutive years. The portfolio's passing rent was up 8.7% year-on-year and climbed to a historical high of HK\$36.4 per Sq.ft. as at 31 December 2014.

Fortune City One and Fortune Kingswood, being Fortune REIT's two flagship shopping malls were the leading growth drivers of the portfolio. During the Reporting Year, more than 310,000 Sq.ft. of GRA in Fortune Kingswood was renewed/re-let and a rental reversion of more than 35% was recorded. Passing rent for Fortune Kingswood increased by 13.7% year-on-year and several new specialty food and beverage outlets and two new Chinese restaurants were introduced to enhance the dining offerings. Fortune City One has been reaping profits from its full-scale renovation completed back in 2013 and continued to perform very well during the Reporting Year. With a more modern shopping ambiance and a more inviting layout, Fortune City One continues to see new interests from quality retailers as well as new source of revenue such as renting of atrium for car shows. As a result, the net property income for Fortune City One has notably increased by 14.6% from the previous year.

Fortune REIT's portfolio currently has a total of 1,378 tenants. Collectively, the top ten tenants contributed approximately 25.9% of the portfolio's gross rental income and occupied approximately 21.4% of total GRA as at 31 December 2014. Tenants in the non-discretionary retail sectors such as supermarkets, food and beverages as well as services and education made up approximately 60% of gross rental income, reinforcing Fortune REIT's resilience characteristics across many business cycles.

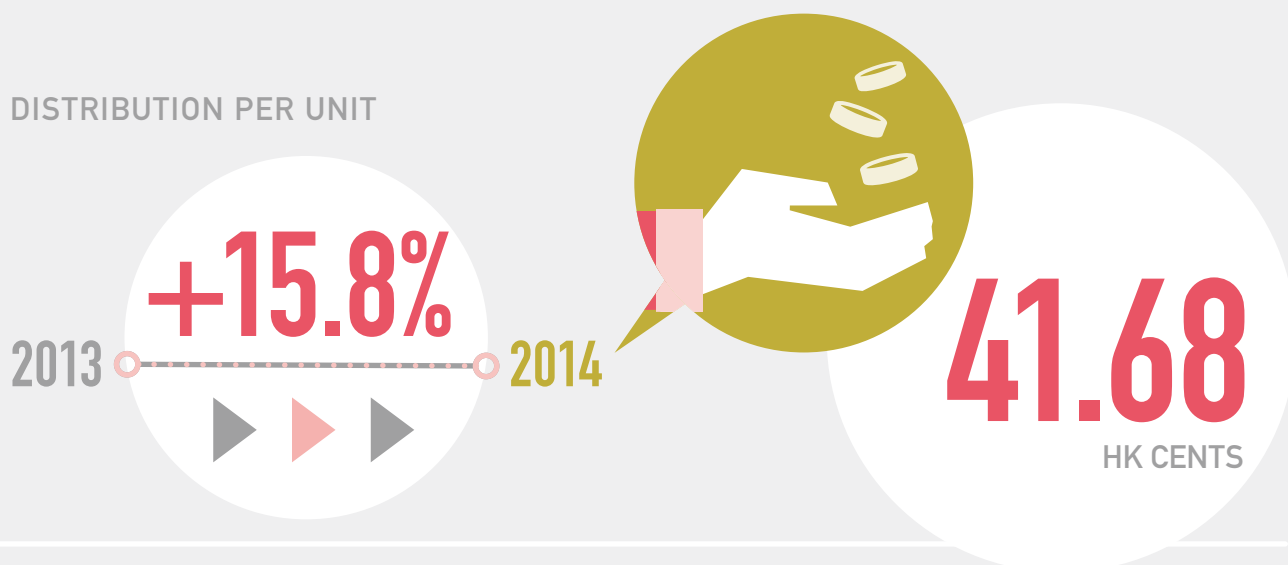
The Manager will continue to focus on retaining quality tenants, securing an early commitment for expiring leases, as well as upgrading the tenant mix when opportunities arise.

### Asset Optimization Through Enhancement Initiatives

During the Reporting Year, the Manager focused on carrying out the AELs at Belvedere Square and planning forward for the upcoming project at Fortune Kingswood.

The renovation work at Belvedere Square commenced in September 2014 and is scheduled for completion in phases by the end of 2015. The capital expenditure is estimated to be approximately HK\$80 million with a target ROI of 15%. This major renovation aims to transform the mall through an enhanced shopping ambience and a more efficient layout so as to accommodate higher-yielding retailers and attract shoppers beyond its immediate catchment along Castle Peak Road.

## DISTRIBUTION PER UNIT



In addition, the Manager is planning for the next major AEs at Fortune Kingswood with an objective to reposition the mall into a regional shopping centre serving a wider spectrum of shoppers other than the nearby residents.

### First acquisition from third party reinforcing our leading position as a property investor in Hong Kong

On 5 December 2014, Fortune REIT entered into a sale and purchase agreement to acquire Laguna Plaza in Kwun Tong, Hong Kong for HK\$1,918.5 million. Laguna Plaza reinforces and complements our foothold in a large catchment area. The combination of Laguna Plaza with our nearby Centre de Laguna together forms a substantial commercial component of Laguna City, thus providing Fortune REIT with the potential to streamline operations and further optimise the tenant mix in the future. Further to the completion of the acquisition on 9 January 2015, Fortune REIT now holds a portfolio of 18 private housing estate retail properties with a total gross rentable area of 3.27 million Sq.ft..

### OUTLOOK

Hong Kong's economic growth weakened during the first three quarters of 2014, with GDP up by only 2.4% year-on-year. The weak performance was mainly due to a drop in tourist spending and a concurrent slowdown in domestic demand. Private consumption expenditure grew by 2.0% year-on-year for the same period. The total value of retail sales in Hong Kong

recorded a marginal growth of 0.2% for the first eleven months of 2014. While retail business is expected to turn more stable as the effect of the high base of comparison from the preceding year progressively fades, the Manager remains mindful of the economic uncertainties associated with factors such as the changing pattern of tourist spending and the uncertain external environment. Nevertheless, Fortune REIT's portfolio of private housing estate retail properties, which cater mainly to day-to-day shopping needs, will continue to benefit from the resilient nature of the non-discretionary retail sector.

As there could be continuing pressure in the coming year on certain costs such as rising wages and electricity costs, inflation and other external factors, the Manager will closely monitor the operating expenses. As part of Fortune REIT's green policy, initiatives such as energy-saving measures will continue to be adopted to help mitigate the impact of higher electricity tariffs.

The Manager remains closely attentive to market trends and opportunities, as the global economic environment remains fragile and uncertain; these factors are compounded by the prospects of slower domestic demand and the anticipation of the potential interest rate hikes in the second half of 2015. Looking ahead, the additional income from Laguna Plaza and the full-year effect of the strong rental reversions from the Reporting Year, should contribute to further revenue growth for Fortune REIT – barring any unforeseen circumstances.



**THE POWER...**





WE HAVE BEEN  
A MARKET LEADER  
IN ASSET ENHANCEMENT



We actively review and upgrade our assets so that our portfolio will keep up with the vibrant and dynamic demographics changes in our neighbourhood.

AEIs modernize our assets as they age and allow the portfolio to perform well in a sustainable manner.

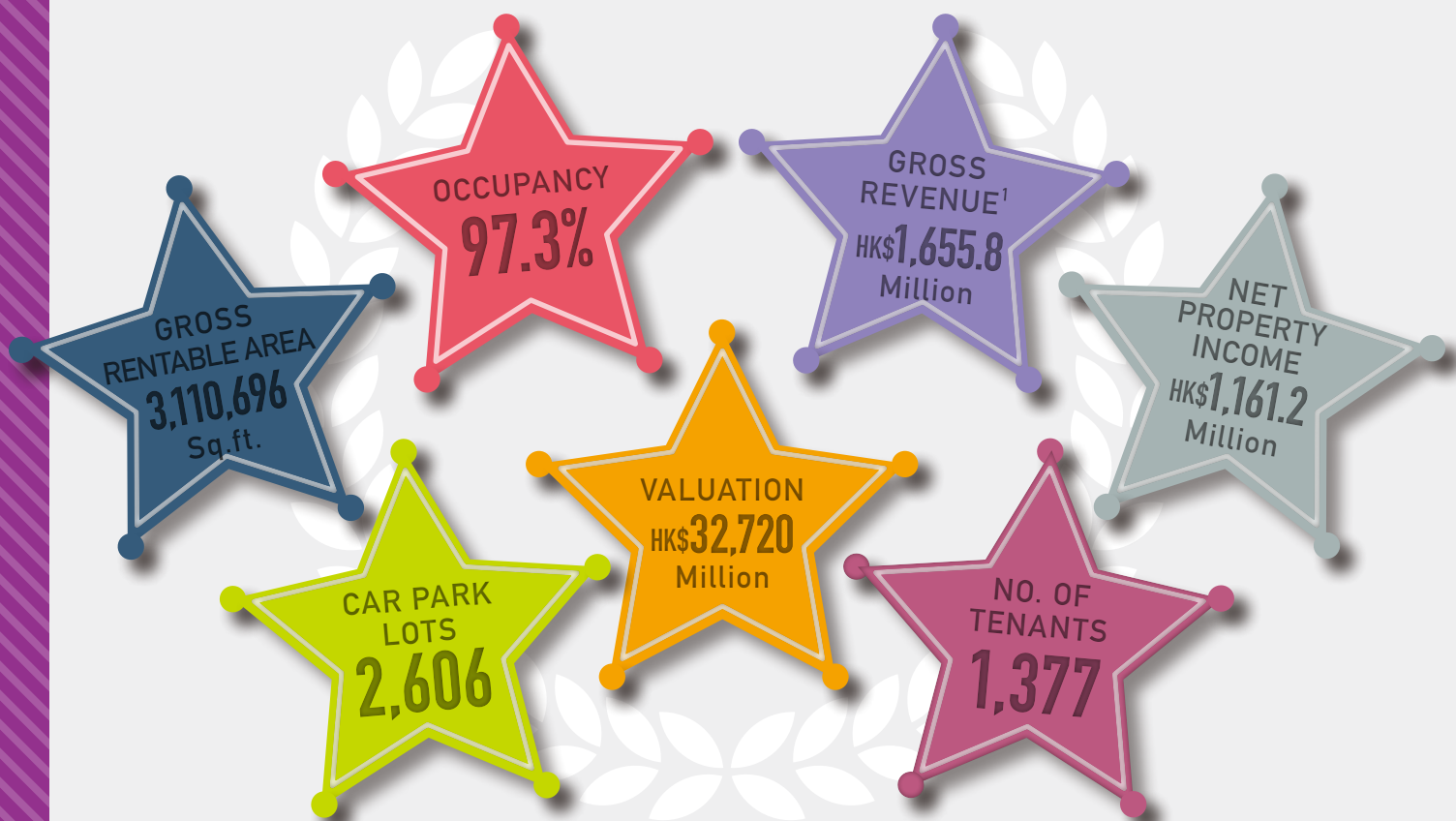


**THE POWER TO  
REJUVENATE  
THE  
PORTFOLIO**



# PORTFOLIO KEY STATISTICS

As at 31 December 2014

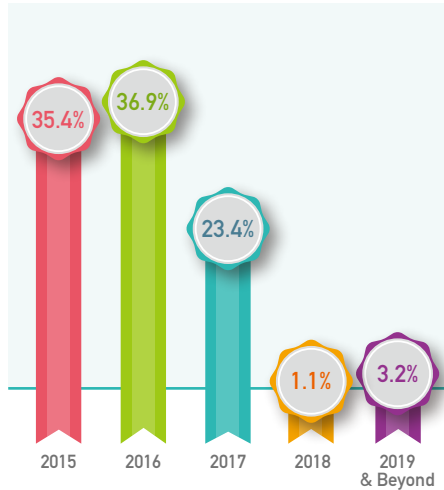


Portfolio Top 10 Tenants	Trade Sector	% of Total Gross Rental Income <sup>2</sup>	% of Total Rentable Area
1 PARKnSHOP	Supermarkets	7.7%	11.8%
2 Centaline Property Agency Limited	Banking & Real Estate Services	3.6%	0.5%
3 Midland Realty	Banking & Real Estate Services	2.9%	0.4%
4 Cheung Kong Property Development Limited	Banking & Real Estate Services	2.4%	4.0%
5 Bank of China (Hong Kong) Limited	Banking & Real Estate Services	2.4%	1.2%
6 Ricacorp Properties Limited	Banking & Real Estate Services	2.0%	0.3%
7 Watsons	Services & Education	1.4%	1.0%
8 Fairwood Fast Food	Food & Beverages	1.3%	1.1%
9 7-Eleven	Services & Education	1.1%	0.6%
10 Hang Seng Bank Limited	Banking & Real Estate Services	1.1%	0.5%
<b>Total</b>		<b>25.9%</b>	<b>21.4%</b>

Notes:

- Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
- Based on gross rental for the month of December 2014. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.

### Portfolio Lease Expiry Profile<sup>1</sup>



### Breakdown of Portfolio Property Operating Expenses<sup>2</sup>

- 4.2% ● Advertising and Promotion
- 36.4% ● Building Management Expenses
- 4.5% ● Carpark Operating Expenses
- 14.9% ● Government Rents and Rates
- 5.6% ● Leasing Commission and Marketing Services Fee
- 2.5% ● Legal and Other Professional Fees
- 7.3% ● Manager's Performance Fee
- 7.8% ● Property Manager Fee
- 12.3% ● Utilities
- 4.5% ● Others



### Portfolio Tenant Trade Mix Analysis<sup>1</sup>

- 21.2% ● Banking & Real Estate Services
- 0.6% ● Community Services
- 2.0% ● Electronics & IT
- 7.6% ● Fashion & Shoes
- 22.7% ● Food & Beverages
- 4.6% ● Gifts & Speciality, Hobbies, Toys, Jewellery
- 3.4% ● Homewares & Home Furnishings
- 2.9% ● Leisure & Entertainment, Sports & Fitness
- 21.0% ● Services & Education
- 8.4% ● Supermarkets
- 1.1% ● Wet Markets
- 4.5% ● Others



### Portfolio Analysis by Net Property Income<sup>2</sup>

- 20.7% ● Fortune City One
- 18.8% ● Fortune Kingswood
- 16.1% ● Ma On Shan Plaza
- 8.9% ● Metro Town
- 7.3% ● Fortune Metropolis
- 5.7% ● Belvedere Square
- 5.3% ● Waldorf Avenue
- 3.3% ● Caribbean Square
- 2.9% ● Provident Square
- 2.5% ● Jubilee Square
- 2.0% ● Smartland
- 2.0% ● Tsing Yi Square
- 1.6% ● Nob Hill Square
- 1.0% ● Hampton Loft
- 0.9% ● Centre de Laguna
- 0.6% ● Lido Avenue
- 0.4% ● Rhine Avenue



Notes:

1. Based on gross rental for the month of December 2014. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.
2. For the financial year ended 31 December 2014.



# AEIs SHOWCASE

## BELVEDERE SQUARE

Since Belvedere Square was acquired in February 2012, the Manager has been planning for embarking on a major renovation to maximize its full potential. Located in Tsuen Wan, Belvedere Square is the only retail mall of its scale within the area which comprises large residential population of approximately 30,000 people. Belvedere Square was built in the late-80s and consists of three core building structures (i.e. Belvedere Square Phase 1, Phase 2 and Phase 3) on both sides of Castle Peak Road. With limited retail offerings previously, Belvedere Square has been mainly focusing on serving the immediate catchment on necessity needs and service trade. Through the AEIs, we are looking to modernize the shopping ambience and enrich the retail offerings in order to attract residents along the Castle Peak Road.

A major renovation to fully upgrade the entire Belvedere Square Phase 3 retail podium was commenced in September 2014. Progress of the project went well with the first renovated zone of about 50,000 Sq.ft. re-opened for business in January 2015. The renovation will resume in March 2015 on the remaining 80,000 Sq.ft. and is expected to complete by end of 2015.







Belvedere Square

麗城薈



Belvedere Square

ROI:

15%



CAPEX:

HK\$80  
MILLION

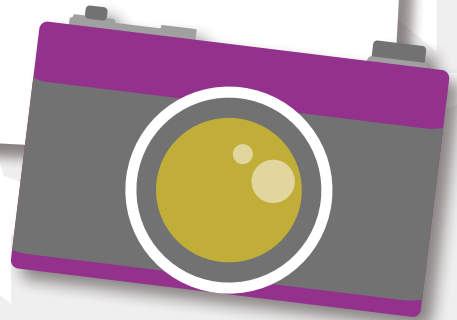


# ADVERTISING AND PROMOTIONS

Fortune REIT is always looking for innovative and attractive ways to engage and interact with shoppers. During 2014, a series of marketing and promotional campaigns were rolled out at Fortune Malls, all of which received excellent response from our shoppers and visitors.







We have successfully lined up with famous multinational automotive manufacturers, Volkswagen and Toyota to host car exhibitions and sales at our flagship mall, Fortune City One. These exhibitions not only benefited our shoppers by offering exclusive promotions and discounts, but also attracted footfalls and increased retail spending at our mall.





**THE POWER...**



WE CREATED THE  
"FORTUNE MALLS" BRAND



Rooted in the local communities,  
Fortune Malls strives to serve the daily necessity  
needs of the shoppers.

We devoted balanced efforts to  
address the interest of  
all stakeholders and support  
various social enterprises.





**THE POWER TO  
IMPROVE  
OUR  
COMMUNITY**

# OUR BRAND

## FORTUNE IN YOUR EVERYDAY LIFE

Fortune Malls believes everyone should have a place where they belong. To achieve this, we offer a warm and comfortable environment, with a few thoughtful and surprising touches, so our shoppers can take a comfortable break from the bustle of urban life.

BUY

## AN ADDED DIMENSION TO DAILY SHOPPING

More than a spot for daily shopping, Fortune Malls provides venues for the neighbourhood to enjoy their weekends and holidays. Festive promotional activities and incentive campaigns are often arranged to make the shopping experience at Fortune Malls memorable, rewarding and always fun.

## THE FORTUNE MALLS LOGO



Fortune Malls shares the identity of the “red planet” icon as its master brand – Fortune REIT. The portrayal of a “small planet on a big planet” represents the idea of “sharing your world”. Fortune Malls leads the brand with a new purple colour, which expresses a sense of welcoming and warmth to the identity. Different colours of Portfolio Malls embrace the unique ambience and feeling of individual malls.

## Flagship Malls



## Portfolio Malls



Note:

1. Laguna Plaza was acquired on 9 January 2015.

# FORTUNE REIT'S PORTFOLIO

## PORTFOLIO AT A GLANCE

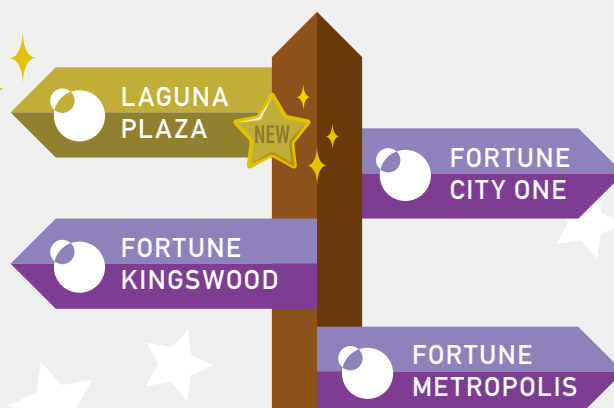
As at 31 December 2014	Location	Gross Rentable Area (Sq.ft.)	Occupancy	Number of Car Parking Lots	Valuation (HK\$ million)	FY2014 Net Property Income (HK\$ million)	
1	Fortune City One	Shatin	414,469	99.5%	653	7,124	239.1
2	Fortune Kingswood	Tin Shui Wai	665,244	100%	622	6,652	218.6
3	Ma On Shan Plaza	Shatin	310,084	100%	290	4,896	187.0
4	Metro Town	Tseung Kwan O	180,822	100%	74	3,026	103.6
5	Fortune Metropolis	Hung Hom	332,168	98.2%	179	2,311	84.7
6	Belvedere Square	Tsuen Wan	276,862	79.5% <sup>1</sup>	329	1,914	65.9
7	Waldorf Avenue	Tuen Mun	80,842	100%	73	1,582	61.9
8	Caribbean Square	Tung Chung	63,018	100%	117	943	37.8
9	Provident Square	North Point	180,238	90.3%	N.A.	922	33.9
10	Jubilee Square	Shatin	170,616	100%	97	863	28.8
11	Smartland	Tsuen Wan	123,544	99.9%	67	658	23.4
12	Tsing Yi Square	Tsing Yi	78,836	100%	27	574	23.3
13	Nob Hill Square	Kwai Chung	91,779	99.7%	43	438	19.0
14	Centre de Laguna	Kwun Tong	43,000	99.4%	N.A.	264	10.2
15	Hampton Loft	West Kowloon	74,734	100%	35	258	12.1
16	Lido Avenue	Tsuen Wan	9,836	100%	N.A.	182	7.4
17	Rhine Avenue	Tsuen Wan	14,604	100%	N.A.	113	4.5
<b>Total/Overall Average</b>			<b>3,110,696</b>	<b>97.3%</b>	<b>2,606</b>	<b>32,720</b>	<b>1,161.2</b>

### LAGUNA PLAZA

Following the completion of the acquisition of Laguna Plaza on 9 January 2015, Fortune REIT currently holds a portfolio of 18 private housing estate retail properties in Hong Kong, comprising of 3.27 million sq.ft. of retail space and 2,756 car parking spaces.




#### Note:

1. Belvedere Square was undergoing major AEs and the committed occupancy was 91.4% as at 31 December 2014.



















**FLAGSHIP MALLS**

-  Fortune City One
-  Fortune Kingswood
-  Fortune Metropolis

**PORTFOLIO MALLS**

- |  |  |  |  |
|--|--|--|--|
|  Ma On Shan Plaza |  Metro Town       |  Belvedere Square |  Waldorf Avenue |
|  Caribbean Square |  Provident Square |  Jubilee Square   |  Smartland      |
|  Tsing Yi Square  |  Nob Hill Square  |  Centre de Laguna |  Hampton Loft   |
|  Lido Avenue      |  Rhine Avenue     |  |  |



## FORTUNE CITY ONE

置富第一城

Fortune City One



located in Shatin, New Territories and south of the Shing Mun River, is the commercial constituent of the 10,642-unit City One Shatin residential development. The City One Shatin residential development was completed in the 1980s and is one of the largest residential developments in Hong Kong. Fortune City One serves the daily needs of the local City One Shatin residents, as well as residents from other developments in the vicinity. The catchment population consists of young families, students and workers in the area.

Fortune City One can be easily accessed by private and public transportation. It is strategically located near City One MTR Station and in close proximity to the Shatin MTR Station.

### Key Statistics (as at 31 December 2014)

Occupancy	99.5% (2013: 99.2%)
Purchase Price	HK\$2,559 million
Market Valuation	HK\$7,124 million
Gross Revenue <sup>1</sup>	HK\$332.5 million (2013: HK\$297.0 million)
Net Property Income	HK\$239.1 million



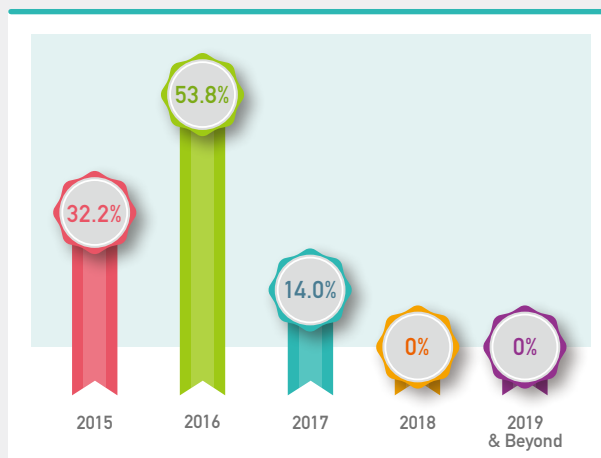




### Tenant Trade Mix Analysis<sup>2</sup>

Banking & Real Estate Services	18.2%
Community Services	1.0%
Electronics & IT	2.3%
Fashion & Shoes	6.8%
Food & Beverages	27.2%
Gifts & Speciality, Hobbies, Toys, Jewellery	4.4%
Homeware & Home Furnishing	3.1%
Leisure & Entertainment, Sports & Fitness	1.2%
Services & Education	23.7%
Supermarkets	6.3%
Wet Markets	4.0%
Others	1.8%

### Lease Expiry Profile<sup>2</sup>



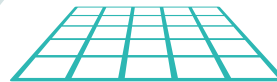
Notes:

- Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
- Based on gross rental for the month of December 2014. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.

### Mall Features



COMPLETED  
IN 1981-1989



TOTAL GRA

**414,469** Sq.ft.



**653**  
PARKING  
LOTS

**261**  
TENANTS



CITY ONE MTR  
STATION

**27,532**  Sq.ft.

WET MARKET



FORTUNE CITY  
ONE PIAZZA

## FORTUNE KINGSWOOD



置富嘉湖

Fortune Kingswood



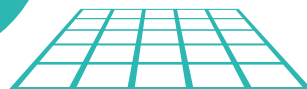
located in Tin Shui Wai, Yuen Long, New Territories, one of the biggest new towns in Hong Kong. Being the largest shopping center in Yuen Long district, the property serves a catchment of close to 288,000 people, the hotel residents of the 1,102-room Harbour Plaza Resort City, as well as many visitors from Mainland China due to its close proximity to the border. Fortune Kingswood is located only 15 minutes away from the Wetland Park via Light Rail Transit, which is a key tourist spot for both local and overseas visitors.

### Mall Features

210  
TENANTS



COMPLETED  
IN 1999



TOTAL GRA

665,244 Sq.ft.



**622**  
PARKING LOTS

ADJOINING  
**2 HOTEL**  
TOWERS

**BIGGEST**  
SUPERMARKET  
IN YUEN LONG

**4-HOUSE**  
CINEPLEX

NEAR  
WETLAND  
PARK

**SUPERMARKET**

TIN SHUI WAI  
MTR STATION

**OVER 40**  
LOADING/UNLOADING BAYS

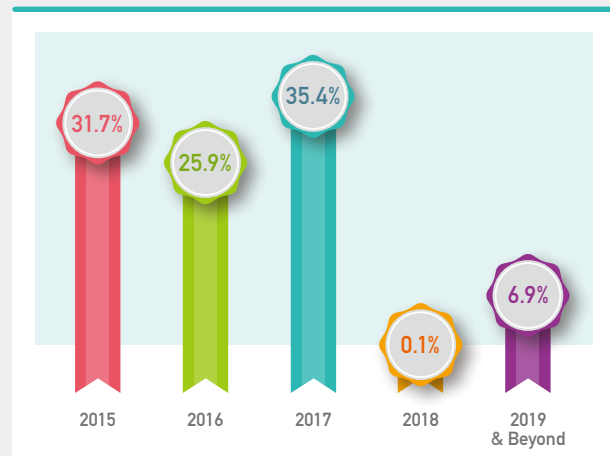
### Key Statistics (as at 31 December 2014)

Occupancy	100% (2013: 99.0%)
Purchase Price	HK\$5,849 million
Market Valuation	HK\$6,652 million
Gross Revenue <sup>1,3</sup>	HK\$312.0 million (2013: HK\$67.1 million)
Net Property Income	HK\$218.6 million

### Tenant Trade Mix Analysis<sup>2</sup>

Banking & Real Estate Services	19.3%
Community Services	0.3%
Electronics & IT	2.6%
Fashion & Shoes	10.6%
Food & Beverages	22.1%
Gifts & Speciality, Hobbies, Toys, Jewellery	3.9%
Homeware & Home Furnishing	4.8%
Leisure & Entertainment, Sports & Fitness	3.2%
Services & Education	17.9%
Supermarkets	9.2%
Others	6.1%

### Lease Expiry Profile<sup>2</sup>



Notes:

1. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
2. Based on gross rental for the month of December 2014. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.
3. Fortune Kingswood was acquired on 9 October 2013.

3

## MA ON SHAN PLAZA

馬鞍山廣場

Ma On Shan Plaza

located in Ma On Shan, Shatin, New Territories, which is a well-established new town, and home to about 206,000 people.

Ma On Shan Plaza is directly connected to Ma On Shan MTR Station and is easily accessible by public transportation with bus terminals, a public light bus terminal, and a taxi waiting area all located on its ground floor. Ma On Shan Plaza is part of the 1,102-unit Bayshore Towers residential complex and is linked to the adjacent 4,760-unit Sunshine City residential development, as well as the 5.5-hectare Ma On Shan Park, by a number of covered footbridges.

### Key Statistics (as at 31 December 2014)

Occupancy	100% (2013: 98.5%)
Purchase Price	HK\$934 million
Market Valuation	HK\$4,896 million
Gross Revenue <sup>1</sup>	HK\$249.0 million (2013: HK\$231.3 million)
Net Property Income	HK\$187.0 million

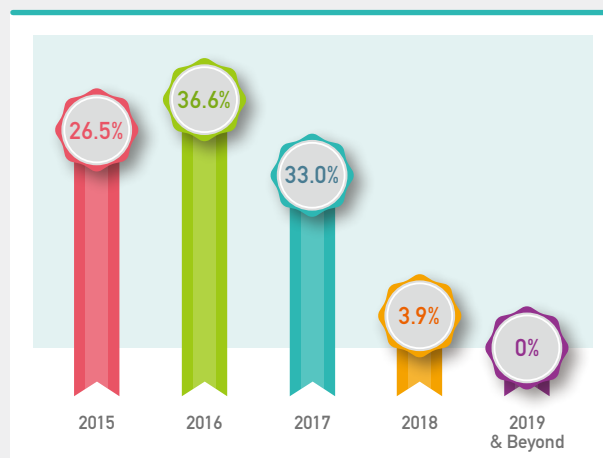




### Tenant Trade Mix Analysis<sup>2</sup>

Banking & Real Estate Services	36.6%
Electronics & IT	2.7%
Fashion & Shoes	8.1%
Food & Beverages	15.7%
Gifts & Speciality, Hobbies, Toys, Jewellery	4.9%
Homeware & Home Furnishing	1.8%
Leisure & Entertainment, Sports & Fitness	4.4%
Services & Education	14.6%
Supermarkets	7.2%
Others	4.0%

### Lease Expiry Profile<sup>2</sup>



Notes:

1. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
2. Based on gross rental for the month of December 2014. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.

### Mall Features

**COMPLETED IN 1994**

**TOTAL GRA**  
**310,084 Sq.ft.**

**290 PARKING LOTS**

**MA ON SHAN MTR STATION**

**154 TENANTS**

**HONG KONG'S ONLY INDOOR MERRY-GO-ROUND**

**ADJOINING MA ON SHAN PARK**

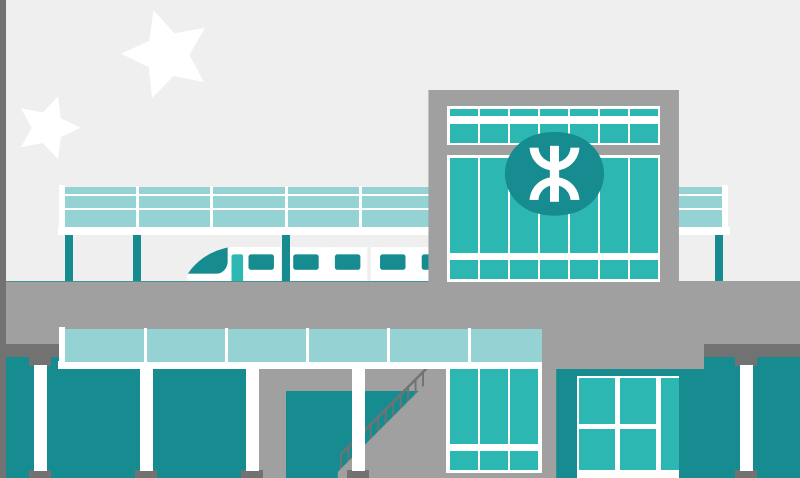




## METRO TOWN



located on top of Tiu Keng Leng MTR Station which is an interchange for the Kwun Tong Line and the Tseung Kwan O Line. It is further connected via several pedestrian bridges to other large residential developments including Ocean Shore, Kin Ming Estate, Shin Ming Estate and Choi Ming Court, and institutions including Hong Kong Design Institute and Caritas Bianchi College of Careers. The ground floor of the mall links to a bus terminal connecting the Tiu Keng Leng area with other parts of Tseung Kwan O as well as the main urban areas of Hong Kong Island and Kowloon.



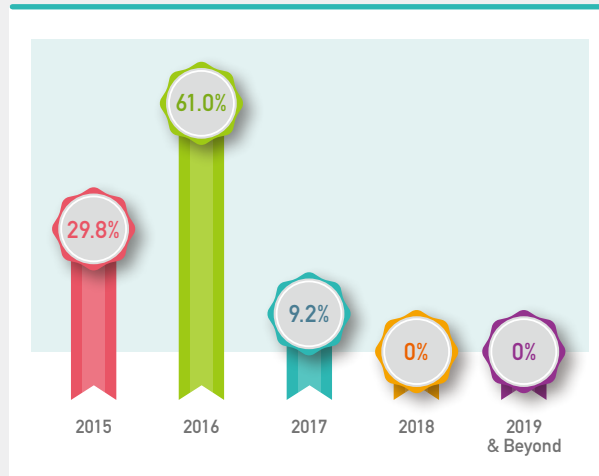
### Key Statistics (as at 31 December 2014)

Occupancy	100% (2013: 100%)
Purchase Price	HK\$1,452 million
Market Valuation	HK\$3,026 million
Gross Revenue <sup>1</sup>	HK\$141.3 million (2013: HK\$134.7 million)
Net Property Income	HK\$103.6 million

### Tenant Trade Mix Analysis<sup>2</sup>

Banking & Real Estate Services	23.0%
Electronics & IT	1.2%
Fashion & Shoes	7.9%
Food & Beverages	22.2%
Gifts & Speciality, Hobbies, Toys, Jewellery	7.8%
Homeware & Home Furnishing	1.0%
Leisure & Entertainment, Sports & Fitness	1.1%
Services & Education	22.0%
Supermarkets	9.8%
Others	4.0%

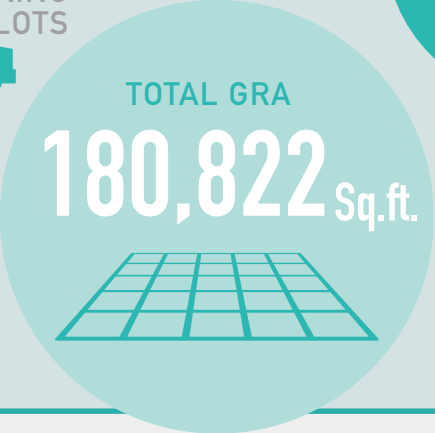
### Lease Expiry Profile<sup>2</sup>



Notes:

1. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
2. Based on gross rental for the month of December 2014. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.

Mall Features

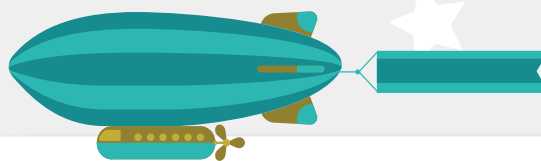




## FORTUNE METROPOLIS



located in the established residential and commercial hub of Hung Hom in South Kowloon. It is the retail portion of The Metropolis, a 1.4 million Sq.ft. complex comprising a retail mall, an office tower, a hotel and serviced apartments. It is directly connected to Hung Hom MTR Station and is in close proximity to the East Tsim Sha Tsui MTR Station. Moreover, Fortune Metropolis is served by the Hung Hom bus terminal and a taxi station, with the Kowloon entrance of the Cross Harbour Tunnel just minutes away.



### Key Statistics (as at 31 December 2014)

Occupancy	98.2% (2013: 97.8%)
Purchase Price	HK\$1,464 million
Market Valuation	HK\$2,311 million
Gross Revenue <sup>1</sup>	HK\$136.3 million (2013: HK\$129.4 million)
Net Property Income	HK\$84.7 million

### Tenant Trade Mix Analysis<sup>2</sup>

Banking & Real Estate Services	35.4%
Electronics & IT	0.2%
Fashion & Shoes	2.5%
Food & Beverages	34.4%
Gifts & Speciality, Hobbies, Toys, Jewellery	5.7%
Homeware & Home Furnishing	1.4%
Services & Education	11.7%
Supermarkets	2.5%
Others	6.2%

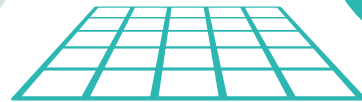




Mall Features



COMPLETED  
IN 2001



TOTAL GROSS

**332,168** Sq.ft.

NEXT TO  
HONG KONG  
COLISEUM



**179**  
PARKING  
LOTS

**125**  
TENANTS



HUNG HOM  
MTR STATION

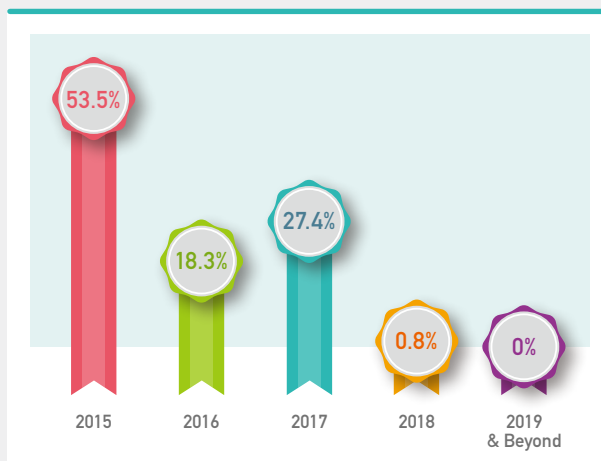
**700**

SEATS  
FOOD COURT



PART OF SERVICED  
APARTMENT/  
OFFICE/HOTEL  
COMPLEX

Lease Expiry Profile<sup>2</sup>















Notes:










1. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
2. Based on gross rental for the month of December 2014. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.

## Fortune REIT's Portfolio

### Key Statistics (as at 31 December 2014)

Property	Occupancy	Purchase Price	Market Valuation	Gross Revenue <sup>1</sup>	Net Property Income
  <p><b>BELVEDERE SQUARE</b></p>	79.5% <sup>2</sup> (2013: 94.5%)	HK\$1,250 million	HK\$1,914 million	HK\$99.0 million (2013: HK\$98.2 million)	HK\$65.9 million
  <p><b>WALDORF AVENUE</b></p>	100% (2013: 100%)	HK\$400 million	HK\$1,582 million	HK\$79.5 million (2013: HK\$72.0 million)	HK\$61.9 million
  <p><b>CARIBBEAN SQUARE</b></p>	100% (2013: 100%)	HK\$428 million	HK\$943 million	HK\$52.2 million (2013: HK\$48.9 million)	HK\$37.8 million
  <p><b>PROVIDENT SQUARE</b></p>	90.3% (2013: 99.9%)	HK\$650 million	HK\$922 million	HK\$58.3 million (2013: HK\$57.3 million)	HK\$33.9 million
  <p><b>JUBILEE SQUARE</b></p>	100% (2013: 100%)	HK\$218 million	HK\$863 million	HK\$46.2 million (2013: HK\$43.2 million)	HK\$28.8 million
  <p><b>SMARTLAND</b></p>	99.9% (2013: 99.3%)	HK\$258 million	HK\$658 million	HK\$41.3 million (2013: HK\$38.1 million)	HK\$23.4 million



Property	Occupancy	Purchase Price	Market Valuation	Gross Revenue <sup>1</sup>	Net Property Income
  <p><b>TSING YI SQUARE</b></p>	100% (2013: 100%)	HK\$230 million	HK\$574 million	HK\$33.3 million (2013: HK\$30.5 million)	HK\$23.3 million
  <p><b>NOB HILL SQUARE</b></p>	99.7% (2013: 99.1%)	HK\$233 million	HK\$438 million	HK\$28.6 million (2013: HK\$27.0 million)	HK\$19.0 million
  <p><b>CENTRE DE LAGUNA</b></p>	99.4% (2013: 100%)	HK\$135 million	HK\$264 million	HK\$15.1 million (2013: HK\$14.1 million)	HK\$10.2 million
  <p><b>HAMPTON LOFT</b></p>	100% (2013: 100%)	HK\$159 million	HK\$258 million	HK\$15.8 million (2013: HK\$14.3 million)	HK\$12.1 million
  <p><b>LIDO AVENUE</b></p>	100% (2013: 100%)	HK\$75 million	HK\$182 million	HK\$9.1 million (2013: HK\$8.6 million)	HK\$7.4 million
  <p><b>RHINE AVENUE</b></p>	100% (2013: 100%)	HK\$40 million	HK\$113 million	HK\$6.3 million (2013: HK\$5.8 million)	HK\$4.5 million

## Notes:

1. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
2. Belvedere Square was undergoing major AELs and the committed occupancy was 91.4% as at 31 December 2014.

THE POWER TO  
**CAPTURE**  
EXPANSION  
OPPORTUNITY





## WE GREW OUR PORTFOLIO BY 10 TIMES BIGGER

Thanks to our  
disciplined capital management,  
Fortune REIT is able to seize yield-accretive  
acquisition opportunities as they arise.

Fortune REIT's portfolio is 10 times (by value)  
bigger than its initial size when listed in 2003.

# ACHIEVEMENTS AND AWARDS



## CORPORATE GOVERNANCE

Asia's Best Companies Poll 2014

- FinanceAsia -

Outstanding Real Estate Investment Trust Award 2013

- Quamnet -

2014 Best Managed Company Awards in Hong Kong

- AsiaMoney -

10th Corporate Governance Asia Recognition Awards (THE BEST OF ASIA)

- Corporate Governance Asia -

## CORPORATE COMMUNICATION

2014 Galaxy Annual Report Awards

- Silver Award

2014 International ARC Awards

- Gold Award
- Silver Award
- Bronze Award



We believe that transparency and accountability are vital to the long term success of a company. Fortune REIT always takes a proactive approach to listening and responding to the needs of our stakeholders, and contributing to the sustainable development of communities. Our excellent achievement in 2014 not only demonstrated our continued dedication to delivering the highest standards of corporate practices, but also earned us wide recognitions among the industry.



## CORPORATE SOCIAL RESPONSIBILITY

### Best Landscape Award for Private Property Development 2014: Non-Domestic Property

- Merit Award (Fortune City One)  
- Leisure and Cultural Services Department -

### "Your Favourite Shopping Mall"

- U Choice Lifestyle Brand Award 2014  
- Metro Radio -

### U Green Awards 2013/14

- Excellence of Environmental Contributions  
- U Magazine, Hong Kong Economic Times Holdings -

### Indoor Air Quality Certificate

- Environmental Protection Department and the Indoor Air Quality Information Centre -

### Hong Kong Smoke Free Leading Company 2013

- Gold Award  
- Hong Kong Council on Smoking and Health -

### Caring Company 2010-2014

- Hong Kong Council of Social Service -



# FORTUNE REIT CARES



Fortune REIT is committed to integrating environmental considerations into our decision-making process in pursuit of sustainable development.

As a responsible corporation, we take every reasonable measure to conserve resources and minimize waste in our business operation. Throughout the years, Fortune REIT has made great effort in raising the environmental awareness and consciousness among tenants, staff and the neighboring communities.

In accordance with our corporate culture, we encourage our employees to participate in community and voluntary work. The spirit of care and love shared by our Fortune Volunteer Team not only help to make a difference among the needies, they also help to foster care and harmony within the community.

## GREEN INITIATIVES



- Green power electric bikes and solar lighting system were installed at Fortune City One Piazza, advocating a green culture among the general public.



- Making use of umbrella dryer at Fortune Metropolis to help reducing the use of plastic umbrella bags.

## SUPPORTING NGO ACTIVITIES



- Regularly providing free venues to NGOs, facilitating the organization of meaningful events among the community.



## CARING EVENTS



- Welcoming families in need from Sham Shui Po YMCA at Ma On Shan Plaza with Christmas carnival games and refreshments.



- Celebrating Mid-Autumn Festival and DIY lanterns with a group of kids at a community center in Tin Shui Wai.



- Bringing joy to families in need at a soccer competition event at Fortune Metropolis.

- Co-organized with FoodSport for the food raising event 'FOODSPORT RUN' at Fortune City One to promote healthy life and raised more food for under-privileged.



# BOARD OF DIRECTORS AND SENIOR MANAGEMENT



The Board is responsible for corporate governance and the overall management of the Manager, including establishing goals for management and monitoring the achievement of these goals.



Lim Lee Meng



Chiu Yu, Justina



Chiu Kwok Hung,  
Justin



Sng Sow-Mei  
(alias Poon Sow Mei)



Yeung, Eirene



## BOARD OF DIRECTORS

### Chiu Kwok Hung, Justin

#### *Chairman and Non-Executive Director*

Dr. Chiu, aged 64, has been the Chairman and a Director of the Manager since the Manager's incorporation in 2003. He is also the Chairman and Non-executive Director of ARA Asset Management Limited ("**ARA**"), the holding company of the Manager and the Chairman of ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT). ARA is listed on the Main Board of Singapore Exchange Securities Trading Limited ("**SGX-ST**") while Prosperity REIT is listed on the Main Board of The Stock Exchange

of Hong Kong Limited ("**SEHK**"). Dr. Chiu is also a Director of ARA Fund Management (Asia Dragon) Limited as the manager of the ARA Asia Dragon Fund. Dr. Chiu serves as a member of the Standing Committee of the 12th Shanghai Committee of Chinese People's Political Consultative Conference of the People's Republic of China, and is a Council Member and a Fellow of The Hong Kong Institute of Directors, a Fellow of Hong Kong Institute of Real Estate Administrators and a member of the Board of Governors of Hong Kong Baptist University Foundation.



Lim Hwee Chiang



Ip Tak Chuen,  
Edmond



Lan Hong Tsung,  
David



Ang Meng Huat,  
Anthony



Ma Lai Chee,  
Gerald

## ● Board of Directors and Senior Management

Dr. Chiu has more than 30 years of international experience in real estate in Hong Kong and various countries and is one of the most respected professionals in the property industry in Asia. Dr. Chiu is an Executive Director and Member of Executive Committee of Cheung Kong (Holdings) Limited (“**Cheung Kong**”), a company listed on the Main Board of SEHK. He joined Cheung Kong in 1997 and has been an Executive Director since 2000, heading the real estate sales, marketing and property management teams. He is also an Executive Director of CK Hutchison Holdings Limited which is proposed to be listed in March 2015. Prior to joining Cheung Kong, Dr. Chiu was with Sino Land Company Limited from 1994 to 1997 and Hang Lung Development Company, Limited (now known as Hang Lung Group Limited) from 1979 to 1994 responsible for the leasing and property management in both companies. Both Sino Land Company Limited and Hang Lung Group Limited are listed on the Main Board of SEHK.

Dr. Chiu holds Bachelor degrees in Sociology and Economics from Trent University in Ontario, Canada, and was conferred with the degree of Doctor of Social Sciences, *honoris causa* by Hong Kong Baptist University and the degree of Doctor of Laws, *honoris causa* by Trent University, Canada. Dr. Chiu is the father of Ms. Chiu Yu, Justina, a Director of the Manager.

### Lim Hwee Chiang

#### *Non-Executive Director*

Mr. Lim, aged 58, has been a Director of the Manager since April 2003. He is also the Group Chief Executive Officer and an Executive Director of ARA, the holding company of the Manager. He has been a Director of ARA since its establishment. He is also a Director of ARA Trust Management (Suntec) Limited (the manager of Suntec REIT), ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT), ARA-CWT Trust Management (Cache) Limited (the manager of Cache Logistics Trust) and Hui Xian Asset Management Limited (the manager of Hui Xian REIT). ARA, Suntec REIT and Cache Logistics Trust are listed on the Main Board of SGX-ST and Prosperity REIT and Hui Xian REIT are listed on the Main Board of SEHK.

In addition, Mr. Lim is the Chairman of APM Property Management Pte. Ltd., Suntec Singapore International Convention & Exhibition Services Pte. Ltd., and the management council of The Management Corporation Strata Title Plan No. 2197 (Suntec City). Mr. Lim is an Independent Director of Teckwah Industrial Corporation Limited which is listed on the Main Board of SGX-ST. He is also a Director of Chinese Chamber Realty Private Limited, a Director of the Financial Board of the Singapore Chinese Chamber of Commerce, the Chairman of the Property Management Committee of the Singapore Chinese Chamber of Commerce and Industry, and a member of the Consultative Committee to the Department of Real Estate, National University of Singapore.

Mr. Lim has more than 30 years of experience in the real estate industry and has received many notable corporate awards. His recent accolades include the Ernst & Young Entrepreneur of the Year Singapore 2012, Ernst & Young Entrepreneur of the Year – Financial Services 2012 and the Outstanding CEO of the Year 2011 at the Singapore Business Awards 2012. Mr. Lim, along with the Board of Directors of ARA, is also a recipient of the prestigious Best Managed Board (Gold) Award at the Singapore Corporate Awards 2012.

Mr. Lim holds a Bachelor of Engineering (First Class Honours) in Mechanical Engineering, a Master of Science in Industrial Engineering, as well as a Diploma in Business Administration, each from the National University of Singapore.

### Ip Tak Chuen, Edmond

#### *Non-Executive Director*

Mr. Ip, aged 62, has been a Director of the Manager since 2003. He is a member of the Designated Committee of the Manager. Mr. Ip is also a Non-executive Director of ARA, the holding company of the Manager and a Non-executive Director of Hui Xian Asset Management Limited (the manager of Hui Xian REIT). ARA is listed on the Main Board of SGX-ST while Hui Xian REIT is listed on the Main Board of SEHK.



Mr. Ip has been an Executive Director of Cheung Kong since 1993 and Deputy Managing Director since 2005 as well as Member of Executive Committee since 2013, responsible for overseeing all financial and treasury functions of Cheung Kong and its subsidiaries, particularly in the fields of corporate and project finance. He is also an Executive Director and Deputy Managing Director of CK Hutchison Holdings Limited, which is proposed to be listed in March 2015. He has been an Executive Director of Cheung Kong Infrastructure Holdings Limited ("**CK Infrastructure**") since its incorporation in 1996 and Deputy Chairman since 2003, and the Senior Vice President and Chief Investment Officer since 2002 and Executive Director since 2001 of CK Life Sciences Int'l., (Holdings) Inc. ("**CK Life Sciences**") respectively. He oversees matters relating to corporate finance, strategic acquisition and investment of both CK Infrastructure and CK Life Sciences. Mr. Ip is also a Non-executive Director of TOM Group Limited ("**TOM**"), AVIC International Holding (HK) Limited ("**AVIC**"), Real Nutraceutical Group Limited ("**Real Nutraceutical**") and Shougang Concord International Enterprises Company Limited ("**Shougang**"). Cheung Kong, CK Infrastructure, CK Life Sciences, TOM, AVIC, Real Nutraceutical and Shougang are listed on the Main Board of SEHK.

Prior to joining Cheung Kong, Mr. Ip held a number of senior financial positions in major financial institutions and has extensive experience in the Hong Kong financial market covering diverse activities such as banking, capital markets, corporate finance, securities brokerage and portfolio investments.

Mr. Ip holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration.

## Yeung, Eirene

### *Non-Executive Director*

Ms. Yeung, aged 54, has been a Director of the Manager since 2003. She is a member of the Disclosures Committee of the Manager. Ms. Yeung is also Member of Executive Committee and General Manager, Company Secretarial Department, and Company Secretary of Cheung Kong and the Company Secretary of CK Hutchison Holdings Limited, which is proposed to be listed in March 2015, CK Infrastructure and CK Life Sciences. She is also the Alternate Director to the Group Managing Director of CK Infrastructure. Ms. Yeung joined Cheung Kong in 1994. She advises the Board on corporate strategy, and currently heads the corporate legal and secretarial team that oversees listing, regulatory and origination compliance, and advises and drives mergers and acquisitions, property investments and acquisitions, securities placement and investments, private equity investment, fund investment, bond and note issue and other financing exercises, as well as derivative and swap transactions and investment in structured products. Cheung Kong, CK Infrastructure and CK Life Sciences are listed on the Main Board of SEHK.

Prior to joining Cheung Kong, Ms. Yeung was in private practice at the law firms of Messrs. Robert W.H. Wang & Co and Deacons for a total of 10 years from 1984 to 1994 where she handled a wide spectrum of corporate and commercial legal work. She has been a solicitor of the High Court of the Hong Kong Special Administrative Region ("**HKSAR**") from 1986 and of the Senior Court of Judicature in England and Wales from 1990.

Ms. Yeung is a member of the Financial Reporting Council, a member of the SFC (HKEC Listing) Committee of the Securities and Futures Commission of Hong Kong, a member of the Listing Committee of the Main Board and Growth Enterprise Market of SEHK, a general committee member of The Chamber of Hong Kong Listed Companies, a member of the Advisory Board of the MBA Programme of The Chinese University of Hong Kong ("**CUHK**") and a member of the Advisory Group on BBA-JD Programme of CUHK.

Ms. Yeung is a fellow member of The Hong Kong Institute of Directors, The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. She holds a Master of Science degree in Finance and a Master degree in Business Administration from CUHK, and a Bachelor degree in Laws from The University of Hong Kong.

## ● Board of Directors and Senior Management

### Chiu Yu, Justina

#### *Executive Director and Chief Executive Officer*

Ms. Chiu, aged 34, was employed by the Manager from 2008 and has been an Executive Director since 2010.

She is the Chief Executive Officer of the Manager with effect from 2 February 2015. She is also a Responsible Officer of the Manager and the Chairman of each of the Disclosures Committee and Designated Committee. She is responsible for the overall performance and direction of Fortune REIT.

Prior to her current appointments, she was the Deputy Chief Executive Officer of the Manager responsible for day-to-day management of Fortune REIT from 2010 to 1 February 2015 and the Chief Operating Officer of the Manager overseeing strategic planning, investment, asset management and investor relations from 2009 to 2010.

Ms. Chiu holds a Master of Science degree in Real Estate Economics and Finance, a Bachelor of Science degree in Accounting and Finance, a Postgraduate Certificate in Laws and a Postgraduate Diploma in Law. She is also a solicitor of the High Court of the HKSAR, a CFA Charterholder and a member of the American Institute of Certified Public Accountants. Ms. Chiu is a member of the 13th Changzhou Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. Ms. Chiu is the daughter of Dr. Chiu Kwok Hung, Justin, Chairman of the Manager.

### Ang Meng Huat, Anthony

#### *Executive Director*

Mr. Ang, aged 59, is an Executive Director of the Manager.

Mr. Ang was a Non-Executive Director, Chief Executive Officer and Responsible Officer of the Manager. Prior to joining the Manager, Mr. Ang was the Chief Executive Officer of ARA Managers (Asia Dragon) Pte. Ltd, which manages the ARA Asia Dragon Limited, the flagship US\$1.15 billion private equity fund of ARA and a responsible officer of ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT). Mr. Ang is currently a Board member of ARA Asia Dragon Limited and a Director of Am ARA REIT Managers Sdn Bhd (the manager of AmFIRST REIT which is listed on the Main Board of Bursa Malaysia). Before joining ARA in 2006, Mr. Ang held senior positions with Armstrong Industrial Corporation Limited, a leading precision engineering firm in Singapore; GIC Real Estate Pte. Ltd, a global real estate fund management company; Vertex Management Pte Ltd, a Singapore-based global venture capital company; and Majulah Connection Limited, a global business networking and consulting organization. Mr. Ang began his career with the Singapore Economic Development Board where he served for 14 years, including 6 years in the United States as the Regional Director of their North American operations.

Mr. Ang holds a Bachelor of Science degree (Mechanical Engineering) with First Class Honours from the Imperial College, London University, and obtained a Master of Business Administration from the European Institution of Business Administration (INSEAD) in 1982 on a scholarship from the Singapore and French governments. He also attended the Strategic Marketing Programme (for Senior Executives) at Stanford University in 1992. Mr. Ang is a fellow of the Chartered Management Institute (United Kingdom).

### Lim Lee Meng

#### *Independent Non-Executive Director and Lead Independent Director*

Mr. Lim, aged 59, has been a Director of the Manager since 2003. He is an Independent Non-executive Director and Lead Independent Director, the Chairman of the Audit Committee, a member of each of the Disclosures Committee and Designated Committee. He is also currently a senior partner of RSM Chio Lim LLP, a member firm of RSM International. Mr. Lim is also an Independent Director of Teckwah Industrial Corporation Limited ("**Teckwah**"), Tye Soon Ltd ("**Tye Soon**") and ARA Trust Management (Suntec) Limited (the manager of Suntec REIT). Teckwah, Tye Soon and Suntec REIT are all listed on the Main Board of SGX-ST. He also serves as the Chairman of the Audit Committee of Teckwah. Mr. Lim is also a practising member of the Institute of Singapore Chartered Accountants, an associate member of the Institute of Chartered Secretaries and Administrators and a member of the Singapore Institute of Directors. He is also the Chairman of the finance committee of Ang Mo Kio Town Council and the vice-chairman of the School Advisory Committee of River Valley High School.

Mr. Lim graduated from the Nanyang University of Singapore with a Bachelor of Commerce (Accountancy) degree in May 1980. He also holds a Master of Business Administration degree from the University of Hull (1992), a Diploma in Business Law from the National University of Singapore (1989) and an ICSA qualification from the Institute of Chartered Secretaries and Administrators.

### Sng Sow-Mei (alias Poon Sow Mei)

#### *Independent Non-Executive Director*

Mrs. Sng, aged 73, has been a Director of the Manager since 2003. She is an Independent Non-executive Director and a member of the Audit Committee. She is also an Independent Non-executive Director and a member of the Audit Committee of CK Infrastructure and ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT), and the Lead Independent Director and a member of the Audit Committee of Hutchison Port Holdings Management Pte Limited (the manager of Hutchison Port Holdings Trust ("**HPH Trust**"). HPH Trust is listed on the Main Board of SGX-ST, while CK Infrastructure and Prosperity REIT are listed on the Main Board of SEHK.

From 2004 to 2013, Mrs. Sng was Independent Non-executive Director and a member of the Audit Committee of ARA Trust Management (Suntec) Limited, the manager of Suntec REIT listed on the Main Board of SGX-ST. Prior to her appointments with Singapore Technologies Pte Ltd, where she was Director of Special Projects (North East Asia) in 2000 and a Senior Consultant (International Business) from 2001 to 2013, Mrs. Sng was the Managing Director of Capitaland Hong Kong Ltd for investment in Hong Kong and the region including Japan and Taiwan. In Hong Kong, Mrs. Sng was a Director of INFA Systems Ltd from 2007 to 2013, the Centre Director and then Regional Director of the Singapore Economic Development Board and Trade Development Board respectively from 1983 to 1997. She was Singapore's Trade Commissioner in Hong Kong from 1990 to 1997.

Mrs. Sng, who holds a Bachelor of Arts degree from the Nanyang University of Singapore, has wide experience in various fields of industrial investment, business development, strategic and financial management, especially in property investment and management. In 1996, Mrs. Sng was conferred the title of PPA (P) – Pingat Pentadbiran Awam (Perak), the Singapore Public Administration Medal (Silver).

## ● Board of Directors and Senior Management

### Lan Hong Tsung, David

#### *Independent Non-Executive Director*

Dr. Lan, aged 74, has been a Director of the Manager since 2010. He is an Independent Non-Executive Director and a member of the Audit Committee. He is also an Independent Non-executive Director, the Chairman of the Audit Committee and a member of the Designated (Finance) Committee of ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT). Dr. Lan is also an Independent Non-executive Director of other listed companies in Hong Kong including CK Infrastructure (in which he is a member of the Audit Committee), Hutchison Telecommunications Hong Kong Holdings Limited (“HTHKH”) (in which he is a member of the Audit Committee and Chairman of Remuneration Committee) and SJM Holdings Limited. Dr. Lan is currently the Chairman of David H T Lan Consultants Ltd., Supervisor of Nanyang Commercial Bank (China), Limited and holds a directorship at Nanyang Commercial Bank Ltd. as well as being a Senior Advisor of Mitsui & Co. (H.K.) Ltd.. Dr. Lan is also the President of the International Institute of Management.

Dr. Lan was the Secretary for Home Affairs of the Government of HKSAR until his retirement in July 2000. He had served as civil servant in various capacities for 39 years and was awarded the Gold Bauhinia Star Medal (GBS) on 1 July 2000. He was appointed to the 10th and 11th sessions of National Committee Member of the Chinese People’s Political Consultative Conference of the People’s Republic of China. Dr. Lan is a Chartered Secretary and a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

Dr. Lan received his Bachelor of Arts degree from the University of London and completed the Advanced Management Program (AMP) of the Harvard Business School, Boston. He was also awarded Fellow, Queen Elizabeth House (Oxford). Dr. Lan was conferred with the Degree of Doctor of Humanities, *honoris causa* by Don Honorio Ventura Technological State University and holder of Visiting Professorship Awards of Bulacan State University and Tarlac State University.

### Ma Lai Chee, Gerald

#### *Alternate Director to Ip Tak Chuen, Edmond*

Mr. Ma, aged 46, has since April 2008 been an Alternate Director to Mr. Ip Tak Chuen, Edmond, a Director of the Manager. He is currently Member of Executive Committee and General Manager, Corporate Business Development Department of Cheung Kong. He also serves as a Non-executive Director and a member of the Designated (Finance) Committee of ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT). Mr. Ma is an Alternate Director to Mr. Lai Kai Ming, Dominic, Non-executive Director of HTHKH. Cheung Kong, Prosperity REIT and HTHKH are listed on the Main Board of SEHK.

Mr. Ma has over 25 years of experience in banking, investment and portfolio management, real estate development and marketing, as well as managing IT related ventures and services. He is a member of the Hospitality Services Committee of Caritas Hong Kong. He is also a member of the President Circle, the Dean’s Advisory Board for the Faculty of Arts and the China Advisory Council for the Sauder School of Business of the University of British Columbia, Canada. He holds a Bachelor of Commerce degree in Finance and a Master of Arts degree in Global Business Management.

## SENIOR MANAGEMENT

### Chiu Yu, Justina

#### *Chief Executive Officer*

Ms. Chiu was appointed as the Chief Executive Officer of the Manager with effect from 2 February 2015.

Biographical information of Ms. Chiu is set out in the previous section of Board of Directors, of which she is a member. Ms. Chiu is responsible for working with the Board of Directors to determine the strategy for Fortune REIT. She is also responsible for the business of the Manager in Hong Kong and Singapore including the day-to-day operations of Fortune REIT, investment proposals, strategic planning and marketing.

### Hung Yuen Chun, Jenny

#### *Director, Investments and Investor Relations*

Ms. Hung joined the Manager in 2006. She is the Director, Investments and Investor Relations and a Responsible Officer of the Manager. Ms. Hung is responsible for communicating and liaising with Unitholders and investors of Fortune REIT. Ms. Hung is also responsible for identifying and evaluating potential acquisitions or divestments which are consistent with the Manager's investment strategy.

Ms. Hung has more than 15 years experience in the real estate industry with exposure to the Hong Kong and PRC markets. Prior to joining the Manager, Ms. Hung worked for Cheung Kong for six years. Ms. Hung holds a Bachelor of Science degree in Surveying (First Class Honours) from the University of Hong Kong. She is a qualified General Practice Surveyor and an associate member of the Hong Kong Institute of Surveyors.

### Yap Shee Liam, William

#### *Assistant Finance Director*

Mr. Yap joined the Manager in 2012. He heads the finance team and oversees the functions on all accounting, finance, treasury matters pertaining to Fortune REIT.

From 2008 to 2012, Mr. Yap was the Deputy Financial Controller of a company listed on SEHK with principal activities of property development, property investment, investment in and operation of hotels and restaurants. Mr. Yap served as an auditor with Messrs. Deloitte Touche Tohmatsu from 1997 to 2008.

Mr. Yap is a fellow member of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor Degree in Business Administration with major in Accounting from Hong Kong Baptist University.



THE POWER TO  
ADHERE  
STRICTEST  
COMPLIANCE





## WE ARE THE ONLY DUAL-LISTED REIT

As being the only REIT dual-listed in Hong Kong and Singapore, we follow the stricter of the two regimes and commit to the highest standard of corporate governance.

The values of Respect, Excellence, Integrity and Transparency will continue to guide Fortune REIT towards success.

# CORPORATE GOVERNANCE POLICIES

Guided by the 'REIT' spirit of RESPECT, EXCELLENCE, INTEGRITY AND TRANSPARENCY, the Board resolves to continue adhering to the highest standards of corporate governance, business ethics, and corporate social responsibility, thus ensuring solid leadership is in place for creating long-term returns for its stakeholders.

With the objectives of establishing and maintaining high standards of corporate governance, certain policies and procedures have been put in place to promote the operation of Fortune REIT in a transparent manner and with built-in checks and balances. The Manager has adopted a compliance manual ("**Compliance Manual**") which sets out the key processes, systems, measures, and certain corporate governance policies and procedures applicable for governing the management and operation of Fortune REIT and for compliance with the applicable Hong Kong regulations and legislation. As Fortune REIT is a real estate investment trust with dual primary listing of its units in Singapore and Hong Kong, Fortune REIT and/or the Manager are subject to the laws, rules and regulations in Singapore and Hong Kong applicable to Fortune REIT and/or the Manager (the "**Applicable Rules**"), corporate governance practices and policies referred to in the Singapore Code of Corporate Governance 2012 ("**Singapore Code**"), contained in the listing manual of the SGX-ST ("**SGX-ST Listing Manual**") and the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the SEHK (the "**Hong Kong Listing Rules**"), where applicable. The Manager confirmed that it has in material terms complied with the provisions of the Compliance Manual and has adhered to the principles and guidelines set

out in the Singapore Code and the CG Code which are applicable to Fortune REIT and/or the Manager throughout the Reporting Year and has provided explanations in cases of deviations (if any) in this report. Set out below is a summary of the key components of the corporate governance policies that have been adopted and complied with by the Manager and/or Fortune REIT.

During the Reporting Year, the Compliance Manual had been amended (1) by updating references to the predecessor Companies Ordinance to the new Companies Ordinance (Cap. 622 of the Laws of Hong Kong) which had become effective on 3 March 2014; (2) to reflect responsibility of the Board in achieving diversity of the Board composition by reviewing the structure, size and composition as well as new appointment of directors of the Manager from time to time; (3) by re-writing the Corporate Communications/ Disclosure Standards to adopt the new disclosure standards on inside information as required under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "**SFO**") and Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission (the "**SFC**"); and (4) by making consequential amendments to the On-going Disclosure Requirements in Hong Kong and other relevant sections as a result of the new disclosure standards.

## AUTHORIZATION STRUCTURE

Fortune REIT is a collective investment scheme authorized by:

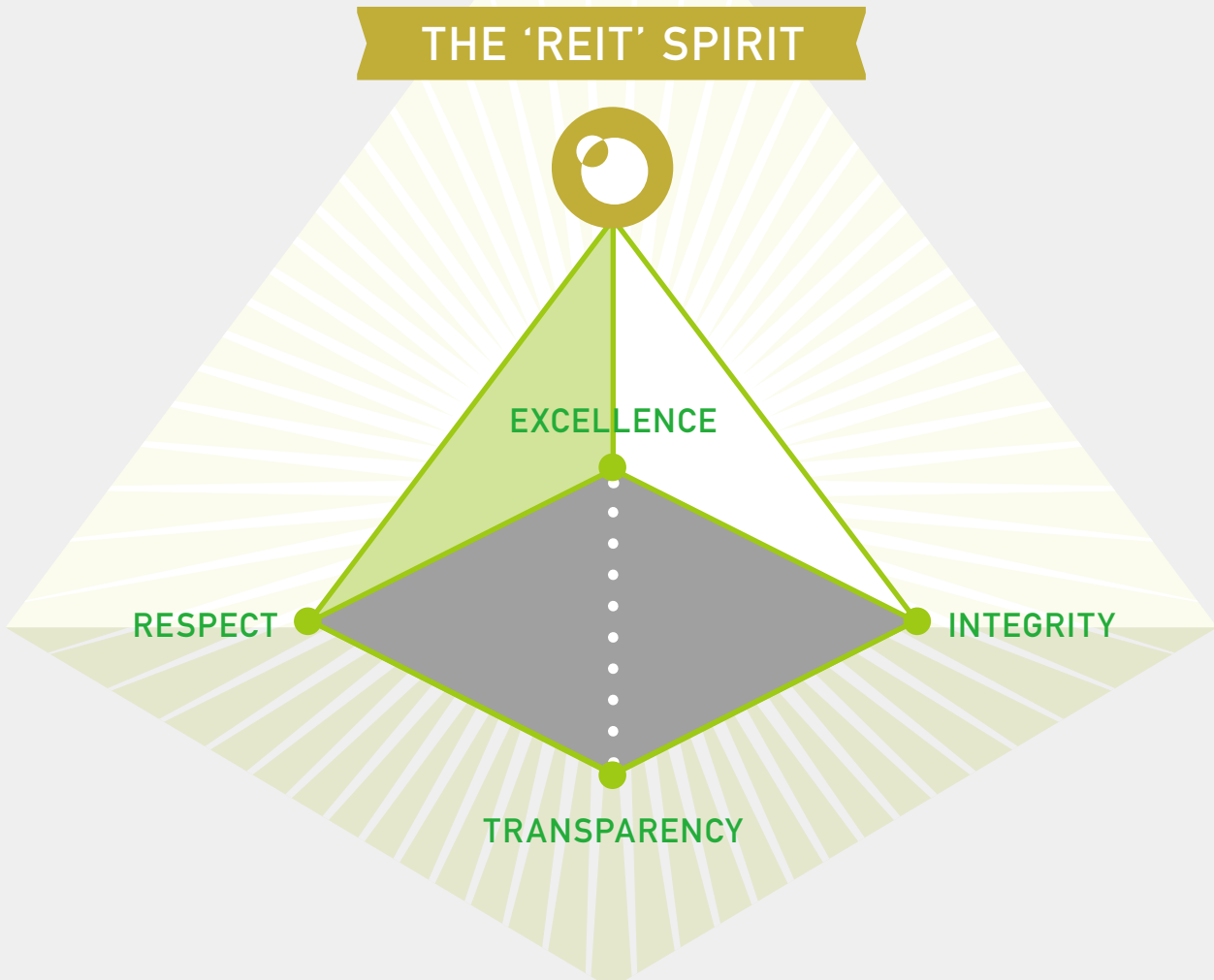
- (i) the Monetary Authority of Singapore (“**MAS**”) under Section 321 of the Securities and Futures Act (Cap. 289) (the “**SFA**”) and regulated by the provisions of the Code on Collective Investment Schemes (the “**CIS**”); and
- (ii) SFC under Section 104 of the SFO and regulated by the provisions of the Code on Real Estate Investment Trusts (the “**REIT Code**”).

The Manager is licensed by the SFC to conduct the regulated activity of asset management (Type 9) under Part V of the SFO. Ms. Chiu Yu, Justina and Ms. Hung Yuen Chun, Jenny are the

Responsible Officers of the Manager pursuant to the requirements of section 125 of the SFO and Chapter 5.4 of the REIT Code. Ms. Chiu Yu, Justina is an Executive Director of the Manager pursuant to the requirements of Section 125 of the SFO.

The Manager is also licensed by MAS to conduct the regulated activity of REIT management under the SFA. Ms. Chiu Yu, Justina, Ms. Hung Yuen Chun, Jenny and Mr. Ang Meng Huat, Anthony are the Capital Market Services licensed representatives of the Manager pursuant to the Securities and Futures (Licensing and Conduct of Business) Regulations (Reg. 10).

The Trustee is qualified to act as a trustee for collective investment schemes authorized under the SFO pursuant to the REIT Code.



## ● Corporate Governance Policies

### ROLES OF THE TRUSTEE AND THE MANAGER

The Trustee and the Manager are independent of each other. The Trustee is responsible under the Trust Deed for the safe custody of the assets of Fortune REIT on behalf of the Unitholders. The Manager's role under the Trust Deed is to manage Fortune REIT in accordance with the Trust Deed and, in particular, to ensure that the financial and economic aspects of the assets of Fortune REIT are professionally managed in the sole interest of the Unitholders. The Manager gives recommendations to the Trustee on acquisitions, divestments and enhancement of the assets of Fortune REIT in accordance with the stated investment strategy of Fortune REIT.

### BOARD OF DIRECTORS OF THE MANAGER

The Board is responsible for corporate governance and the overall management of the Manager including establishing goals for management and monitoring the achievement of these goals. All Board members participate in matters relating to corporate governance, business operations and risks, financial performance and the nomination and review of the performance of the directors of the Manager (the "**Directors**"). The Board has established a framework for the management of Fortune REIT and the Manager, including a system of internal controls and business risk management processes.

The Board meets to review the Manager's key activities. Board meetings are held once every quarter (or more often if necessary) to discuss and review the strategies and policies of Fortune REIT, including any significant acquisitions and disposals, annual budget, financial performance of Fortune REIT and to approve the release of the quarterly, half year and full year results. The Board also reviews the risks to the assets of Fortune REIT, and acts upon any comments from the auditors of Fortune REIT (the "**Auditors**"). Ad-hoc Board meetings would be held, as and when necessary, to address significant transactions or issues that may arise in between scheduled meetings. In lieu of physical meetings, written resolutions are also circulated for approval by the Board.

The Board also reviews major financial decisions and the performance of the Manager. Subject to the matters specifically reserved for the Board as set out in the Compliance Manual, the Board delegates day-to-day management and certain supervisory functions to relevant management teams and committees of the Board.

The Board presently comprises nine members, seven of whom are Non-Executive Directors. Three of the Non-Executive Directors are Independent Non-Executive Directors ("**INEDs**"). The composition of the Board is determined on the following principles:

- the Chairman of the Board (the "**Chairman**") shall be a Non-Executive Director;
- the Board shall comprise Directors with a broad range of commercial experience including expertise in fund management and the property industry; and
- at least one-third of the Board should comprise INEDs, with a minimum of three INEDs.

The Board comprises persons who as a group provide core competencies, such as business and management experience, finance, legal and fund management experience necessary and critical to meet the Manager's objectives. This also enables management to benefit from the external and expert perspectives of the Directors who collectively possess the core competencies relevant to the direction and growth of Fortune REIT and its subsidiaries (the "**Group**"). The Board is responsible for the review of the structure, size and composition as well as new appointment of directors from time to time to ensure that the Board has the appropriate mix of expertise and experience in order to achieve a balance of skills, experience and diversity of perspectives.

In reviewing Board composition, the Board will from time to time consider the benefits of all aspects of diversity including but not limited to gender, age, cultural, educational background and professional experience, in order to maintain an appropriate range and balance of skills, experience and background of the Board. The Board is of the view that its current Board size of nine members is appropriate, taking into account the nature and scope of operations of the Group.

The Non-Executive Directors contribute to the Board process by monitoring and reviewing management's performance against goals and objectives of Fortune



REIT and/or the Manager. Their views and opinions provide alternate perspectives to the Group's business. When challenging management's proposals or decisions they bring independent judgement to bear on business activities and transactions involving conflicts of interest and complexities.

The independence of Directors is reviewed upon appointment and thereafter the Board also reviews the independence of INEDs annually based on the independence criteria set out in the Compliance Manual and the Applicable Rules.

The Board has received written annual confirmations from Mr. Lim Lee Meng, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Dr. Lan Hong Tsung, David of his/her independence pursuant to the "Criteria for Independence of INEDs" set out in the Compliance Manual. The Board has determined that Mr. Lim Lee Meng, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Dr. Lan Hong Tsung, David are independent in character and judgement and that there are no relationships or circumstances which are likely to affect or could appear to affect their judgement and no individual or small group of individuals dominates the Board's decision-making process.

Mr. Lim Lee Meng and Mrs. Sng Sow-Mei (alias Poon Sow Mei) have served on the Board for more than nine years from the date of their first appointment. Their independence have been subject to particularly rigorous review. The Board is of the view that they continue to be independent in character and judgement and continue to contribute objectively and positively to the Board process. The Board acknowledges and recognizes the benefits of the wealth of useful and relevant experience and stability brought by long-serving Directors, and remains committed to a progressive renewal of its Board membership.

Although the Directors have other listed company board representations and principal commitments, the Board has determined, during an informal assessment of the Board's performance, that individual Directors have devoted sufficient time and attention to their role as Directors and to the affairs of the Manager and Fortune REIT. The Board is of the view that such appointments do not hinder the Directors from carrying out their duties as Directors of the Manager and therefore believes that it would not be necessary to

prescribe a maximum number of listed company board representations and principal commitments that a Director may hold.

The positions of Chairman and Chief Executive Officer ("CEO") are held by two different persons in order to maintain an effective segregation of duties. The Chairman of the Board is Dr. Chiu Kwok Hung, Justin who is a Non-Executive Director. The CEO is Ms. Chiu Yu, Justina, also an Executive Director and a Responsible Officer of the Manager. Ms. Chiu Yu, Justina is the daughter of Dr. Chiu Kwok Hung, Justin, Chairman of the Manager.

The Chairman leads Board discussions and deliberations and is responsible for setting the meeting agenda of Board meetings. He ensures that Board meetings are held when necessary. He promotes high standards of corporate governance and maintains effective communication with the Unitholders. The CEO is responsible for the day-to-day management of the Manager and Fortune REIT. She executes the strategic plans set out by the Board and ensure that the Directors are kept updated and informed of Fortune REIT's business via management reports.

The Singapore Code recommends the appointment of an independent Director to be Lead Independent Director where the Chairman is not an independent Director. Mr. Lim Lee Meng was appointed Lead Independent Director on 15 July 2013. He serves as an alternative channel of communication for Unitholders in the event that the standard channels via management are not appropriate. In this role, he can also facilitate periodic meetings of INEDs without the presence of management and provide feedback to the Chairman after such meetings.

All Directors are provided with regular updates on changes in the relevant laws and regulations to enable them to make informed decisions in discharging their duties and responsibilities. Directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contributions to the Board remain informed and relevant. The Manager provides Directors with information on the relevant external training courses, arranges and funds their training as and when required and their attendance records of external training will be kept and provided

## ● Corporate Governance Policies

to the Manager when the Applicable Rules apply. Structured induction/orientation/training opportunities are provided to the Directors through initiatives such as site visits, briefings at Board meetings and training workshops organized for Directors.

The Board is of the view that there are sufficient safeguards and checks to ensure that the decision-making process of the Board is independent and based on the collective decision of Directors.

In considering persons for appointment as Directors, the Board will consider a number of factors to assess whether such persons are fit and proper to be Directors, including those set out in the Compliance Manual, such as (a) educational or other qualifications or experience having regard to the nature of the functions to be performed; (b) ability to carry out their duties competently, honestly and fairly; and (c) reputation, character, reliability and integrity.

As the Manager is not itself a listed company, the Manager does not consider it is necessary for the Board to establish a Nominating Committee. A Director is appointed on the principles outlined earlier in this report, and his/her ability to contribute to the proper guidance of the Manager in its management of Fortune REIT.

The Manager believes that contributions from each Director go beyond his/her attendances at Board and Board committee meetings.

Management provides the Board with timely and adequate information on Board matters and issues requiring the Board's deliberation. Management also provides monthly updates to the Board on Fortune REIT's performance. All Directors are also provided with ongoing reports relating to the operational and financial performance of Fortune REIT to enable them to exercise effective oversight over Fortune REIT's operational and financial performance.

Board meetings for each year are scheduled in advance to facilitate Directors' individual administrative arrangements in respect of ongoing commitments. Board papers are generally circulated at least three days in advance of each meeting and include background explanatory information to enable Directors to make informed decisions. Such explanatory information may also be in the form of briefings to Directors or formal presentations by senior management staff in attendance at Board meetings, or by external professionals.

The Board has separate and independent access to the Company Secretaries and to senior management staff at all times. At least one of the Company Secretaries, or their authorized designate(s), will attend all meetings of the Board and Board committees and prepares minutes of board proceedings. They assist the Chairman to ensure that Board procedures are followed and are regularly reviewed to ensure the effective functioning of the Board and compliance with relevant rules and regulations. The Company Secretaries also assist the Chairman and the Board to implement and strengthen corporate governance practices and processes with a view to enhancing long-term Unitholders' value.

Where Directors require independent professional advice in the course of their duties, such advice will be provided at the Manager's expense.

Subsequent to the publication of the Interim Report 2014 of Fortune REIT, the Manager received notifications regarding the following changes of Directors' information:

- Mr. Ang Meng Huat, Anthony (i) has *ipso facto* ceased as alternate director to Mr. Lim Hwee Chiang on the board of directors of Am ARA REIT Managers Sdn Bhd, the manager of AmFIRST REIT which is listed in Malaysia with effect from 1 August 2014; and (ii) has been appointed as director of Am ARA REIT Managers Sdn Bhd, the manager of AmFIRST REIT which is listed in Malaysia with effect from 1 August 2014.
- Dr. Lan Hong Tsung, David has ceased as independent non-executive director of Hutchison Harbour Ring Limited which is listed in Hong Kong with effect from 19 December 2014.
- Ms. Chiu Yu, Justina has been acting as a director of Prolific Elite Enterprises Limited with effect from 2 December 2014; Prolific Rainbow Limited and Lion Year Holdings Limited with effect from 5 December 2014 and Aqualand Investment Limited and LGF Investment Limited with effect from 9 January 2015, all of them are special purpose vehicles of Fortune REIT.
- Mr. Ma Lai Chee, Gerald has ceased to be a director of AMTD Financial Planning Limited with effect from 9 October 2014.

Five board meetings of the Manager were held in the Reporting Year and the attendance record of the Board meetings is as follows:

Members of the Board		Attendance
Chairman and Non-Executive Director	Dr. Chiu Kwok Hung, Justin	5/5
Executive Directors	Mr. Ang Meng Huat, Anthony	5/5
	Ms. Chiu Yu, Justina	5/5
Non-Executive Directors	Mr. Lim Hwee Chiang	5/5
	Mr. Ip Tak Chuen, Edmond	5/5
	Ms. Yeung, Eirene	5/5
Lead Independent Director and Independent Non-Executive Director	Mr. Lim Lee Meng	5/5
Independent Non-Executive Directors	Mrs. Sng Sow-Mei (alias Poon Sow Mei)	5/5
	Dr. Lan Hong Tsung, David	5/5

Apart from the regular Board meetings, the Chairman had convened one meeting with the Non-Executive Directors (including INEDs) without the presence of Executive Directors during the Reporting Year.

## AUDIT COMMITTEE

The Board has established an Audit Committee with clear terms of reference to assist it in discharging its responsibilities. The role of the Audit Committee is to, among other things, safeguard the assets of the Manager and Fortune REIT, assist the Board with discharging its responsibility to maintain adequate accounting records, develop and maintain an effective system of internal controls and risk management, ensure integrity of financial statements and provide arrangements whereby concerns on financial improprieties or other matters raised by “whistle-blowers” are investigated and appropriate follow-up action taken.

The Audit Committee meets with the internal and external Auditors, without the presence of the management, at least once annually. Both the external Auditors and the internal Auditors have confirmed that for the Reporting Year, they had received full co-operation of the management and no restrictions had been placed on their scopes of audit.

The Audit Committee also, among other things, monitors the procedures established to regulate transactions with “connected person” (as defined in the REIT Code) and transactions with “interested person/

party” (as defined in the SGX-ST Listing Manual and the Code on Collective Investment Schemes, Appendix 6 – Property Funds).

The Audit Committee presently comprises three INEDs, namely Mr. Lim Lee Meng, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Dr. Lan Hong Tsung, David. Mr. Lim Lee Meng is the Chairman of the Audit Committee. All members of the Audit Committee have years of experience in senior management positions. The Board is of the view that the Audit Committee members, having accounting and related financial management expertise or experience, are appropriately qualified to discharge their responsibilities.

During the Reporting Year, the Audit Committee has:

- (i) reviewed the internal and external audit plans, including the nature and scope of work before commencement of these audits;
- (ii) met with the Group’s internal and external Auditors on a quarterly basis to discuss their findings as set out in their respective reports;
- (iii) reviewed and approved the consolidated statements of profit or loss and other comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows and independent Auditors’ reports;

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(iv) reviewed the aggregate amount of fees paid to the external Auditors for the Reporting Year and the breakdown of the fees paid in total for audit and non-audit services respectively. It is satisfied that such non-audit services would not affect the independence of the external Auditors. The external Auditors have also affirmed their independence in this respect to the Audit Committee.

The Audit Committee, with the concurrence of the Board, has recommended the re-appointment of Deloitte & Touche LLP and Deloitte Touche Tohmatsu as external Auditors at the forthcoming Annual General Meeting (“**AGM**”) of the Unitholders.

Fortune REIT complies with Rules 712 and 715 of the SGX-ST Listing Manual in relation to the external Auditors. Rule 716 of the SGX-ST Listing Manual is not applicable as the same auditing firm is appointed for Fortune REIT and its subsidiaries;

- (v) reviewed on a half-yearly basis, dealings by the Manager and Directors pursuant to the Code Governing Dealings in Units by Directors or the Manager (the “**Units Dealing Code**”) and the conduct and performance of the Directors or members of the governing bodies of the special purpose vehicles of Fortune REIT; and
- (vi) reviewed the independence of INEDs annually and is satisfied that none of them are related and have any relationship with the Manager or its related companies or its officers which could interfere or to be reasonably perceived to interfere with the exercise of their independent judgement.

Four Audit Committee meetings were held in the Reporting Year. The attendance record of the Audit Committee meetings is as follows:

Members of the Audit Committee	Attendance
Mr. Lim Lee Meng	4/4
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	4/4
Dr. Lan Hong Tsung, David	4/4

The Audit Committee met four times with the external Auditors for reviewing the financial report and accounts of Fortune REIT during the Reporting Year.

Pursuant to the waiver from strict compliance with the requirement under Clause 9.13(b) of the REIT Code granted by the SFC, the Audit Committee confirms that the public relations-related expenses (the “**PR Expenses**”) are incurred in accordance with the internal control procedures of the Manager and the nature of the PR Expenses are incurred solely for the purposes as set out under Clause 4.3 of the Trust Deed.

During the Reporting Year, the Audit Committee was also kept apprised of changes to accounting standards and issues which have a direct impact on Fortune REIT’s financial statements via timely updates by the external Auditors at Audit Committee meetings.

The Audit Committee has put in place a whistle-blowing policy, which has been extended to persons other than staff of the Manager. Under this policy, the Audit Committee reviews arrangements by which staff of the Manager and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The policy provides a communication channel for all employees of the Manager, as well as any other persons, who may in confidence raise concerns about possible improprieties and obstructive action within the Manager. The policy also protects complainants from reprisals or victimization when they whistle blow in good faith and without malice. The objective is to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action.

Details of the whistle-blowing policy and arrangements have been made available to all employees of the Manager. The description of the policy is also available on the Manager’s website to facilitate participation by other persons. There have been no whistle-blowing incidents reported during the Reporting Year.

## DISCLOSURES COMMITTEE

The Board has also established a Disclosures Committee with clear terms of reference to assist in reviewing matters relating to the disclosure of information to Unitholders and public announcements.

The Disclosures Committee presently comprises three members, namely Ms. Yeung, Eirene, a Non-Executive Director, Ms. Chiu Yu, Justina, CEO and an Executive Director and Mr. Lim Lee Meng, an INED. Ms. Chiu Yu, Justina, is the Chairman of the Disclosures Committee.

Four Disclosures Committee meetings were held in the Reporting Year. The attendance record of the Disclosures Committee meetings is as follows:

Members of the Disclosures Committee	Attendance
Ms. Yeung, Eirene	4/4
Ms. Chiu Yu, Justina	4/4
Mr. Lim Lee Meng	4/4

## DESIGNATED COMMITTEE

The Board has also established a Designated Committee with clear terms of reference to assist it in reviewing matters relating to hedging strategies, financing and refinancing arrangements and transactions involving derivative instruments for hedging purposes.

The Designated Committee presently comprises three members, namely Mr. Ip Tak Chuen, Edmond, a Non-Executive Director, Ms. Chiu Yu, Justina, CEO and an Executive Director, and Mr. Lim Lee Meng, an INED. Ms. Chiu Yu, Justina is the Chairman of the Designated Committee.

One Designated Committee meeting was held in the Reporting Year and all the members had attended the meeting.

## REMUNERATION MATTERS

Fortune REIT, as a trust, is externally managed by the Manager which has experience and well-qualified management personnel to manage the operational matters of the Manager and Fortune REIT. Fortune REIT itself does not employ any staff.

Remuneration of the Directors, employees and officers of the Manager are not paid out of the trust property of Fortune REIT, but are paid directly by the Manager

from the fees it receives. The Manager adopts the remuneration policies and practices of its holding company, ARA Asset Management Limited, which has a remuneration committee that determines and recommends to the Manager's Board the remuneration framework of the Directors and key management personnel.

## INTERNAL CONTROLS

The Manager has put in place a system of internal controls and the relevant procedures and processes to safeguard Fortune REIT's assets, Unitholders' interests as well as to manage risks. The Board, through the Audit Committee, reviews the adequacy and effectiveness of the Manager's and Fortune REIT's internal controls including financial, operational, compliance and information technology controls and risk management policies and systems. The Audit Committee also reviews the adequacy of resources, qualifications and working experience of the Manager's staff carrying out Fortune REIT's accounting and financial reporting functions, their training programmes and budget.

The Manager has engaged BDO Financial Services Limited, an independent third party, which is a member firm of BDO International, to conduct internal audit reviews of Fortune REIT's operations. The functions of the internal Auditor include reviewing and making recommendations to the Board or the Audit Committee (as the case may be) to ensure effective segregation of duties and operational functions of the Manager and the effectiveness and accuracy for reporting irregularities and infringements of the Manager's operational and compliance procedures. The internal Auditors report directly to the Audit Committee on audit findings and to the management on administrative matters.

The Audit Committee reviews and approves the annual internal audit plan and reviews the internal audit reports and activities. The Audit Committee is of the view that the internal Auditors have adequate resources to perform their functions and have discharged their duties to the best of their ability and are independent of the activities that they audit. The internal Auditors have carried out their functions according to the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.



## ● Corporate Governance Policies

### RISK ASSESSMENT AND MANAGEMENT OF BUSINESS RISK

Effective risk management is a fundamental part of Fortune REIT's business strategy. Recognizing and managing risk is central to the business and to protecting Unitholders' interests and value. Fortune REIT operates within overall guidelines and specific parameters set by the Board. Each transaction is comprehensively analyzed to understand the risks involved. Responsibility for managing risks lies initially with the business units concerned, working within the overall strategy and risk tolerance established by the Board, in conjunction with the Audit Committee.

The Audit Committee and the Board meet quarterly, or more often if necessary, and review the financial performance of Fortune REIT. The Board also reviews the risks to the assets and operations of Fortune REIT, and acts upon any comments from Auditors. In assessing business risk, the Board with the concurrence of the Audit Committee, considers the economic environment and the property industry risk. The management meets weekly to review the operations of Fortune REIT and discuss continuous disclosure issues.

Key risks, control measures and management actions are continually identified, reviewed and monitored by the management as part of Fortune REIT's enterprise-wide risk management framework. The internal Auditors assist and guide the management in the formulation of risk policies and processes to effectively identify, evaluate and manage significant risks.

The Manager has established a risk identification and management process. In Fortune REIT, risks are proactively identified and addressed. The risk profiles are reported to the Audit Committee and the Board on a quarterly basis to highlight changes in the risk assessment, quantitative and qualitative factors affecting the inherent risks and effectiveness of mitigatory controls supporting the residual risks. The ownership of these risks lies with the respective business units with stewardship residing with the Board.

Action plans to manage the risks are continually being monitored and refined by the management and the Board. The internal Auditors conduct audits to review the risk management framework and assess the effectiveness of the internal controls system in Fortune REIT, including material financial, operational

and compliance controls. Any material non-compliance or lapses in internal controls together with corrective measures are reported to the Audit Committee. Additionally, in performing its audit of the financial statements, the external Auditors perform tests over operating effectiveness of certain controls that they intend to rely on which are relevant to Fortune REIT's preparation of its financial statements. The external Auditors report any significant deficiencies in such internal controls to the Audit Committee.

Based on the framework established and the reviews conducted by the internal and external Auditors, the Board opines, with the concurrence of the Audit Committee, that there are adequate internal controls and risk management systems in place within the Group in addressing material financial, operational, compliance and information technology controls risks in its current business environment.

The Board has received assurance from the CEO and Assistant Finance Director of the Manager that the financial records have been properly maintained and that the financial statements give a true and fair view of the Fortune REIT's operations and finances. The Board has also received assurance from the CEO and Assistant Finance Director of the Manager regarding the effectiveness of the risk management and internal control systems of the Manager.

### CONFLICTS OF INTEREST

The Manager has instituted the following procedures to deal with potential conflict of interest issues which the Manager may encounter in managing Fortune REIT:

- (a) The Manager is a dedicated manager to Fortune REIT and does not manage any other real estate investment trust which invests in the same type of properties as Fortune REIT or is involved in any other property business.
- (b) The entry into any connected party transaction of Fortune REIT must be reviewed and/or approved by the Audit Committee by a majority vote.
- (c) At least one-third of the Board shall comprise INEDs.

Under the Trust Deed, the Manager and its associates are prohibited from voting at or being part of a quorum for any meeting of Unitholders convened to approve any matter in which the Manager or any of its associates has a material interest in the business to be conducted.

It is also provided in the Trust Deed that as and to the extent required by the REIT Code or any conditions of waivers and exemptions from the operation of the REIT Code granted by the SFC from time to time, the Trustee shall take actions or commence proceedings on behalf of Fortune REIT as necessary, including action against the Manager or other connected persons or (upon request in writing by the Manager) action against any other person including against the Trustee Connected Persons (as defined in the section headed “Connected Party Transactions with the Trustee Connected Persons” below) in relation to any transactions or agreements entered into by the Trustee for and on behalf of Fortune REIT with such persons. However, the Trustee shall have discretion to refrain from taking actions or commencing proceedings after consultation with the Manager if it considers in its absolute discretion that such action is not in the best interests of the Unitholders.

Under the Trust Deed, any Unitholder shall be prohibited from voting its own Units at, or being counted in the quorum for, a meeting at which it has a material interest in the business to be conducted and that interest is different from the interests of other Unitholders (as determined by the Manager, where the Unitholder concerned is not a connected person related to the Manager, or the Trustee, where the Unitholder concerned is not a connected person related to the Trustee, if appropriate, in its absolute opinion) including an issue of new Units where a Unitholder may increase its holdings of Units by more than its pro rata share.

### INTERESTS OF, AND DEALINGS IN UNITS BY DIRECTORS, THE MANAGER OR THE SIGNIFICANT UNITHOLDERS

The Manager has adopted the Units Dealing Code governing dealings in the securities of Fortune REIT by Directors, the Manager and senior executives, officers or other employees of the Manager (collectively, the “**Management Persons**”), on terms no less exacting than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Hong Kong Listing Rules. Pursuant to the Units Dealing Code, Management Persons wishing to deal in any securities of Fortune REIT must first have regard to the provisions of Parts XIII and XIV of the SFO with respect to insider dealing

and market misconduct, as if the SFO applies to the securities of Fortune REIT. In addition, Management Persons must not make any unauthorized disclosure of confidential information or make any use of such information for the advantage of himself, itself or others. Management Persons who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which constitute notifiable transactions under Chapter 14 of the Hong Kong Listing Rules or any connected party transactions under the REIT Code or any inside information must refrain from dealing in the securities of Fortune REIT as soon as they become aware of or privy to them until proper disclosure of the information in accordance with the Applicable Rules is made. Management Persons who are privy to relevant negotiations or agreements or any inside information should caution those Management Persons who are not privy that there may be inside information and that they must not deal in the securities of Fortune REIT for a similar period. Similarly, where the Manager is in possession of any inside information, it must refrain from dealing in the securities of Fortune REIT as soon as it becomes privy to such information until proper disclosure of the information in accordance with the Applicable Rules is made. Pursuant to the Units Dealing Code, the Management Persons must not deal in any securities of Fortune REIT on any day on which Fortune REIT’s financial results are published and:

- (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (b) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results;

unless the circumstances are exceptional, for example, the exceptional circumstances as described in the Compliance Manual. In any event, the Management Persons must comply with the procedures set out in the Units Dealing Code.

Specific enquiry has been made with the Management Persons, who confirmed that they have complied with the required standard set out in the Units Dealing Code during the Reporting Year.

## ● Corporate Governance Policies

In addition to the Units Dealing Code, the Manager has also adopted a policy for dealings in Fortune REIT's units pursuant to the provisions of the Listing Rules of the SGX-ST at which Management Persons are prohibited from dealing in Fortune REIT's units:

- (i) during the period commencing one month before the release of Fortune REIT's annual, semi-annual and as applicable, quarterly results and (where applicable) property valuation and ending on the date of announcement of the relevant results;
- (ii) at any time whilst in possession of price-sensitive information; and
- (iii) for short-term considerations.

The Manager has also complied with Rule 1207(19) of the SGX-ST Listing Manual. By virtue of an undertaking to the MAS, the Manager will:

- (i) announce to the SGX-ST the particulars of its holdings in the units and any changes thereto within two business days after the date on which it acquires or disposes of any units, as the case may be; and
- (ii) not deal in the units during the period commencing one month before the public announcement of Fortune REIT's annual, semi-annual and as applicable, quarterly results and (where applicable) property valuation, and ending on the date of announcement of the relevant results.

With effect from 19 November 2012, the Manager is obliged to announce to SGX-ST any changes to its holdings in the units, as soon as practicable and not later than the end of the business day after the date on which it acquires or disposes of any units, as the case may be.

There are procedures in place for monitoring the disclosure of interests by Directors, the chief executive of the Manager (the "**Chief Executive**") and the Manager. The relevant provisions of the SFO and the applicable Singapore rules and regulations shall be deemed to apply to the Manager, the Directors, the Chief Executive and each Unitholder and all persons claiming through or under him.

Under the Trust Deed, Unitholders with a holding of 5% or more of the units in issue will have a notifiable interest and will be required to notify the SEHK, the Trustee and the Manager of their holdings in Fortune REIT. Where the Manager has been notified in writing by such Unitholders, it shall announce the information

stated in the notification to the SGX-ST. The Manager shall keep a register for these purposes and it shall record in the register, against a person's name, the particulars provided pursuant to the notification and the date of entry of such record. The said register shall be available for inspection by Unitholders at the registered offices of the Trustee and the Manager (any time during business hours upon reasonable notice to the Manager).

### COMMUNICATION BETWEEN FORTUNE REIT'S HONG KONG AND SINGAPORE OFFICES

As the management and operations of Fortune REIT are overseen and conducted by the Manager's management teams and staff located in Hong Kong and Singapore, the Manager will ensure that both offices work as a fully integrated team and communicate regularly and work closely together in meeting the investment objectives of Fortune REIT.

### COMMUNICATION WITH UNITHOLDERS

The Applicable Rules require that a listed entity disclose to the market matters that would be likely to have a material effect on the price of the entity's securities. The Manager upholds a strong culture of continuous disclosure and transparent communication with Unitholders and the investing community. The CEO together with the Director, Investments and Investor Relations, oversee this function. The Manager's disclosure policy requires timely and full disclosure of all material information relating to Fortune REIT by way of public releases or announcements through the SGX-ST and the SEHK at the first instance and then including the said releases or announcements on Fortune REIT's website at [www.fortunereit.com](http://www.fortunereit.com).

The Manager also conducts regular briefings for analysts and media representatives, which will generally coincide with the release of Fortune REIT's results. During these briefings, the management will review Fortune REIT's most recent performance as well as discuss the business outlook for Fortune REIT.

## GENERAL MEETINGS

Fortune REIT will also in each year hold an AGM in addition to any other general meetings in that year. The AGM would provide Unitholders with a platform for dialogue with the Manager. Unitholders are encouraged to attend the AGM. The Directors and Chairmen of the respective Board committees and external Auditors would be in attendance at the AGM to answer questions from Unitholders.

Under the Trust Deed, the Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or Unitholder(s) representing not less than 10 per cent of the issued units of Fortune REIT) at any time convene a meeting of Unitholders at such time and place as the party convening the meeting may think fit and propose resolutions for consideration

No extraordinary general meeting was held during the Reporting Year. The attendance record of the Directors at the AGM is as follows:

Name of Directors		Attendance
		<b>AGM</b>
Chairman and Non-Executive Director	Dr. Chiu Kwok Hung, Justin	1/1
Executive Directors	Mr. Ang Meng Huat, Anthony Ms. Chiu Yu, Justina	1/1 1/1
Non-Executive Directors	Mr. Lim Hwee Chiang Mr. Ip Tak Chuen, Edmond Ms. Yeung, Eirene	1/1 0/1 1/1
Lead Independent Director and Independent Non-Executive Director	Mr. Lim Lee Meng	1/1
Independent Non-Executive Directors	Mrs. Sng Sow-Mei (alias Poon Sow Mei) Dr. Lan Hong Tsung, David	1/1 1/1

The attendance record of Mr. Ip Tak Chuen, Edmond by his alternate is as follows:

Name of Alternate Director	Attendance
	<b>AGM</b>
Mr. Ma Lai Chee, Gerald	0/1

The external Auditors of Fortune REIT had attended the AGM to answer questions from the Unitholders.

## REPORTING

Fortune REIT prepares its accounts in accordance with The International Financial Reporting Standards with a financial year end of 31 December and a financial half year of 30 June. In accordance with the Applicable Rules and the Trust Deed, the annual report and accounts for Fortune REIT will be published and sent to Unitholders no later than three months following each financial year end and the interim report no later than two months following each financial half year.

at such meeting. Any such meeting shall be held in Singapore or Hong Kong (as may be determined by the Manager) with an alternate mode of engagement such as video conference.

For greater transparency and fairness in the voting process, voting at Unitholders' meetings are conducted by poll. This allows all Unitholders present or represented at the meetings to vote on a one-unit-one-vote basis. The voting results of all votes cast for or against each resolution is then screened at the meeting and announced after the meeting.

Fortune REIT has been granted a waiver from having to comply with the requirements of Rule 730A(1) of the SGX-ST Listing Manual. The waiver allows Fortune REIT to hold its annual general meetings on an alternate year basis in Hong Kong and Singapore.

## ● Corporate Governance Policies

### MATTERS TO BE DECIDED BY UNITHOLDERS BY EXTRAORDINARY RESOLUTION

Under the Trust Deed, decisions with respect to certain matters require specific prior approval of Unitholders by way of Extraordinary Resolution. Such matters include: (a) disposal of any land or an interest, option or right over any of the land forming part of the assets of Fortune REIT or shares in any property company holding such land, option or right over any of the land for Fortune REIT within two years of the acquisition of such land; (b) any increase in the rate above the permitted limit or change in structure of the Manager's management fees; (c) any increase in the rate above the permitted limit or change in structure of the Trustee's fees; (d) certain modifications to the Trust Deed; (e) termination of Fortune REIT (except in certain limited circumstances); (f) merger of Fortune REIT; (g) removal of the external Auditors and appointment of other auditors; (h) removal of the Trustee; and (i) a change in Fortune REIT's investment policy.

Any decisions to be made by resolution of the Unitholders other than the above shall be made by Ordinary Resolution, unless an Extraordinary Resolution is required by the Applicable Rules.

### DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of a true and fair presentation of the financial statements for the year ended 31 December 2014. They are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the ability of Fortune REIT to continue as a going concern.

The statement of the external Auditors about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report.

### COMPLIANCE WITH THE COMPLIANCE MANUAL

The Manager has in material terms complied with the provisions of the Compliance Manual and has adhered to all the applicable corporate governance practices throughout the Reporting Year.

### REVIEW OF ANNUAL REPORT

The annual report of Fortune REIT for the year ended 31 December 2014 has been reviewed by the Audit Committee and the Disclosures Committee.

### NEW UNITS ISSUED

As at 31 December 2014, the total number of issued units of Fortune REIT was 1,873,046,294. As compared with the position as at 31 December 2013, a total of 14,155,170 new units were issued during the Reporting Year in the following manner:

- On 3 January 2014, 3,642,690 new units were issued to the Manager at a price of HK\$6.0901 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's base fee of approximately HK\$22.1 million payable by Fortune REIT for the period from 1 October 2013 to 31 December 2013.
- On 4 April 2014, 3,739,997 new units were issued to the Manager at a price of HK\$5.8027 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's base fee of approximately HK\$21.7 million payable by Fortune REIT for the period from 1 January 2014 to 31 March 2014.
- On 4 July 2014, 3,415,184 new units were issued to the Manager at a price of HK\$6.7629 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's base fee of approximately HK\$23.0 million payable by Fortune REIT for the period from 1 April 2014 to 30 June 2014.
- On 3 October 2014, 3,357,299 new units were issued to the Manager at a price of HK\$6.9551 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's base fee of approximately HK\$23.3 million payable by Fortune REIT for the period from 1 July 2014 to 30 September 2014.

### REPURCHASE, SALE OR REDEMPTION OF UNITS

During the Reporting Year, other than the disposal of 27,590,000 units by the Manager, there was no repurchase, sale or redemption of units of Fortune REIT by Fortune REIT or its subsidiaries.

### PUBLIC FLOAT

Based on information that is publicly available to the Manager and within the knowledge of the Directors, more than 25% of the Units are held in the hands of the public as at 31 December 2014.



# CONNECTED PARTY TRANSACTIONS

Set out below is the information in respect of the connected party transactions involving Fortune REIT and its connected persons as defined in paragraph 8.1 of the REIT Code:

## CONNECTED PARTY TRANSACTIONS – INCOME

Save as disclosed under the section headed “Connected Party Transactions with the Trustee Connected Persons”, the following tables sets forth information on all connected party transactions from which Fortune REIT derived its income during the Reporting Year:

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Income for the year ended 31 December 2014 HK\$'000	Rental deposit received as at 31 December 2014 HK\$'000
AMTD Strategic Capital Limited	Subsidiary of a significant holder <sup>1</sup>	Leasing transactions	5,320	–
ARA Asset Management (Fortune) Limited	Manager	Leasing transactions	582	161
A.S. Watson Retail (HK) Limited	Subsidiary of an associate of a significant holder <sup>2</sup>	Leasing and licensing transactions	30,373	751
BIGBOXX.com Limited	Subsidiary of an associate of a significant holder <sup>2</sup>	Leasing transactions	2,023	–
Cheung Kong Property Development Limited	Subsidiary of a significant holder <sup>1</sup>	Licensing transactions	43,778	–
Cheung Kong (Holdings) Limited	Significant Holder	Licensing transactions	153	–
Citybase Property Management Limited	Subsidiary of a significant holder <sup>1</sup>	Leasing transactions	3,262	982
Hutchison International Limited	Subsidiary of an associate of a significant holder <sup>2</sup>	Leasing transactions	2,670	–
Hutchison Global Communications Limited	Subsidiary of an associate of a significant holder <sup>2</sup>	Licensing transactions	1,383	370
Hutchison Telephone Company Limited	Subsidiary of an associate of a significant holder <sup>2</sup>	Licensing transactions	8,954	1,470
Hutchison Telecommunications Services Limited	Subsidiary of an associate of a significant holder <sup>2</sup>	Licensing transactions	12	–
Kingswood Property Services Limited	Subsidiary of a significant holder <sup>1</sup>	Leasing transactions	145	–
PARKnSHOP (HK) Limited	Subsidiary of an associate of a significant holder <sup>2</sup>	Leasing and licensing transactions	133,402	255
Towerich Limited	Subsidiary of a significant holder <sup>1</sup>	Licensing transactions	56	16
<b>Total</b>			<b>232,113</b>	<b>4,005</b>

Notes:

1. Significant holder being Cheung Kong.
2. The connected parties are the subsidiaries of Hutchison Whampoa Limited (“HWL”), which is 49.9% owned by Cheung Kong and is defined as an associate under the REIT Code.
3. The connected party is an associate of a significant holder of Fortune REIT, namely Cheung Kong.

## ● Connected Party Transactions

### CONNECTED PARTY TRANSACTIONS – EXPENSES

The following table sets forth information in relation to property management arrangements, third party services and other operational transactions provided by the connected parties for the properties of Fortune REIT during the Reporting Year:

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Expenses for the year ended 31 December 2014 HK\$'000
Cayley Property Management Ltd	Subsidiary of an associate of a significant holder <sup>2</sup>	Property management and operations, project management and carpark lease agency fee	874
Citybase Property Management Ltd	Subsidiary of a significant holder <sup>1</sup>	Property management and operations	951
E-Park Parking Management Limited	Subsidiary of a significant holder <sup>1</sup>	Carpark lease agency fee	6,332
Goodwell-Fortune Property Services Limited	Subsidiary of a significant holder <sup>1</sup>	Property and lease management fee and marketing service fee	63,162
Goodwell Property Management Limited	Subsidiary of a significant holder <sup>1</sup>	Property management and operations	141
Metro Broadcast Corporation Limited	Associate of a significant holder <sup>1</sup>	Advertising and promotion expenses	809
Whampoa Property Management Limited	Subsidiary of an associate of a significant holder <sup>2</sup>	Property management and operations and project management fee	698
<b>Total</b>			<b>72,967</b>

Notes:

1. Significant holder being Cheung Kong.
2. The connected parties are the subsidiaries of HWL, which is 49.9% owned by Cheung Kong and is defined as an associate under the REIT Code.

## CONNECTED PARTY TRANSACTIONS – OTHERS

The following table sets forth information in relation to other services provided by the connected parties to Fortune REIT during the Reporting Year:

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Expenses for the year ended 31 December 2014 HK\$'000
ARA Asset Management (Fortune) Limited	Manager	Manager's fee	129,027
HSBC Institutional Trust Services (Singapore) Limited	Trustee	Trustee's fee	10,721
Jones Lang LaSalle Limited	Principal valuer	Valuation fees	777
<b>Total</b>			<b>140,525</b>

## CONNECTED PARTY TRANSACTIONS WITH THE TRUSTEE CONNECTED PERSONS

### Leasing/licensing transactions

The following table sets forth information on the leasing/licensing transactions between Fortune REIT and the Trustee (and its directors, senior executives, officers, controlling entities, holding companies, subsidiaries and associated companies all within the meaning of the REIT Code) and the HSBC Group<sup>1</sup> (collectively, the "Trustee Connected Persons") during the Reporting Year:

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Income for the year ended 31 December 2014 HK\$'000	Rental deposit received as at 31 December 2014 HK\$'000
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	Trustee Connected Persons	Leasing and licensing transactions	13,427	2,356
Hang Seng Bank Limited	Trustee Connected Persons	Leasing and licensing transactions	15,253	4,139
<b>Total</b>			<b>28,680</b>	<b>6,495</b>

Note:

1. HSBC Group means HSBC and its subsidiaries and unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries (being the subsidiaries of the Trustee but excluding those subsidiaries formed in its capacity as the trustee of Fortune REIT). Specifically, HSBC Group includes Hang Seng Bank Limited and its subsidiaries.

### Provision of Ordinary Banking and Financial Services

Fortune REIT has engaged HSBC Group to provide ordinary course of banking and financial services (namely, bank deposits and interest earned therefrom and loan facilities including interest and charges paid thereto) within the Reporting Year.

## ● Connected Party Transactions

### CONNECTED PARTY TRANSACTIONS – LEASING/LICENSING TRANSACTIONS UNDER WHICH THE ANNUAL INCOME EXCEED HK\$1 MILLION

The following table sets forth information on leasing/licensing transactions with connected persons with annual income that exceeds HK\$1 million:

Name of Connected Party	Relationship with Fortune REIT	Nature of the connected party transaction	Aggregate annual income <sup>1</sup> HK\$'000
AMTD Strategic Capital Limited	Subsidiary of a significant holder <sup>2</sup>	Tenancy at Hampton Loft	4,481
A.S. Watson Retail (HK) Limited	Subsidiary of an associate of a significant holder <sup>3</sup>	Tenancies at Fortune City One, Fortune Kingswood, Ma On Shan Plaza, Metro Town, Belvedere Square, Waldorf Avenue, Provident Square, Smartland and Lido Avenue	23,317
BIGBOXX.com Limited	Subsidiary of an associate of a significant holder <sup>3</sup>	Tenancy at Belvedere Square	1,181
Cheung Kong Property Development Limited	Subsidiary of a significant holder <sup>2</sup>	Licence at Fortune Metropolis	31,108
Citybase Property Management Limited	Subsidiary of a significant holder <sup>2</sup>	Tenancy at Hampton Loft	2,674
Hutchison International Limited	Subsidiary of an associate of a significant holder <sup>3</sup>	Tenancy at Belvedere Square	1,751
Hutchison Telephone Company Limited	Subsidiary of an associate of a significant holder <sup>3</sup>	Licences at Fortune Kingswood and Ma On Shan Plaza	3,677
HSBC	Trustee Connected Persons	Tenancies at Fortune City One and Fortune Kingswood	12,142
Hang Seng Bank Limited	Trustee Connected Persons	Tenancies at Fortune City One, Fortune Kingswood and Ma On Shan Plaza	12,867
PARKnSHOP (HK) Limited	Subsidiary of an associate of a significant holder <sup>3</sup>	Tenancies at Fortune City One, Fortune Kingswood, Ma On Shan Plaza, Metro Town, Fortune Metropolis, Belvedere Square, Waldorf Avenue, Caribbean Square, Provident Square, Jubilee Square, Smartland, Tsing Yi Square, Nob Hill Square and Rhine Avenue	99,289
<b>Total</b>			<b>192,487</b>

Notes:

1. The aggregate annual income stated herein refers to the aggregate base rental/licence income, excluding charge out collection that would have been received for a 12-month period according to the relevant tenancy/licence agreements.
2. Significant holder being Cheung Kong.
3. The connected parties are the subsidiaries of HWL, which is 49.9% owned by Cheung Kong and is defined as an associate under the REIT Code.

## CONFIRMATION BY THE INEDs

The INEDs who are also members of the Audit Committee confirm that they have reviewed the terms of all relevant connected party transactions including those connected party transactions with the HSBC Group and that they are satisfied that these transactions have been entered into:

- (a) in the ordinary and usual course of business of Fortune REIT;
- (b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Fortune REIT than terms available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreement and the Manager's internal procedures governing them, if any, on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

## REPORT FROM AUDITOR OF FORTUNE REIT

Messrs. Deloitte Touche Tohmatsu, auditor of Fortune REIT was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Review of Historical Financial Information" and with reference to Practice Note 740 Auditors Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certificate Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions on leasing/licensing transactions, property management arrangements, third party service and other operational transactions and transactions involving ordinary banking and financial services disclosed by the Group from pages 75 to 79 of this Annual Report in accordance with the waiver from strict compliance with disclosure requirements under Chapter 8 of the REIT Code. A copy of the auditor's letter will be provided by Fortune REIT to the SFC.

## CONFIRMATION BY THE MANAGER AND TRUSTEE OF CORPORATE FINANCE TRANSACTION WITH HSBC GROUP

Both the Manager and the Trustee confirm that there is no corporate finance transaction and other connected party transaction (save and except for those disclosed hereinabove) with the HSBC Group during the Reporting Year.



# DISCLOSURE OF INTERESTS

## UNIT CAPITAL

The total number of issued units as at 31 December 2014 is 1,873,046,294 units.

## HOLDINGS OF SIGNIFICANT UNITHOLDERS AND OTHER UNITHOLDERS

As at 31 December 2014, each of the following persons was considered a "significant Unitholder", and hence a "connected person" of Fortune REIT, for the purpose of the REIT Code:

Name	Direct interest		Deemed interest	
	Number of Units Held Long Position	Percentage of Unit Holdings	Number of Units Held Long Position	Percentage of Unit Holdings
Focus Eagle Investments Limited <sup>1</sup>	413,074,684	22.05%	–	–
Cheung Kong <sup>1</sup>	–	–	525,630,684	28.06%
Schroders Plc <sup>2</sup>	–	–	252,103,042	13.46%

In addition to the significant Unitholders as disclosed above, each of the following persons held, or was deemed to hold 5% or more of the issued units as at 31 December 2014:

Name	Direct interest		Deemed interest	
	Number of Units Held Long Position	Percentage of Unit Holdings	Number of Units Held Long Position	Percentage of Unit Holdings
Ballston Profits Limited <sup>1, 3</sup>	112,556,000	6.01%	–	–
HWL <sup>1</sup>	–	–	112,556,000	6.01%

Notes:

- Focus Eagle Investments Limited was an indirect wholly-owned subsidiary of Cheung Kong; and Ballston Profits Limited was an indirect wholly-owned subsidiary of HWL, which in turn was 49.9% owned by Cheung Kong. Therefore, Cheung Kong was deemed to hold 525,630,684 units, of which: (i) 413,074,684 units were held by Focus Eagle Investments Limited; and (ii) 112,556,000 units were held by Ballston Profits Limited; HWL was deemed to hold 112,556,000 units, which were held by its indirect wholly-owned subsidiary, Ballston Profits Limited.
- Schroders Plc was deemed to be interested in 252,103,042 units of which:
  - 97,974,000 units were held by Schroder Investment Management Ltd;
  - 83,854,000 units were held by Schroder Investment Management (Singapore) Ltd;
  - 69,440,000 units were held by Schroder Investment Management (Hong Kong) Ltd;
  - 120,000 units were held by Schroder Channel Island Limited;
  - 43,000 units were held by Schroder Investment Management North America Limited; and
  - 672,042 units were held by Schroder & Co (Asia) Limited.
- A director of Ballston Profits Limited, Mr. Robin Cheng Khoong Sng is the spouse of Mrs. Sng Sow-Mei (alias Poon Sow Mei).

## INTERESTS OF THE MANAGER

As at 31 December 2014, the Manager held 3,357,998 units, or approximately 0.18% of the issued units of Fortune REIT.

## INTERESTS OF THE DIRECTORS AND SENIOR EXECUTIVES

Details of the unitholding interests of the Directors and senior executives of Fortune REIT as at 31 December 2014 were as follows:

Name	Direct interest		Deemed interest	
	Number of Units Held Long Position	Percentage of Unit Holdings	Number of Units Held Long Position	Percentage of Unit Holdings
<b>Directors</b>				
Lim Hwee Chiang <sup>1</sup>	1,000,000	0.05%	2,100,000	0.11%
Lan Hong Tsung, David <sup>2</sup>	300,000	0.02%	100,000	0.01%
Sng Sow-Mei (alias Poon Sow Mei)	220,000	0.01%	–	–

Notes:

1. Mr. Lim Hwee Chiang was deemed to be interested in the 2,100,000 units held by Citibank Nominees Singapore Pte. Ltd. (as nominee for JL Philanthropy Ltd). Mr. Lim is the settlor of JL Charitable Settlement which is the beneficiary of JL Philanthropy Ltd.
2. Dr. Lan Hong Tsung, David was deemed to be interested in the 100,000 units held by his associate.

## HOLDINGS OF THE OTHER CONNECTED PERSONS

HSBC Bank PLC, being a connected person of Fortune REIT by virtue of its being an associated company of the Trustee, held 84,156 units, or approximately 0.004% of the issued units of Fortune REIT as at 31 December 2014.

Saved as disclosed above, the Manager is not aware of any connected persons (as defined under the REIT Code) of Fortune REIT holding any units of Fortune REIT as at 31 December 2014.

To the best knowledge of the Manager and save as disclosed, the following sets out changes in the beneficial interest of certain connected persons of Fortune REIT, in compliance with rule 8.2(a) of the REIT Code, by reference to comparison of their respective beneficial interests as at 31 December 2014 and 31 December 2013:

- (a) Schroders Plc was beneficially interested in 252,103,042 units as at 31 December 2014 and 238,863,000 units as at 31 December 2013;
- (b) The Manager was beneficially interested in 3,357,998 units as at 31 December 2014 and 16,792,828 units as at 31 December 2013;
- (c) Mr. Lim Hwee Chiang, Director of the Manager, was beneficially interested in 3,100,000 units as at 31 December 2014 and 2,100,000 units as at 31 December 2013;
- (d) Dr. Lan Hong Tsung, David, Director of the Manager, was beneficially interested in 400,000 units as at 31 December 2014 and 100,000 units as at 31 December 2013; and
- (e) HSBC Bank PLC was beneficially interested in 84,156 units as at 31 December 2014 and 1,530,000 units as at 31 December 2013.

# VALUATION REPORT

Our Ref 2/14/00274  
CKL/DC/JW/alc  
13 January 2015

HSBC Institutional Trust Services (Singapore) Limited  
(As Trustee of Fortune Real Estate Investment Trust)  
21 Collyer Quay  
#03-01 HSBC Building  
Singapore 049320

ARA Asset Management (Fortune) Limited  
(As Manager of Fortune Real Estate Investment Trust)  
Units 5508-5510, 55/F  
The Center  
99 Queen's Road Central  
Hong Kong

Dear Sirs

## Market Valuation in respect of 17 Retail Properties for Fortune Real Estate Investment Trust ("Fortune REIT")

### INSTRUCTIONS

We refer to the instruction from ARA Asset Management (Fortune) Limited ("**ARA**"), acting as the manager of Fortune Real Estate Investment Trust (Hong Kong) ("**Fortune REIT**"), and HSBC Institutional Trust Services (Singapore) Limited ("**Trustee**") to conduct property valuations ("**Valuation**") for the Fortune REIT's property portfolio (the "**Portfolio**") as at 31 December 2014 for the Year End Report in compliance with the relevant requirements set out in the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong (SFC), the trust deed of Fortune REIT and, where applicable, the Listing Rules of The Stock Exchange of Hong Kong.

The Portfolio as identified to us for this valuation is listed in Section 2.0 below.

We confirm that we have inspected the Portfolio, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing our opinion of market value of the Portfolio, with the benefit of existing tenancies, as at 31 December 2014 (the "**Date of Valuation**").

## THE PORTFOLIO

The Portfolio comprises the following property interests:

<b>1 Fortune City One</b>	City One Plaza, 1 Ngan Shing Street, Fortune City One Plus, 2 Ngan Shing Street, Fortune City One Market, 8 Lok Shing Street and Various Ground Floor Shops of Residential Towers, City One Shatin, Shatin, New Territories, Hong Kong
<b>2 Fortune Kingswood</b>	Fortune Kingswood as well as other retail, kindergarten, parking lots and ancillary spaces to such areas (including loading bays and external walls), reserve shares and common areas within Kingswood Development, Tin Shui Wai, Yuen Long, New Territories
<b>3 Ma On Shan Plaza</b>	Ma On Shan Plaza, Bayshore Towers, 608 Sai Sha Road, Ma On Shan, Shatin, New Territories, Hong Kong
<b>4 Metro Town</b>	The Shopping Centre of Metro Town, 8 King Ling Road, Tseung Kwan O, New Territories, Hong Kong
<b>5 Fortune Metropolis</b>	Fortune Metropolis, The Metropolis, 6-10 Metropolis Drive, Hung Hom, Kowloon, Hong Kong
<b>6 Belvedere Square</b>	Various Shops, The Clinics, the Kindergartens, a Market, various Car Parking Spaces and Motor Cycle Spaces, Common Areas, Belvedere Garden Phase 1, Nos. 530-590 Castle Peak Road-Tsuen Wan; Belvedere Garden Phase 2, No. 620 Castle Peak Road – Tsuen Wan; Belvedere Garden Phase 3, Nos. 625 Castle Peak Road – Tsuen Wan, Tsuen Wan, New Territories, Hong Kong
<b>7 Waldorf Avenue</b>	Shops on Level 3 and Various Carparks, Waldorf Garden, 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong
<b>8 Caribbean Square</b>	Caribbean Square, Caribbean Coast, 1 Kin Tung Road, Tung Chung, Lantau Island, New Territories, Hong Kong
<b>9 Provident Square</b>	Portion of Basement, Portion of Ground Floor and Portion of Upper Ground Floor (but excluding the Carparking Spaces, Driveways and Appurtenant Areas, the Common Areas & Facilities thereof and therein) and Sub-Basement, 21-53 Wharf Road, North Point, Hong Kong
<b>10 Jubilee Square</b>	Jubilee Square, Jubilee Garden, 2-18 Lok King Street, Shatin, New Territories, Hong Kong
<b>11 Smartland</b>	Various Portions in Smartland, East Asia Gardens, 16 Tsuen Wah Street, Tsuen Wan, New Territories, Hong Kong
<b>12 Tsing Yi Square</b>	Various Portions in Tsing Yi Square, Tsing Yi Garden, 7-19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong
<b>13 Nob Hill Square</b>	Nob Hill Square, Nob Hill, 8 King Lai Path, Kwai Chung, New Territories, Hong Kong
<b>14 Centre de Laguna</b>	Centre de Laguna, 93 Cha Kwo Ling Road, Kindergarten on Ground Floor, 99 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong
<b>15 Hampton Loft</b>	Hampton Loft, Hampton Place, 11 Hoi Fan Road, Tai Kok Tsui, Kowloon, Hong Kong
<b>16 Lido Avenue</b>	Shops on Ground Floor, Lido Garden, 41-63 Castle Peak Road – Sham Tseng, Tsuen Wan, New Territories, Hong Kong
<b>17 Rhine Avenue</b>	Shops on Ground Floor, Rhine Garden, 38 Castle Peak Road – Sham Tseng, Tsuen Wan, New Territories, Hong Kong

### BASIS OF VALUATION

All work is carried out in accordance with the "HKIS Valuation Standards 2012 Edition" published by The Hong Kong Institute of Surveyors ("HKIS"), the "International Valuation Standards" published by the International Valuation Standards Council ("IVSC") and the "RICS Valuation – Professional Standards" published by the Royal Institution of Chartered Surveyors ("RICS") subject to variation to meet local established law. Unless otherwise stated, our valuations are undertaken as External Valuers as defined in the relevant Valuation Standards.

Our valuation is made on the basis of Market Value as defined by IVSC and adopted by HKIS and RICS, set out as:

*"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."*

Our valuation presented in the report would represent 100% interest of the Portfolio and not the share holdings of the company holding the Portfolio interest hereof.

### VALUATION METHODOLOGIES

We have made use of the Income Capitalisation Method cross-referenced with the Direct Comparison Method.

#### Income Capitalisation Method

The income capitalisation method is based on the capitalisation of the current passing rental income and potential reversionary income over the remaining tenure of the Portfolio from the date of valuation at appropriate investment yields to arrive at the capital value. The appropriate adjustments/deductions for rent free period, ongoing vacancy voids/marketing periods and non recoverable expenses for the vacant space have been allowed.

The income capitalisation method can more accurately reflect these property specific factors by utilising various specific assumptions which have been derived via analysis of market evidence. The ability to apply these assumptions in the capitalisation method is by far more appropriate for valuing an investment property where investors' emphasis on delivering returns is of paramount importance.

#### Direct Comparison Method

The direct comparison method is the most widely used method of valuation in Hong Kong and is based on comparing the properties to be valued directly with other comparable properties which recently changed hands or leased. These premises are generally located in the surrounding areas or in another market which is comparable to the properties. However, because of the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative and quantitative differences that may affect the price/rental likely to be achieved by the properties under consideration.

Factors such as tenants covenants, trade mix are difficult to be quantified in the overall unit value of the comparables. Furthermore, good comparables may not be readily available in the market. In the light of the characteristics of the Portfolio, we have therefore placed more weighting on the reliance on the income capitalisation method in arriving at our valuation conclusion.

#### Valuation Reconciliation

The results of the two valuation methods will be reconciled and the assessed value will be analysed in terms of estimated net property yield.

### VALUATION ASSUMPTIONS

#### Valuation Assumptions

Our report is qualified by certain assumptions, definitions and limiting conditions as set out in our General Principles of Valuation, a copy of which is attached as Appendix 1.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Portfolio nor for any expenses or taxation which may be incurred in effecting sales. Unless otherwise stated, it is assumed that the Portfolio is free of encumbrances, restrictions and outgoings of an onerous nature which could affect the capital values of the Portfolio.

#### Title Investigation and Encumbrances

We have conducted land searches of the Portfolio with the Land Registry. However, we have not examined the original documents to verify ownership or to ascertain the existence of any lease amendments, which may not appear on the copies handed to us. All documents and leases have been used for reference only and all dimensions, measurements and areas are approximate.



### Source of Information

We have relied to a considerable extent on the information provided by ARA and have accepted advice given to us on such matters as identification of the Portfolio, planning approvals, statutory notices, easements, tenure, occupation, floor plans, floor areas, tenancy schedule and all other relevant matters.

In the course of our valuation, we have also made reference to inter alia, the following information provided by ARA:

1. Copy of Rent Roll as at 30 November 2014 and 31 December 2014;
2. Copy of Other Retail and Car Park incomes and Car Park expenses from January 2014 to December 2014; and
3. Copy of layout plans of the Portfolio.

Dimensions, measurements and areas included in the report are based on information contained in copies of documents provided to us and are therefore only approximations. No on site measurements have been taken. We have not been instructed to independently verify the information provided to us. Our valuation is totally dependent on the adequacy and accuracy of the information supplied and/or the assumptions made. Should these prove to be incorrect or inadequate, the accuracy of the valuation may be affected.

We have not seen original planning and/or development and occupation consents. We have assumed that the Portfolio has been erected, being occupied and used in accordance with such consents and that there are no outstanding statutory notices.

### Property Inspection

We have inspected the exterior, and where possible the interior of the Portfolio between 28 November 2014 to 4 December 2014.

We have not conducted formal site and structural surveys and, as such, we cannot report that the Portfolio is free from rot, infestation or any other structural defects. We have not carried out a building survey, nor have we inspected those parts of the Portfolio which are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts. No tests have been carried out to any of the services.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the Portfolio, or has since been incorporated, and we are therefore unable to report that the Portfolio are free from risk in this respect. For the purpose of this valuation we have assumed that such investigations would not disclose the presence of any such material to any significant extent.

### Site Investigation

We have not carried out any investigations on site in order to determine the suitability of ground conditions and services etc. for future redevelopment, nor did we undertake archaeological, ecological or environmental surveys. Our valuation is on the basis that these aspects are satisfactory and that where developments are contemplated, no extraordinary expenses or delays will be incurred during the construction period due to these, or to archaeological or ecological matters. In the course of our assessments, we have assumed that no contamination affecting the Portfolio or the neighbouring land. However, should it be established subsequently that contamination exists at the Portfolio or on any neighbouring land, or that the premises have been or are being put to any contaminative use, we reserve the right to adjust the values reported herein.

### Plant and Machinery

Our valuation normally includes all plant and machinery that form part of the building services installations. However, process plant, machinery and equipment which may have been installed wholly in connection with the occupiers' commercial processes, together with furniture and furnishings, tenants' fixtures and fittings are excluded in our valuation.

### Telecommunication Facilities

We have assumed that all telecommunication facilities at the Portfolio are permitted and that all necessary approvals have been obtained from the relevant authorities.

### DISCLOSURE OF INTEREST

Jones Lang LaSalle is unaware of any of our business, relationship or interest in real, potential or apparent conflict with the performance required for the above-mentioned assignment.

### SATISFACTION OF PROPERTY VALUER CRITERIA IN REIT CODE

Jones Lang LaSalle and the qualifications of directors of our firm, are in a position to fulfill and comply fully with paragraphs 6.4, 6.5, 6.6 and 6.7 of the Code on Real Estate Investment Trusts ("REIT Code").

## ● Valuation Report

### VALUATION

A summary of our opinion of the market value of each property, subject to the existing tenancies, as at 31 December 2014, are as follows:

No.	Property name	Approximate Gross Rentable Area (sq.ft.)	No. of Parking Lots	Market Value as at 31 December 2014
1	Fortune City One	414,469	653	HK\$7,124,000,000
2	Fortune Kingswood	665,244	622	HK\$6,652,000,000
3	Ma On Shan Plaza	310,084	290	HK\$4,896,000,000
4	Metro Town	180,822	74	HK\$3,026,000,000
5	Fortune Metropolis	332,168	179	HK\$2,311,000,000
6	Belvedere Square	276,862	329	HK\$1,914,000,000
7	Waldorf Avenue	80,842	73	HK\$1,582,000,000
8	Caribbean Square	63,018	117	HK\$943,000,000
9	Provident Square	180,238	N/A	HK\$922,000,000
10	Jubilee Square	170,616	97	HK\$863,000,000
11	Smartland	123,544	67	HK\$658,000,000
12	Tsing Yi Square	78,836	27	HK\$574,000,000
13	Nob Hill Square	91,779	43	HK\$438,000,000
14	Centre de Laguna	43,000	N/A	HK\$264,000,000
15	Hampton Loft	74,734	35	HK\$258,000,000
16	Lido Avenue	9,836	N/A	HK\$182,000,000
17	Rhine Avenue	14,604	N/A	HK\$113,000,000
<b>Total</b>		<b>3,110,696</b>	<b>2,606</b>	<b>HK\$32,720,000,000</b>

We are of the opinion that the market value of the unencumbered leasehold interest of the Portfolio, subject to the existing tenancies, as at 31 December 2014, was in the sum of **HK\$32,720,000,000 (HONG KONG DOLLARS THIRTY TWO BILLION SEVEN HUNDRED AND TWENTY MILLION)**.

Please refer to the attached valuation reports for property particulars of each of the properties.

### CONVERSION FACTORS

1 square metre = 10.764 square feet  
1 metre = 3.2808 feet

Yours faithfully  
For and on behalf of  
**Jones Lang LaSalle Limited**

**Dorothy Chow**  
BSc(Hons), MSc, MHKIS, MRICS, RPS (GP)  
National Director  
Licence No.: E-182969

## Fortune City One

Fortune City One, 1 Ngan Shing Street, Fortune City One Plus, 2 Ngan Shing Street, Fortune City One Market, 8 Lok Shing Street, Various Ground Floor Shops of Residential Towers, City One Shatin, Shatin, New Territories, Hong Kong.

<b>Description</b>	<p>City One Shatin is a comprehensive residential cum commercial development, completed by phases between 1981 and 1989.</p> <p>The property comprises various commercial areas and parking lots within City One Shatin, which are set out below:-</p> <ul style="list-style-type: none"> <li>- The free standing commercial podium known as Fortune City One Plus (Commercial Block A) at the Ground Floor, 4th Floor and the Roof;</li> <li>- The free standing commercial podium known as Fortune City One (Commercial Block B) at the Ground Floor, 1st Floor and portion of the Roof, Roof Garden, Centre Garden and kiosks thereof;</li> <li>- The wet market and kindergarten on the Ground Floor of residential tower blocks 34-36;</li> <li>- Various single shops and non-domestic units dispersed throughout the development on the Ground Floor level of 12 individual tower blocks; and</li> <li>- A total of 653 parking lots.</li> </ul> <p>The total gross rentable area of the property (excluding parking lots) is approximately 38,505.11 Sq.m. (414,469 Sq.ft.).</p>
<b>Land Tenure</b>	<p>Sha Tin Town Lot No. 1 is held under New Grant No. ST11064 for a term of 99 years commencing from 1 July 1898 The Lease has been extended to expire on 30 June 2047. The Government rent payable is at 3% of the rateable value of the property.</p>
<b>Monthly Rental and Other Incomes as at 31 December 2014</b>	<p>Approximately HK\$22,373,900, exclusive of rates, government rent, management fees and air-conditioning charges.</p>
<b>Average Monthly Car Parking Net Income for January 2014 to December 2014</b>	<p>Approximately HK\$960,700</p>
<b>Market Value in Existing State as at 31 December 2014</b>	<p>HK\$7,124,000,000</p>
<b>Estimated Net Property Yield</b>	<p>4.1%</p>

## Fortune Kingswood

Fortune Kingswood is commercial development (including Loading and Unloading Spaces), 604 Parking Spaces on Basement 1 and Basement 2 Floors and Common Areas and Common Service Facilities of Kingswood Ginza Phases 1 and 2, Nos. 12 and 18 Tin Yan Road, Tin Shui Wai, Yuen Long, New Territories (the "**Kingswood Ginza Mall**")

Portion A on Ground Floor and External Wall of Portion A on Ground Floor of Commercial Development, Remaining Portion of External Wall of Commercial Development, Reserve Shares and Common Areas and Common Service Facilities of Locwood Court, Kingswood Villas, No. 1 Tin Wu Road, Tin Shui Wai, Yuen Long, New Territories (the "**Locwood Court Property**")

Kindergarten Premises, 5 Kindergarten Car Parking Spaces (Nos. K1-K5), 2 Kindergarten Loading and Unloading Bays on Ground Floor and Common Areas and Common Service Facilities of Sherwood Court, Kingswood Villas, No. 3 Tin Wu Road, Tin Shui Wai, Yuen Long, New Territories (the "**Sherwood Court Property**")

Kindergarten and Common Areas and Common Service Facilities of Chestwood Court, Kingswood Villas, No. 8 Tin Shui Road, Tin Shui Wai, Yuen Long, New Territories (the "**Chestwood Court Property**")

Kindergarten A, Kindergarten B, Kindergarten Car Parking Spaces Nos. 1, 2, 3, 4, 5, 6, 7 and 8 at Basement and Common Areas and Common Service Facilities of Maywood Court, Kingswood Villas, No. 9 Tin Lung Road, Tin Shui Wai, Yuen Long, New Territories (the "**Maywood Court Property**")

Kindergarten Premises, 5 Kindergarten Car Parking Spaces on Ground Floor, 2 Kindergarten Loading & Unloading Bays on Ground Floor and Common Areas and Facilities of Kenswood Court, Kingswood Villas, No. 2 Tin Lung Road, Tin Shui Wai, Yuen Long, New Territories (the "**Kenswood Court Property**")

Common Areas and Common Service Facilities of Lynwood Court, Kingswood Villas, No. 3 Tin Kwai Road, Tin Shui Wai, Yuen Long, New Territories (the "**Lynwood Court Property**")

(hereinafter collectively referred to as the "**Fortune Kingswood**")

### Description

Kingswood Villas (the "**Development**") is a comprehensive residential development with associated commercial, hotel, recreational and car parking facilities completed in the 1990s.

Fortune Kingswood comprises a commercial development (including loading and unloading spaces) known as Kingswood Ginza, a retail shop and 5 kindergartens with ancillary parking spaces, external walls and reserve shares in the Development.

Details of the Fortune Kingswood are set out below:

#### **The Kingswood Ginza Mall**

Comprises the commercial development (including loading and unloading spaces) known as Kingswood Ginza which includes a shopping arcade on Ground, 1st and 2nd Floors, ancillary areas on 3rd and 5th floors, 604 car parking spaces on Basement 1 and 2 Floors and Common Areas and Common Service Facilities. This property excludes all those common areas and the hotel development.

#### **The Locwood Court Property**

Comprises a retail shop known as Portion A on Ground Floor together with two portions of external walls of the Commercial Development and Common Areas and Common Service Facilities in Locwood Court of Kingswood Villas. This property also includes the reserve shares of Locwood Court.

## Fortune Kingswood (Continued)

	<p><b>The Sherwood Court Property</b> Comprises a kindergarten premises, 5 kindergarten car parking spaces and 2 kindergarten loading and unloading bays on Ground Floor, and Common Areas and Common Service Facilities in Sherwood Court of Kingswood Villas.</p>
	<p><b>The Chestwood Court Property</b> Comprises a kindergarten and Common Areas and Common Service Facilities in Chestwood Court of Kingswood Villas.</p>
	<p><b>The Maywood Court Property</b> Comprises two kindergartens known as Kindergarten A and Kindergarten B, 8 kindergarten car parking spaces at Basement and Common Areas and Common Service Facilities in Maywood Court of Kingswood Villas.</p>
	<p><b>The Kenswood Court Property</b> Comprises a kindergarten premises, 5 kindergarten car parking spaces and 2 kindergarten loading and unloading bays on Ground Floor and Common Areas and Facilities in Kenswood Court of Kingswood Villas.</p>
	<p><b>The Lynwood Court Property</b> Comprises the Common Areas and Common Service Facilities of Lynwood Court.</p> <p>The total gross rentable area of the Fortune Kingswood is approximately 665,244 sq.ft. (61,802.7 sq.m.).</p> <p>There are 622 car parking spaces.</p>
<b>Land Tenure</b>	Tin Shui Wai Town Lot Nos. 1, 2, 3, 4, 5, 6 and 7 are held under New Grant No. 3466 from 1 July 1898 for 99 years and has been extended to expire on 30 June 2047. The current annual government rent payable for the Fortune Kingswood is 3% of the rateable value of the property.
<b>Monthly Rental and Other Incomes as at 31 December 2014</b>	Approximately HK\$20,020,900, exclusive of rates, government rent, management fees and air-conditioning charges.
<b>Average Monthly Car Parking Net Income for January 2014 to December 2014</b>	Approximately HK\$873,300
<b>Market Value in Existing State as at 31 December 2014</b>	HK\$6,652,000,000
<b>Estimated Net Property Yield</b>	4.1%



## ● Valuation Report

### Ma On Shan Plaza

Ma On Shan Plaza, Bayshore Towers, 608 Sai Sha Road, Ma On Shan, Shatin, New Territories, Hong Kong.

<b>Description</b>	<p>Ma On Shan Plaza is the commercial portion of a private residential cum commercial development, known as Bayshore Towers, completed in 1994. The property comprises the entire shopping centre on Levels 2 (including the atrium) and 3 of a 5-storey podium (including a Basement, Ground Floor and Level 1) and 290 parking lots on the Basement Floor of the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 28,807.51 Sq.m. (310,084 Sq.ft.).</p>
<b>Land Tenure</b>	<p>Sha Tin Town Lot No. 382 is held under New Grant No. 12378 for a term commencing from 6 December 1991 to 30 June 2047. The Government rent payable for the property is at 3% of the rateable value of the property.</p>
<b>Monthly Rental and Other Incomes as at 31 December 2014</b>	<p>Approximately HK\$16,912,700, exclusive of rates, government rent, management fees and air-conditioning charges.</p>
<b>Average Monthly Car Parking Net Income for January 2014 to December 2014</b>	<p>Approximately HK\$583,900</p>
<b>Market Value in Existing State as at 31 December 2014</b>	<p>HK\$4,896,000,000</p>
<b>Estimated Net Property Yield</b>	<p>4.5%</p>

### Metro Town

Metro Town, The Shopping Centre of Metro Town, 8 King Ling Road, Tseung Kwan O, New Territories, Hong Kong.

<b>Description</b>	<p>Metro Town is a private residential cum commercial development completed in two phases in 2006 and 2007.</p> <p>The property comprises the commercial podium on the Ground Level, Level 1, Level 2, Level 3, Level 5 and the covered footbridge of a 5-storey commercial podium of the development. It also comprises a total of 74 commercial parking lots on Level 2 of the commercial podium of the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 16,798.77 Sq.m. (180,822 Sq.ft.).</p>
<b>Land Tenure</b>	<p>Tseung Kwan O Town Lot No. 73 is held under New Grant No. SK9700 for a term of 50 years commencing from 11 February 2003. The Government rent payable for the property is at 3% of the Rateable Value for the time being of the property.</p>
<b>Monthly Rental and Other Incomes as at 31 December 2014</b>	<p>Approximately HK\$9,497,900, exclusive of rates, government rent, management fees and air-conditioning charges.</p>
<b>Average Monthly Car Parking Net Income for January 2014 to December 2014</b>	<p>Approximately HK\$266,500</p>
<b>Market Value in Existing State as at 31 December 2014</b>	<p>HK\$3,026,000,000</p>
<b>Estimated Net Property Yield</b>	<p>4.0%</p>

## Fortune Metropolis

Fortune Metropolis, The Metropolis, 6-10 Metropolis Drive, Hung Hom, Kowloon, Hong Kong.

<b>Description</b>	Fortune Metropolis is the commercial portion of a commercial/office/hotel/serviced apartment development, known as The Metropolis, completed in 2001.  The property comprises the three levels of retail premises on L7, L8 and L9 Floors and 179 parking lots on Level 5 and Level 6 of the development.  The total gross rentable area of the property (excluding parking lots) is approximately 30,859.16 Sq.m. (332,168 Sq.ft.).
<b>Land Tenure</b>	Kowloon Inland Lot No. 11077 is held under a Conditions of Grant No. 12444 for a term commencing from 14 February 1997 to 30 June 2047. The Government rent payable for the property is at 3% of the rateable value of the property.
<b>Monthly Rental and Other Incomes as at 31 December 2014</b>	Approximately HK\$7,523,600, exclusive of rates, government rent, management fees and air-conditioning charges.
<b>Average Monthly Car Parking Net Income for January 2014 to December 2014</b>	Approximately HK\$476,100
<b>Market Value in Existing State as at 31 December 2014</b>	HK\$2,311,000,000
<b>Estimated Net Property Yield</b>	4.3%

## Belvedere Square

Belvedere Square, Various Shops, the Clinics, the Kindergartens, a Market, various Car Parking Spaces and Motor Cycle Parking Spaces, Common Areas, Belvedere Garden Phase 1, Nos. 530-590 Castle Peak Road – Tsuen Wan; Belvedere Garden Phase 2, No. 620 Castle Peak Road – Tsuen Wan; Belvedere Garden Phase 3, No. 625 Castle Peak Road – Tsuen Wan, Tsuen Wan, New Territories, Hong Kong.

<b>Description</b>	Belvedere Garden is a comprehensive residential cum commercial development, completed in three phases in between 1987 and 1991.  The property comprises various commercial areas, clinics, kindergartens, a market and various parking lots within Belvedere Garden, which are collectively referred to as Belvedere Garden Property. Details are set out below:-  <b>Belvedere Garden Phase 1</b>  Shop Nos. 1 to 7 on Ground Floor, Clinic Nos. 1, 2, 3 and 4 on Mezzanine Floor, the Kindergarten on Mezzanine Floor, Car Parking Spaces Nos. 16, 22, 23, 24, 25, 26, 27, 28, 29, 32, 34, 35, 37, 38, 39, 40, 41, 42, 43, 44, 45, 47 and 50 to 68 on Ground Floor and Car Parking Spaces Nos. 12, 13, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 33, 34, 35, 36, 37, 40, 41, 43, 44, 47, 48, 49 and 51 on Basement 2.  <b>Belvedere Garden Phase 2</b>  Shops Nos. 1 to 10 & 12 and the Kindergarten on the Ground Floor, Shops on the 1st Floor and Shops on the 2nd Floor and Car Parking Spaces Nos. 51-77, 114, 117, 118, 121, 126-135 and 137-147 on Ground Floor, Common Areas.
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## Belvedere Square (Continued)

	<p><b>Belvedere Garden Phase 3</b></p> <p>Shops and Market on the Ground Floor of Belvedere Square, Shops on Basement 2, Kindergarten on the Podium and Car Parking Spaces Nos. 298, 303-306, 308-310, 324-326, 375-380 and 384-385 on Basement 2, Car Parking Spaces Nos. 1-36, 50-53, 55-116 and 118-192 on Basement 1, Common Areas.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 25,721.11 Sq.m. (276,862 Sq.ft.). The property also comprises a total of 329 parking lots which include 314 private carparking spaces and 15 motorcycle spaces.</p>
<b>Land Tenure</b>	<p>Tsuen Wan Town Lot No. 308 is held under New Grant No. TW6583 for a term of 99 years less the last 3 days thereof commencing from 1 July 1898. The lease term has been extended to 30 June 2047.</p> <p>Tsuen Wan Town Lot No. 316 is held under New Grant No. 6639 for a term of 99 years less the last 3 days thereof commencing from 1 July 1898. The lease term has been extended to 30 June 2047.</p> <p>The Government rent payable is at 3% of the prevailing rateable value of the property.</p>
<b>Monthly Rental and Other Incomes as at 31 December 2014</b>	Approximately HK\$5,832,500, exclusive of rates, government rent, management fees and air-conditioning charges.
<b>Average Monthly Car Parking Net Income for January 2014 to December 2014</b>	Approximately HK\$450,600
<b>Market Value in Existing State as at 31 December 2014</b>	HK\$1,914,000,000
<b>Estimated Net Property Yield</b>	4.0%

## Waldorf Avenue

Waldorf Avenue, Shops on Level 3 and Various Carparks, Waldorf Garden, 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong.

<b>Description</b>	<p>Waldorf Garden is a private residential cum commercial development completed in 1982.</p> <p>The property comprises a retail floor on Level 3, bicycle parking area on Level 1, and 73 parking spaces on Levels 1 and 2 within a 4-storey podium of the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 7,510.41 Sq.m. (80,842 Sq.ft.).</p>
<b>Land Tenure</b>	<p>Tuen Mun Town Lot No. 194 is held under New Grant No. 2344 for a term of 99 years from 1 July 1898.</p> <p>The lease term has been extended to 30 June 2047. The Government rent payable is at 3% of the prevailing rateable value of the property.</p>
<b>Monthly Rental and Other Incomes as at 31 December 2014</b>	Approximately HK\$5,678,000, exclusive of rates, government rent, management fees and air-conditioning charges.
<b>Average Monthly Car Parking Net Income for January 2014 to December 2014</b>	Approximately HK\$167,800
<b>Market Value in Existing State as at 31 December 2014</b>	HK\$1,582,000,000
<b>Estimated Net Property Yield</b>	4.5%

## Caribbean Square

Caribbean Square, Caribbean Coast, 1 Kin Tung Road, Tung Chung, Lantau Island, New Territories, Hong Kong.

<b>Description</b>	<p>Caribbean Square is the commercial portion of a private residential cum commercial development, known as "Caribbean Coast", completed between 2002 and 2008.</p> <p>The property comprises the commercial accommodation, the wet market and the kindergarten on ground floor within the development. It also comprises a total of 117 parking lots on the ground floor (i.e. 1st floor as stipulated in land search record) of Phase 6 of the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 5,854.51 Sq.m. (63,018 Sq.ft.).</p>
<b>Land Tenure</b>	Tung Chung Town Lot No. 5 is held under New Grant No. IS8102 for a term commencing from 26 June 1997 to 30 June 2047. The Government rent payable for the property is at 3% of the Rateable Value for the time being of the property.
<b>Monthly Rental and Other Incomes as at 31 December 2014</b>	Approximately HK\$3,556,700, exclusive of rates, government rent, management fees and air-conditioning charges.
<b>Average Monthly Car Parking Net Income for January 2014 to December 2014</b>	Approximately HK\$146,800
<b>Market Value in Existing State as at 31 December 2014</b>	HK\$943,000,000
<b>Estimated Net Property Yield</b>	4.8%

## Provident Square

Provident Square, Portion of Basement, Portion of Ground Floor and Portion of Upper Ground Floor (but excluding the Carparking Spaces, Driveways and Appurtenant Areas, the Common Areas & Facilities thereof and therein) and Sub-Basement, 21-53 Wharf Road, North Point, Hong Kong.

<b>Description</b>	<p>Provident Square is the commercial portion of a private residential cum commercial development, known as Provident Centre, completed in between 1982 and 1984.</p> <p>The property comprises the portion of Basement, the portion of Ground Floor, the portion of Upper Ground Floor and the Sub-basement within Provident Garden.</p> <p>The total gross rentable area of the property is approximately 16,744.52 Sq.m. (180,238 Sq.ft.).</p>
<b>Land Tenure</b>	Inland Lot No. 8465 is held under a Government Lease for a term of 75 years commencing from 5 September 1921 renewable for 75 years. The Government rent payable for the lot is HK\$11,430,828 per annum.
<b>Monthly Rental and Other Incomes as at 31 December 2014</b>	Approximately HK\$3,261,400, exclusive of rates, government rent, management fees and air-conditioning charges.
<b>Market Value in Existing State as at 31 December 2014</b>	HK\$922,000,000
<b>Estimated Net Property Yield</b>	4.4%

## ● Valuation Report

### Jubilee Square

Jubilee Square, Jubilee Garden, 2-18 Lok King Street, Fo Tan, Shatin, New Territories, Hong Kong.

<b>Description</b>	<p>Jubilee Square is the commercial portion of a private residential cum commercial development, known as Jubilee Garden, completed in 1986.</p> <p>The property comprises a free-standing 7-storey shopping centre and a wet market on the 1st Floor of the podium of Jubilee Garden. It also comprises a total of 97 parking lots on the 1st Floor of the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 15,850.61 Sq.m. (170,616 Sq.ft.).</p>
<b>Land Tenure</b>	<p>Sha Tin Town Lot No. 87 is held under New Grant No. ST11326 for a term of 99 years commencing from 1 July 1898. The lease is extended to expire on 30 June 2047. The Government rent payable is at 3% of the rateable value of the property.</p>
<b>Monthly Rental and Other Incomes as at 31 December 2014</b>	<p>Approximately HK\$2,652,300, exclusive of rates, government rent, management fees and air-conditioning charges.</p>
<b>Average Monthly Car Parking Net Income for January 2014 to December 2014</b>	<p>Approximately HK\$310,700</p>
<b>Market Value in Existing State as at 31 December 2014</b>	<p>HK\$863,000,000</p>
<b>Estimated Net Property Yield</b>	<p>4.2%</p>

### Smartland

Various Portions in Smartland, East Asia Gardens, 16 Tsuen Wah Street, Tsuen Wan, New Territories, Hong Kong.

<b>Description</b>	<p>Smartland is portion of the commercial portion of a residential cum commercial development, known as East Asia Gardens, completed in 1981.</p> <p>The property comprises various retail premises on the Ground and 1st Floors, the whole of 2nd Floor, the reserved podium roof on the 3rd Floor, portions of external walls (except the portion at A101 on Ground Floor) and 67 parking lots in the Basement Floor of a 4-storey podium (including the Basement).</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 11,477.52 Sq.m. (123,544 Sq.ft.).</p>
<b>Land Tenure</b>	<p>Tsuen Wan Town Lot No. 247 is held under New Grant No. 5591 for a term of 99 years commencing from 1 July 1898. The lease term has been extended to 30 June 2047. The Government rent payable is at 3% of the prevailing rateable value of the property.</p>
<b>Monthly Rental and Other Incomes as at 31 December 2014</b>	<p>Approximately HK\$2,471,200, exclusive of rates, government rent, management fees and air-conditioning charges.</p>
<b>Average Monthly Car Parking Net Income for January 2014 to December 2014</b>	<p>Approximately HK\$145,000</p>
<b>Market Value in Existing State as at 31 December 2014</b>	<p>HK\$658,000,000</p>
<b>Estimated Net Property Yield</b>	<p>4.9%</p>

## Tsing Yi Square

Tsing Yi Square, Various Portions in Tsing Yi Square, Tsing Yi Garden, 7-19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong.

<b>Description</b>	<p>Tsing Yi Square is the commercial portion of a private residential cum commercial development, known as Tsing Yi Garden, completed in 1986.</p> <p>The property comprises various retail shops on the Ground Floor and 1st Floor and 27 parking lots within the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 7,324.04 Sq.m. (78,836 Sq.ft.).</p>
<b>Land Tenure</b>	<p>Tsing Yi Town Lot No. 101 is held under New Grant No. TW6229 for a term of 99 years commencing from 1 July 1898. The lease term has been extended to 30 June 2047. The Government rent payable is at 3% of the rateable value of the property.</p>
<b>Monthly Rental and Other Incomes as at 31 December 2014</b>	<p>Approximately HK\$2,233,000, exclusive of rates, government rent, management fees and air-conditioning charges.</p>
<b>Average Monthly Car Parking Net Income for January 2014 to December 2014</b>	<p>Approximately HK\$34,800</p>
<b>Market Value in Existing State as at 31 December 2014</b>	<p>HK\$574,000,000</p>
<b>Estimated Net Property Yield</b>	<p>4.8%</p>

## Nob Hill Square

Nob Hill Square, Nob Hill, 8 King Lai Path, Kwai Chung, New Territories, Hong Kong.

<b>Description</b>	<p>Nob Hill Square is the commercial portion of a private residential cum commercial development, known as Nob Hill, completed in 2002.</p> <p>The property comprises commercial units on the Ground Floor, Mezzanine Floor, 1st and 2nd Floors and Car Parking Spaces No. C1 to C43 on the Mezzanine Floor of the 4-storey commercial podium within the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 8,526.48 Sq.m. (91,779 Sq.ft.).</p>
<b>Land Tenure</b>	<p>Kwai Chung Town Lot No. 474 is held under New Grant No. 7071 for a term of 50 years commencing from 17 July 1998. The Government rent payable for the property is at 3% of the Rateable Value for the time being of the property.</p>
<b>Monthly Rental and Other Incomes as at 31 December 2014</b>	<p>Approximately HK\$1,578,800, exclusive of rates, government rent, management fees and air-conditioning charges.</p>
<b>Average Monthly Car Parking Net Income for January 2014 to December 2014</b>	<p>Approximately HK\$103,800</p>
<b>Market Value in Existing State as at 31 December 2014</b>	<p>HK\$438,000,000</p>
<b>Estimated Net Property Yield</b>	<p>4.7%</p>



## ● Valuation Report

### Centre de Laguna

Centre de Laguna, 93 Cha Kwo Ling Road, Kindergarten on Ground Floor, 99 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong.

<b>Description</b>	<p>Centre de Laguna is the commercial development within a private residential cum commercial development, known as Laguna City, completed in 1992.</p> <p>The property comprises the commercial accommodation on the Ground and Upper Ground Floors of the commercial development and a kindergarten on Ground Floor of Blocks 32 to 38 of the development.</p> <p>The total gross rentable area of the property is approximately 3,994.80 Sq.m. (43,000 Sq.ft.).</p>
<b>Land Tenure</b>	<p>Kowloon Inland Lot No. 6100 is held under a Conditions of Exchange No. 12071 for a term commencing from 31 October 1989 to 30 June 2047.</p> <p>The Government rent payable for the property is at 3% of the Rateable Value for the time being of the property.</p>
<b>Monthly Rental and Other Incomes as at 31 December 2014</b>	<p>Approximately HK\$777,600, exclusive of rates, government rent, management fees and air-conditioning charges.</p>
<b>Market Value in Existing State as at 31 December 2014</b>	<p>HK\$264,000,000</p>
<b>Estimated Net Property Yield</b>	<p>4.7%</p>

### Hampton Loft

Hampton Loft, Hampton Place, 11 Hoi Fan Road, Tai Kok Tsui, Kowloon, Hong Kong.

<b>Description</b>	<p>Hampton Loft is the commercial portion of a private residential cum commercial development, known as Hampton Place, completed in 2003.</p> <p>The property comprises the commercial units on the 5th floor and 6th floor of the development and a total of 35 commercial parking lots on the 1st floor of the development.</p> <p>The total gross rentable area of the property (excluding the parking lots) is approximately 6,942.96 Sq.m. (74,734 Sq.ft.).</p>
<b>Land Tenure</b>	<p>Kowloon Inland Lot No. 11107 is held under Conditions of Sale No. 12554 for a term of 50 years commencing from 13 December 1999. The Government rent payable is at 3% of the rateable value of the property.</p>
<b>Monthly Rental and Other Incomes as at 31 December 2014</b>	<p>Approximately HK\$966,400, exclusive of rates, government rent, management fees and air-conditioning charges.</p>
<b>Average Monthly Car Parking Net Income for January 2014 to December 2014</b>	<p>Approximately HK\$80,600</p>
<b>Market Value in Existing State as at 31 December 2014</b>	<p>HK\$258,000,000</p>
<b>Estimated Net Property Yield</b>	<p>4.9%</p>

## Lido Avenue

Shops on Ground Floor, Lido Garden, 41-63 Castle Peak Road – Sham Tseng, Tsuen Wan, New Territories, Hong Kong.

<b>Description</b>	Lido Garden is a private residential cum commercial development completed in 1989. The property comprises various retail units on Ground Floor of the development. The total gross rentable area of the property is approximately 913.79 Sq.m. (9,836 Sq.ft.).
<b>Land Tenure</b>	Tsuen Wan Marine Lot No. 4 is held under a Conditions of Sale No. 2309 for a term of 75 years, renewable for 24 years, commencing from 1 July 1898. The lease is extended to 30 June 2047. The Government rent payable is at 3% of the rateable value of the property.
<b>Monthly Rental and Other Incomes as at 31 December 2014</b>	Approximately HK\$737,200, exclusive of rates, government rent, management fees and air-conditioning charges.
<b>Market Value in Existing State as at 31 December 2014</b>	HK\$182,000,000
<b>Estimated Net Property Yield</b>	4.9%

## Rhine Avenue

Shops on Ground Floor, Rhine Garden, 38 Castle Peak Road – Sham Tseng, Tsuen Wan, New Territories, Hong Kong.

<b>Description</b>	Rhine Garden is a private residential cum commercial development completed in 1992. The property comprises four retail units on Ground Floor and AHU Room on Podium Level 1 of the development. The total gross rentable area of the property is approximately 1,356.74 Sq.m. (14,604 Sq.ft.).
<b>Land Tenure</b>	Lot No. 261 in Demarcation District No. 390 is held under New Grant No. TW6771 for a term commencing from 1 September 1990 to 30 June 2047. The Government rent payable for the property is at 3% of the rateable value of the property.
<b>Monthly Rental and Other Incomes as at 31 December 2014</b>	Approximately HK\$444,500, exclusive of rates, government rent, management fees and air-conditioning charges.
<b>Market Value in Existing State as at 31 December 2014</b>	HK\$113,000,000
<b>Estimated Net Property Yield</b>	4.7%

# REPORT OF THE TRUSTEE

HSBC Institutional Trust Services (Singapore) Limited (the “**Trustee**”) is under a duty to take into custody and hold the assets of Fortune Real Estate Investment Trust (“**Fortune REIT**”) and its subsidiaries in trust for the holders (“**Unitholders**”) of units in Fortune REIT.

Fortune REIT is constituted by the trust deed dated 4 July 2003 between the Manager and the Trustee, as amended and/or supplemented by the First Amending and Restating Deed dated 29 June 2005, the Second Supplemental Deed dated 20 April 2006, the Third Supplemental Deed dated 12 October 2009, the Fourth Supplemental Deed dated 26 February 2010, the Fifth Supplemental Deed dated 26 March 2010, the Sixth Supplemental Deed dated 23 July 2010 and the Seventh Supplemental Deed dated 12 January 2012 and may be further amended or supplemented to from time to time (collectively, the “**Trust Deed**”).

In accordance with, inter alia, the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting year and report thereon to Unitholders in an annual report.

Under the Code on Real Estate Investment Trusts published by the Hong Kong Securities and Futures Commission, the Trustee shall, among other things, oversee the activities of the Manager for compliance with the Trust Deed, and regulatory requirements applicable to Fortune REIT, and shall issue a report to the Unitholders, to be included in the annual report, on whether in the Trustee’s opinion, the Manager has in all material respects, managed Fortune REIT in accordance with the provisions of the Trust Deed.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed Fortune REIT and its subsidiaries during the financial year covered by these financial statements in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed. The Trustee further confirms that, in its opinion, the Manager has, in all material respects, managed Fortune REIT in accordance with the provisions of the Trust Deed during the financial year ended 31 December 2014.

For and on behalf of the Trustee,

**Antony Wade Lewis**

*Director*

Singapore

21 January 2015

## STATEMENT BY THE MANAGER

In the opinion of the Directors of ARA Asset Management (Fortune) Limited (the "**Manager**"), the consolidated financial statements of Fortune Real Estate Investment Trust ("**Fortune REIT**") and its subsidiaries (collectively referred to as the "**Group**") and separate financial statements of Fortune REIT set out on pages 102 to 153, which comprise the consolidated and Fortune REIT's statements of financial position as at 31 December 2014, and statements of comprehensive income, statements of changes in net assets attributable to unitholders, statements of cash flows and distribution statement for the year then ended, and a summary of significant accounting policies and other explanatory information, are properly drawn up in accordance with the International Financial Reporting Standards and the Trust Deed so as to give a true and fair view of the disposition of the assets and liabilities of the Group and of Fortune REIT as at 31 December 2014 and of their results and cash flows for the year then ended. At the date of this statement, there are reasonable grounds to believe that Fortune REIT will be able to meet its financial obligations as and when they materialise.

The consolidated and separate financial statements on pages 102 to 153 were approved and authorised for issue by the Manager on 21 January 2015.

For and on behalf of the Manager,  
**ARA Asset Management (Fortune) Limited**

**Ang Meng Huat, Anthony**

*Director*

21 January 2015

# INDEPENDENT AUDITORS' REPORT

## TO THE UNITHOLDERS OF FORTUNE REAL ESTATE INVESTMENT TRUST

We have audited the consolidated financial statements of Fortune Real Estate Investment Trust ("**Fortune REIT**") and its subsidiaries (collectively referred to as the "**Group**") and separate financial statements of Fortune REIT set out on pages 102 to 153, which comprise the consolidated and Fortune REIT's statements of financial position as at 31 December 2014, and the statements of profit or loss and other comprehensive income, statements of changes in net assets attributable to unitholders, statements of cash flows and distribution statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Manager's Responsibility for the Financial Statements

ARA Asset Management (Fortune) Limited (the "**Manager**" of Fortune REIT) is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and comply with the relevant provisions of the Trust Deed dated 4 July 2003 (as amended) (the "**Trust Deed**"), the relevant requirements of the Code on Collective Investment Schemes (the "**CIS Code**") issued by the Monetary Authority of Singapore and the Code on Real Estate Investment Trusts (the "**REIT Code**") issued by the Securities and Futures Commission of Hong Kong. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements give a true and fair view of the disposition of the assets and liabilities of Fortune REIT and of the Group as at 31 December 2014 and of their results and cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Report under Other Legal and Regulatory Requirements

In our opinion, the financial statements have been properly prepared in accordance with the relevant provisions of the Trust Deed and the relevant requirements of the CIS Code and REIT Code.

#### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

21 January 2015

#### **Deloitte & Touche LLP**

*Public Accountants and Chartered Accountants*

Singapore

21 January 2015



# FINANCIAL STATEMENTS

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## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	Group		Fortune REIT	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Revenue	6	1,655,774	1,317,463	782,822	641,518
Property operating expenses	7	(494,550)	(389,132)		
<b>Net property income</b>		<b>1,161,224</b>	928,331		
Manager's base fee		(92,891)	(70,505)	(92,891)	(70,505)
Foreign currency exchange (loss)/gain		(315)	92	(315)	92
Interest income		9,662	4,465	2,501	3,223
Trust expenses	8	(14,926)	(107,127)	(53,338)	(131,056)
Change in fair value of investment properties		3,321,779	3,088,725	–	–
Change in fair value of derivative financial instruments		(29,233)	114,803	–	–
Gain on disposal of investment properties		–	897	–	–
Borrowing costs	9	(253,498)	(177,761)	–	–
<b>Profit before taxation and transactions with unitholders</b>	10	<b>4,101,802</b>	3,781,920	<b>638,779</b>	443,272
Income tax (expense)/credit	11	(170,896)	(132,516)	(420)	1,707
<b>Profit for the year, before transactions with unitholders</b>		<b>3,930,906</b>	3,649,404	<b>638,359</b>	444,979
Distributions to unitholders		(780,770)	(642,389)	(780,770)	(642,389)
<b>Profit/(loss) for the year, after transactions with unitholders</b>		<b>3,150,136</b>	3,007,015	<b>(142,411)</b>	(197,410)
<b>Other comprehensive income - item that may be reclassified subsequently to profit or loss</b>					
Net gain on derivative financial instruments under cash flow hedge		23,183	35,293	–	–
<b>Total comprehensive income/(expense) for year</b>		<b>3,173,319</b>	3,042,308	<b>(142,411)</b>	(197,410)
<b>Income available for distribution to unitholders</b>		<b>780,770</b>	642,389		
<b>Basic earnings per unit (HK cents)</b>	12	<b>210.19</b>	206.71		

# DISTRIBUTION STATEMENT

For the year ended 31 December 2014

		Group	
		2014	2013
		HK\$'000	HK\$'000
Notes			
	<b>Profit for the year, before transactions with unitholders</b>	<b>3,930,906</b>	3,649,404
	<b>Adjustments:</b>		
	Manager's base fee	<b>92,891</b>	70,505
	Acquisition fee	–	58,490
	Change in fair value of investment properties	<b>(3,321,779)</b>	(3,088,725)
	Change in fair value of derivative financial instruments	<b>29,233</b>	(114,803)
	Gain on disposal of investment properties	–	(897)
	Front end fees	<b>38,412</b>	23,929
	Foreign currency exchange loss/(gain)	<b>315</b>	(92)
	Other non-tax deductible trust expenses	<b>10,792</b>	44,578
	<b>Income available for distribution</b>	<b>780,770</b>	642,389
	<b>Distributions to unitholders</b>		
	20.88 HK cents (2013: 18.00 HK cents) per unit for the six months ended 30 June	<b>390,454</b>	306,965
	20.80 HK cents (2013: 18.00 HK cents) per unit for the six months ended 31 December	<b>390,316</b>	335,424
	<b>Income available for distribution</b>	<b>780,770</b>	642,389
	<b>Distribution per unit (HK cents)</b>	<b>41.68</b>	36.00

No distribution statement of Fortune Real Estate Investment Trust ("**Fortune REIT**") is presented as the amount of distribution to unitholders is determined based on consolidated results of the Group.

Notes:

- (i) The distribution policy of Fortune REIT has been amended on 26 March 2010 pursuant to the extraordinary resolution passed on the same date for the purpose of allowing Fortune REIT to comply with the relevant Hong Kong regulatory requirements, including the Code on Real Estate Investment Trusts (the "**REIT Code**") issued by The Securities and Futures Commission of Hong Kong ("**SFC**"). The current distribution policy, as amended, obliges Fortune REIT to distribute to unitholders on a semi-annual basis, the higher of (a) 100% of its tax-exempt income (exclude dividends paid out of interest income and gains, if any, which are distributable at the discretion of ARA Asset Management (Fortune) Limited (the "**Manager**")) after deduction of applicable expenses ("**Net Tax-Exempt Income**"); and (b) 90% of consolidated net profit after tax (before transactions with unitholders) for the relevant financial period adjusted to eliminate the effects of certain adjustments in the REIT Code ("**Net Profit After Tax**").

Net Tax-Exempt Income and Net Profit After Tax for the year ended 31 December 2014 is HK\$780.8 million (2013: HK\$642.4 million) and HK\$731.4 million (2013: HK\$601.6 million), respectively. Accordingly, the income available for distribution, based on the Net Tax-Exempt Income, of HK\$780.8 million (2013: HK\$642.4 million) would be distributed to unitholders for the year ended 31 December 2014.

- (ii) The distribution per unit of 20.88 HK cents for the six months ended 30 June 2014 (six months ended 30 June 2013: 18.00 HK cents) is calculated based on the income available for distribution for the period of HK\$390.5 million (six months ended 30 June 2013: HK\$307.0 million) over 1,869,688,995 units (30 June 2013: 1,704,730,532 units), representing issued units as at 30 June 2014 of 1,866,273,811 units (30 June 2013: 1,702,420,481 units) plus the number of units issued after the distribution period to the Manager as settlement of the Manager's base fee for its services in the second quarter of 2014 of 3,415,184 units (second quarter of 2013: 2,310,051 units). The distribution amounting to HK\$390.5 million (six months ended 30 June 2013: HK\$307.0 million) was paid on 29 August 2014 (six months ended 30 June 2013: 29 August 2013).
- (iii) The distribution per unit of 20.80 HK cents for the six months ended 31 December 2014 (six months ended 31 December 2013: 18.00 HK cents) is calculated based on the income available for distribution for the period of HK\$390.3 million (six months ended 31 December 2013: HK\$335.4 million) over 1,876,289,958 units (31 December 2013: 1,862,533,814 units), representing issued units as at 31 December 2014 of 1,873,046,294 units (31 December 2013: 1,858,891,124 units) plus the number of units issued after the distribution period to the Manager as settlement of the Manager's base fee for its services in the fourth quarter of 2014 of 3,243,664 units (fourth quarter of 2013: 3,642,690 units). The distribution amounting to HK\$390.3 million (six months ended 31 December 2013: HK\$335.4 million) will be paid on 27 February 2015 (six months ended 31 December 2013: 28 February 2014).

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2014

	Notes	Group		Fortune REIT	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
<b>Non-current assets</b>					
Investments in subsidiaries	13	–	–	6,429,319	6,293,502
Investment properties	14	32,720,000	29,338,000	–	–
Derivative financial instruments	15	32,306	66,906	–	–
Deposit for acquisition of property companies	31	95,925	–	–	–
<b>Total non-current assets</b>		<b>32,848,231</b>	29,404,906	<b>6,429,319</b>	6,293,502
<b>Current assets</b>					
Trade and other receivables	16	60,853	67,093	56,710	100,143
Bank balances and cash	17	688,407	858,175	424,418	514,978
<b>Total current assets</b>		<b>749,260</b>	925,268	<b>481,128</b>	615,121
<b>Total assets</b>		<b>33,597,491</b>	30,330,174	<b>6,910,447</b>	6,908,623
<b>Non-current liabilities</b>					
Derivative financial instruments	15	33,617	40,799	–	–
Borrowings	18	8,881,110	8,860,372	–	–
Deferred tax liabilities	19	378,235	346,377	–	–
<b>Total non-current liabilities</b>		<b>9,292,962</b>	9,247,548	–	–
<b>Current liabilities</b>					
Trade and other payables	20	588,627	540,665	6,135	9,559
Borrowings	18	940,000	970,000	–	–
Derivative financial instruments	15	–	21,368	–	–
Distribution payable		390,316	335,424	390,316	335,424
Provision for taxation		10,049	105,842	423	547
<b>Total current liabilities</b>		<b>1,928,992</b>	1,973,299	<b>396,874</b>	345,530
<b>Total liabilities, excluding net assets attributable to unitholders</b>		<b>11,221,954</b>	11,220,847	<b>396,874</b>	345,530
<b>Net assets attributable to unitholders</b>		<b>22,375,537</b>	19,109,327	<b>6,513,573</b>	6,563,093
<b>Units in issue and to be issued ('000)</b>	21	<b>1,876,290</b>	1,862,534		
<b>Net asset value per unit (HK\$) attributable to unitholders</b>	22	<b>11.93</b>	10.26		

# STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 31 December 2014

## GROUP

	Units in issue and to be issued HK\$'000	Unit issue costs HK\$'000	Hedging reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>Net assets attributable to unitholders as at 1 January 2013</b>	<b>6,468,360</b>	<b>(271,593)</b>	<b>(88,903)</b>	<b>8,869,845</b>	<b>14,977,709</b>
<b>OPERATIONS</b>					
Profit for the year, before transactions with unitholders	–	–	–	3,649,404	<b>3,649,404</b>
Distribution paid and payable of 18.00 HK cents per unit for the six months ended 30 June 2013	–	–	–	(306,965)	<b>(306,965)</b>
Distribution payable of 18.00 HK cents per unit for the six months ended 31 December 2013	–	–	–	(335,424)	<b>(335,424)</b>
Change in fair value of derivative financial instruments under cash flow hedge	–	–	29,898	–	<b>29,898</b>
Release to profit or loss	–	–	5,395	–	<b>5,395</b>
Total comprehensive income for the year	–	–	35,293	3,007,015	<b>3,042,308</b>
<b>UNITHOLDERS' TRANSACTIONS</b>					
Creation of units					
– Manager's acquisition fee paid in units	58,490	–	–	–	<b>58,490</b>
– Issuance of new units	975,001	–	–	–	<b>975,001</b>
– Manager's base fee paid/payable in units	70,505	–	–	–	<b>70,505</b>
Unit issue cost	–	(14,686)	–	–	<b>(14,686)</b>
Increase in net assets resulting from unitholders' transactions	1,103,996	(14,686)	–	–	<b>1,089,310</b>
<b>Net assets attributable to unitholders as at 31 December 2013</b>	<b>7,572,356</b>	<b>(286,279)</b>	<b>(53,610)</b>	<b>11,876,860</b>	<b>19,109,327</b>
<b>OPERATIONS</b>					
Profit for the year, before transactions with unitholders	–	–	–	3,930,906	<b>3,930,906</b>
Distribution paid and payable of 20.88 HK cents per unit for the six months ended 30 June 2014	–	–	–	(390,454)	<b>(390,454)</b>
Distribution payable of 20.80 HK cents per unit for the six months ended 31 December 2014	–	–	–	(390,316)	<b>(390,316)</b>
Change in fair value of derivative financial instruments under cash flow hedge	–	–	11,264	–	<b>11,264</b>
Release to profit or loss	–	–	11,919	–	<b>11,919</b>
Total comprehensive income for the year	–	–	23,183	3,150,136	<b>3,173,319</b>
<b>UNITHOLDERS' TRANSACTIONS</b>					
Creation of units					
– Manager's base fee paid/payable in units	92,891	–	–	–	<b>92,891</b>
Increase in net assets resulting from unitholders' transactions	92,891	–	–	–	<b>92,891</b>
<b>Net assets attributable to unitholders as at 31 December 2014</b>	<b>7,665,247</b>	<b>(286,279)</b>	<b>(30,427)</b>	<b>15,026,996</b>	<b>22,375,537</b>

## ● Statements of Changes in Net Assets Attributable to Unitholders

For the year ended 31 December 2014

### FORTUNE REIT

	Units in issue and to be issued HK\$'000	Unit issue costs HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>Net assets attributable to unitholders as at 1 January 2013</b>	<b>6,468,360</b>	<b>(271,593)</b>	<b>(525,574)</b>	<b>5,671,193</b>
<b>OPERATIONS</b>				
Profit for the year, before transactions with unitholders	–	–	444,979	<b>444,979</b>
Distribution paid and payable of 18.00 HK cents per unit for the six months ended 30 June 2013	–	–	(306,965)	<b>(306,965)</b>
Distribution payable of 18.00 HK cents per unit for the six months ended 31 December 2013	–	–	(335,424)	<b>(335,424)</b>
Total comprehensive expense for the year	–	–	(197,410)	<b>(197,410)</b>
<b>UNITHOLDERS' TRANSACTIONS</b>				
Creation of units				
– Manager's acquisition fee paid in units	58,490	–	–	<b>58,490</b>
– Issuance of new units	975,001	–	–	<b>975,001</b>
– Manager's base fee paid/payable in units	70,505	–	–	<b>70,505</b>
Unit issue cost	–	(14,686)	–	<b>(14,686)</b>
Increase in net assets resulting from unitholders' transactions	1,103,996	(14,686)	–	<b>1,089,310</b>
<b>Net assets attributable to unitholders as at 31 December 2013</b>	<b>7,572,356</b>	<b>(286,279)</b>	<b>(722,984)</b>	<b>6,563,093</b>
<b>OPERATIONS</b>				
Profit for the year, before transactions with unitholders	–	–	638,359	<b>638,359</b>
Distribution paid and payable of 20.88 HK cents per unit for the six months ended 30 June 2014	–	–	(390,454)	<b>(390,454)</b>
Distribution payable of 20.80 HK cents per unit for the six months ended 31 December 2014	–	–	(390,316)	<b>(390,316)</b>
Total comprehensive expense for the year	–	–	(142,411)	<b>(142,411)</b>
<b>UNITHOLDERS' TRANSACTIONS</b>				
Creation of units				
– Manager's base fee paid/payable in units	92,891	–	–	<b>92,891</b>
Increase in net assets resulting from unitholders' transactions	92,891	–	–	<b>92,891</b>
<b>Net assets attributable to unitholders as at 31 December 2014</b>	<b>7,665,247</b>	<b>(286,279)</b>	<b>(865,395)</b>	<b>6,513,573</b>

# STATEMENTS OF CASH FLOWS

For the year ended 31 December 2014

	Group		Fortune REIT	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Operating activities</b>				
Profit before taxation and transactions with unitholders	<b>4,101,802</b>	3,781,920	<b>638,779</b>	443,272
Adjustments for:				
Manager's base fee paid/payable in units	<b>92,891</b>	70,505	<b>92,891</b>	70,505
Acquisition fee paid in units	–	58,490	–	58,490
Change in fair value of investment properties	<b>(3,321,779)</b>	(3,088,725)	–	–
Change in fair value of derivative financial instruments	<b>29,233</b>	(114,803)	–	–
Gain on disposal of investment properties	–	(897)	–	–
Interest income	<b>(9,662)</b>	(4,465)	<b>(2,501)</b>	(3,223)
Interest expense	<b>212,060</b>	153,832	–	–
Front end fees	<b>41,438</b>	23,929	<b>38,412</b>	23,929
Operating cash flows before movement in working capital	<b>1,145,983</b>	879,786	<b>767,581</b>	592,973
Decrease/(increase) in trade and other receivables	<b>5,944</b>	19,606	<b>25,615</b>	(71,042)
Increase/(decrease) in trade and other payables	<b>50,146</b>	16,515	<b>(3,655)</b>	4,131
Cash generated from operations	<b>1,202,073</b>	915,907	<b>789,541</b>	526,062
Income tax (paid)/refunded	<b>(164,614)</b>	(111,750)	<b>(544)</b>	739
<b>Net cash from operating activities</b>	<b>1,037,459</b>	804,157	<b>788,997</b>	526,801
<b>Investing activities</b>				
Acquisition of property companies/properties, net of cash acquired (Note 14)	–	(5,668,686)	–	–
Deposit paid for acquisition of property companies (Note 31)	<b>(95,925)</b>	–	–	–
Investment in a subsidiary (Note 13)	–	–	<b>(135,817)</b>	(823,368)
Upgrading of investment properties	<b>(60,221)</b>	(66,037)	–	–
Taxation paid (Note 14)	<b>(70,217)</b>	–	–	–
Proceed from disposal of investment properties	–	2,047	–	–
Interest received	<b>9,958</b>	4,546	<b>2,607</b>	3,499
<b>Net cash used in investing activities</b>	<b>(216,405)</b>	(5,728,130)	<b>(133,210)</b>	(819,869)
<b>Financing activities</b>				
Drawdown of borrowings	<b>630,000</b>	5,155,000	–	–
Proceed from issue of new units (net of issue costs)	–	957,635	–	957,635
Repayment of borrowings	<b>(660,000)</b>	(102,047)	–	–
Distribution paid	<b>(725,647)</b>	(587,898)	<b>(725,647)</b>	(587,898)
Interest paid	<b>(214,475)</b>	(153,239)	–	–
Payment of front end fees	<b>(20,700)</b>	(65,325)	<b>(20,700)</b>	–
<b>Net cash (used in)/from financing activities</b>	<b>(990,822)</b>	5,204,126	<b>(746,347)</b>	369,737
Net (decrease)/increase in cash and cash equivalents	<b>(169,768)</b>	280,153	<b>(90,560)</b>	76,669
Cash and cash equivalents at beginning of the year	<b>858,175</b>	578,022	<b>514,978</b>	438,309
<b>Cash and cash equivalents at end of the year</b>	<b>688,407</b>	858,175	<b>424,418</b>	514,978
<b>Represented by:</b>				
Cash at bank and in hand	<b>270,556</b>	104,698	<b>108,567</b>	16,501
Fixed deposits with original maturity date less than 3 months	<b>417,851</b>	753,477	<b>315,851</b>	498,477
	<b>688,407</b>	858,175	<b>424,418</b>	514,978



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2014

## 1 GENERAL

Fortune Real Estate Investment Trust ("**Fortune REIT**") is a real estate investment trust constituted by a trust deed entered into on 4 July 2003 (as amended) (the "**Trust Deed**") made between ARA Asset Management (Fortune) Limited, as the manager of Fortune REIT (the "**Manager**"), and HSBC Institutional Trust Services (Singapore) Limited, as the trustee of Fortune REIT (the "**Trustee**"). Fortune REIT was listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and The Stock Exchange of Hong Kong Limited (the "**SEHK**") on 12 August 2003 and 20 April 2010, respectively.

The registered offices and principal places of business of the Manager in Singapore and Hong Kong are 6 Temasek Boulevard, #16-02 Suntec Tower 4, Singapore 038986 and Units 5508-5510, 55th Floor, The Center, 99 Queen's Road Central, Hong Kong, respectively.

The registered offices and principal places of business of the Trustee is 21 Collyer Quay #10-02, HSBC Building, Singapore 049320.

The consolidated and Fortune REIT's separate financial statements are presented in Hong Kong dollars ("**HK\$**"), which is the functional currency of Fortune REIT.

The principal activity of Fortune REIT is investment holding whereas its subsidiaries (together with Fortune REIT referred to as the "**Group**") is to own and invest in a portfolio of retail shopping malls located in Hong Kong with the primary objective of producing stable distributions for unitholders and to achieve long term growth in the net asset value per unit.

The consolidated and separate financial statements on pages 102 to 153 were authorised for issue by the Manager on 21 January 2015.

The Group has entered into several service agreements in relation to the management of Fortune REIT and its property operations. The fee structures of these services are as follows:

### (a) Property management fees

#### Property management fee

Under the property management agreement ("**Property Management Agreement**"), Goodwell-Fortune Property Services Limited (the "**Property Manager**"), which is a subsidiary of the largest unitholder (Note 30(a)), will receive from each of the property holding subsidiaries (the "**Property Companies**") a fee of 3.0% per annum of gross property revenue for the provision of property management services and lease management services.

In respect of Belvedere Square and Provident Square, the Property Manager has engaged Cayley Property Management Limited and Whampoa Property Management Limited, respectively, which are related parties of Fortune REIT, to provide part of the property management services.

Gross property revenue means the amount equivalent to the gross revenue less charge-out collections and carpark revenue.

## 1 GENERAL (Continued)

### (a) Property management fees (Continued)

#### Marketing services fee

For marketing services, the Property Companies will pay the Property Manager the following leasing and other commissions:

- one month's base rent for securing a tenancy of three years or more;
- one-half month's base rent for securing a tenancy of less than three years;
- one-half month's base rent for securing a renewal of tenancy irrespective of duration of the renewal term; and
- 10.0% of total licence fee for securing a licence for duration of less than 12 months.

### (b) Trustee's fees

The Trustee's fees are 0.035% per annum (subject to a minimum of HK\$50,000 per month) on the value of the real estate properties and are accrued daily and paid monthly in arrears in accordance with the Trust Deed.

### (c) Manager's fees

The Manager is entitled to receive the following remuneration for the provision of asset management services:

#### Base fee

Under the Trust Deed, the Manager will receive a base fee from Fortune REIT at a rate not exceeding 0.3% per annum on the value of the properties. The base fee will be paid quarterly in arrears and in the form of units in Fortune REIT during the first five years after the units are listed on the SGX-ST. Thereafter, the base fee shall be paid to the Manager in the form of cash or units as the Manager may elect.

#### Performance fee

Under the Trust Deed, the Manager will receive a performance fee in the form of cash from each of the Property Companies at 3.0% per annum of the net property income of the Property Companies with certain adjustment.

### (d) Acquisition fee and divestment fee

The Manager is entitled to receive the following fees:

#### Acquisition fee

Under the Trust Deed, the Manager will receive an acquisition fee of not exceeding a maximum of 1.0% of the acquisition price for any real estate purchased directly or indirectly by Fortune REIT (pro-rated if applicable to the proportion of Fortune REIT's interest in the real estate acquired) in the form of cash or units as the Manager may elect.

#### Divestment fee

Under the Trust Deed, the Manager will receive a divestment fee of not exceeding a maximum of 0.5% of the sale price of any real estate directly or indirectly sold or divested by Fortune REIT (pro-rated if applicable to proportion of Fortune REIT's interest in the real estate sold) in the form of cash.

## ● Notes to the Financial Statements

For the year ended 31 December 2014

### 2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following amendments and an interpretation to the International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for an accounting period that begins on or after 1 January 2014:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

The application of the amendments and interpretation to the IFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

#### New and revised IFRSs issued but not effective

The Group has not early adopted the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments <sup>1</sup>
IFRS 15	Revenue from Contracts with Customers <sup>2</sup>
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>4</sup>
Amendments to IAS 1	Disclosure Initiative <sup>4</sup>
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>4</sup>
Amendment to IAS 19	Defined Benefit Plans: Employee Contribution <sup>3</sup>
Amendment to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle <sup>5</sup>
Amendment to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle <sup>3</sup>
Amendment to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle <sup>4</sup>
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants <sup>4</sup>
Amendments to IAS 27	Equity Method in Separate Financial Statements <sup>4</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2017

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

#### IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments.

## 2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

### IFRS 9 Financial Instruments (Continued)

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Manager anticipates that the application of IFRS 9 in the future may not have material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

## ● Notes to the Financial Statements

For the year ended 31 December 2014

## 2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

### Annual Improvements to IFRSs 2011–2013 Cycle

The Annual Improvements to IFRSs 2011–2013 Cycle include a number of amendments to various IFRSs, which include the amendments to IAS 40 to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of IAS 40; and
- (b) the transaction meets the definition of a business combination under IFRS 3.

The Manager anticipates that the application of these amendments in the future will not have a material effect on the Group's consolidated financial statements.

## 3 SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation of financial statements

The consolidated and Fortune REIT's separate financial statements have been prepared on historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and the measurements that have same similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The consolidated and Fortune REIT's separate financial statements have been prepared in accordance with IFRSs issued by IASB, and are drawn up in accordance with the relevant provisions of the Trust Deed, the relevant requirements of the Code on Collective Investment Schemes (the "**CIS Code**") issued by the Monetary Authority of Singapore ("**MAS**") and the Code on Real Estate Investment Trust (the "**REIT Code**") issued by the Securities and Futures Commission of Hong Kong ("**SFC**").

### 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (a) Basis of preparation of financial statements (Continued)

The Manager is of the opinion that, taking into account the fair value of investment properties, presently available banking facilities and internal financial resources of the Group, the Group has sufficient working capital for its present requirements within one year from the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

#### (b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Fortune REIT and entities controlled by Fortune REIT and its subsidiaries. Control is achieved when Fortune REIT:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Fortune REIT reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when Fortune REIT obtains control over the subsidiary and ceases when Fortune REIT loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date Fortune REIT gains control until the date when Fortune REIT ceases to control the subsidiary.

Profit or loss and each component of the other comprehensive income are attributed to the owners of Fortune REIT and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the Unitholders of Fortune REIT and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. Income and expenses of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those used by Fortune REIT.

All intra-group assets and liabilities, income, expenses and cashflow are eliminated in full on consolidation.

#### (c) Investments in subsidiaries

Investments in subsidiaries are included in Fortune REIT's statement of financial position at cost less any identified impairment loss. Results of subsidiaries are accounted for by Fortune REIT on the basis of dividends received or receivable during the year.



## ● Notes to the Financial Statements

For the year ended 31 December 2014

### 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

#### (e) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs, including front-end fees and commitment fees, that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

##### Financial assets

Financial assets are classified into "financial assets at fair value through profit or loss" and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

##### Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

### 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) Financial instruments (Continued)

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis.

##### Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the trade receivables is reduced by the impairment loss through the use of an allowance account. When such receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## ● Notes to the Financial Statements

For the year ended 31 December 2014

### 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) Financial instruments (Continued)

##### Financial liabilities and equity instruments

Financial liabilities and equity instruments issued are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities.

Unit issue costs are the transactions costs relating to issue of units in Fortune REIT which are accounted for as a deduction from the proceeds raised to the extent they are incremental costs directly attributable to the transactions that otherwise would have been avoided. Other transaction costs are recognised as an expense.

The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

##### Financial liabilities at fair value through profit or loss

A financial liability carried at FVTPL when the financial liabilities are held for trading.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

##### Other financial liabilities

Other financial liabilities (including trade and other payables, distribution payable and borrowings) are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

### 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) Financial instruments (Continued)

##### Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group uses interest rate swaps to hedge its exposure against changes in interest rates. Hedging relationships are classified as cash flow hedges when such relationships are used to hedge against exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability and such variability could affect profit or loss.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in hedging reserve are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss recognised in other comprehensive income and accumulated in hedging reserve at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in hedging reserve is recognised immediately in profit or loss.

##### Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## ● Notes to the Financial Statements

For the year ended 31 December 2014

### 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (f) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### (g) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the course of the ordinary activities, net of discounts.

Rental income under operating leases, except for contingent rentals, is recognised in the profit or loss on a straight-line basis over the term of the relevant lease. In the event that lease incentives, including rent free periods, are given to enter into operating leases, such incentives are recognised in accrued rent receivables. The aggregate benefit of incentives is recognised as a reduction of rental income on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Contingent rentals, which include gross turnover rental, are recognised as income in the accounting period on a receipt basis. No contingent rentals are recognised if there are uncertainties due to the possible return of amounts received.

Charge-out collections, which consist of payments in respect of the operation of the properties which are payable by the tenants and licensees, are recognised as income when the services and facilities are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from subsidiaries is recognised when Fortune REIT's right to receive payment has been established (provided that it is probable that economic benefits will flow to Fortune REIT and the amount of revenue can be measured reliably).

#### (h) Foreign currencies

The functional currency (the currency of the primary economic environment in which the entity operates) of Fortune REIT and its subsidiaries is Hong Kong dollars.

In preparing the financial statements of each individual entity, transactions in currencies other than Hong Kong dollars are recorded in Hong Kong dollars at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

### 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Front-end fees incurred by Fortune REIT are amortised on a straight-line basis over the contractual term of the borrowings in the separate financial statements. These fees are treated as transaction costs of the Group's borrowings and included in determining the effective interest rate on initial recognition of the borrowings in the consolidated financial statements.

#### (j) Impairment of investments in subsidiaries

At the end of the reporting period, Fortune REIT reviews the carrying amounts of its investments in subsidiaries to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of investments in subsidiaries is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of investments in subsidiaries is estimated to be less than its carrying amount, the carrying amount of investments in subsidiaries is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of investments in subsidiaries is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for investments in subsidiaries in prior years. A reversal of an impairment loss is recognised as income immediately.

#### (k) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the statement of profit or loss and other comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.



## ● Notes to the Financial Statements

For the year ended 31 December 2014

### 3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (k) Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## 4 KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Manager is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Group's accounting policies, the Manager is of the opinion that there are no instances of application of judgments or the use of estimation techniques which may have a significant effect on the amounts recognised in the financial statements other than as follows:

### (a) Valuation of investment properties

As described in Notes 3(d) and 14, investment properties are stated at fair value based on the valuation performed by independent professional valuers. The valuers have determined the fair values using the basis of capitalisation of the net income which involve the making of certain assumptions and the use of estimates. In relying on the valuation reports of the professional valuers, the Manager has exercised its judgement and is satisfied that the method of valuation is reflective of the current market conditions. The carrying amount of the investment properties at 31 December 2014 was HK\$32,720 million (31 December 2013: HK\$29,338 million).

### (b) Valuation of derivative financial instruments

As described in Note 15, the fair value of derivative financial instruments that are not quoted in active markets are determined by using certain valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel. All models are calibrated to ensure that outputs reflect actual data and comparative market prices.

The carrying amount of derivative financial instruments at 31 December 2014 represented assets amounting to HK\$32.3 million (31 December 2013: HK\$66.9 million) and liabilities amounting to HK\$33.6 million (31 December 2013: HK\$62.2 million).

## ● Notes to the Financial Statements

For the year ended 31 December 2014

### 5 SEGMENTAL REPORTING

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, which is the Manager, in order to allocate resources to segments and to assess their performance.

The Group owns 17 (2013: 17) properties as at 31 December 2014 which are located in Hong Kong. Revenue and net property income of each property (which constitutes an operating segment) is the measure reported to the Manager for the purposes of resource allocation and performance assessment. The accounting policies of the operating segments are the same as the Group's accounting policies. The Manager considers that all existing properties held by the Group, consisting of retail shopping malls, have similar economic characteristics and have similar nature in providing leasing service to similar type of retail tenants for rental income. In addition, the cost structure and the economic environment in which they operate are similar. Therefore, the Manager concluded that each of the property or operating segments are aggregated into a single reportable segment and no further analysis for segment information is presented.

The major customers from whom more than 10% of the Group's revenue are derived consist of the subsidiaries of Hutchison Whampoa Limited ("HWL"), which is 49.9% owned by Cheung Kong (Holdings) Limited ("Cheung Kong") and is described as an associate of Cheung Kong in the published 2013 annual report of Cheung Kong, as disclosed in Note 30. For the year ended 31 December 2014, the Group's revenue from rental income and charge-out collections generated from the subsidiaries of HWL amounted to HK\$178.8 million (2013: HK\$144.6 million) in aggregate.

### 6 REVENUE

	Group		Fortune REIT	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Dividend income from subsidiaries	–	–	<b>782,822</b>	641,518
Base rental	<b>1,191,055</b>	950,715	–	–
Charge-out collections	<b>300,182</b>	247,311	–	–
Other rental	<b>162,429</b>	116,051	–	–
Other income	<b>2,108</b>	3,386	–	–
	<b>1,655,774</b>	1,317,463	<b>782,822</b>	641,518

The other rental mainly includes contingent rents of HK\$17.6 million (2013: HK\$10.5 million), license fees of HK\$64.0 million (2013: HK\$49.2 million) and car park revenue of HK\$77.6 million (2013: HK\$54.6 million).

For the year ended 31 December 2014

**7 PROPERTY OPERATING EXPENSES**

	Group	
	2014 HK\$'000	2013 HK\$'000
Building management expenses	179,874	143,721
Utilities	60,778	48,313
Government rents and rates	73,786	54,607
Manager's performance fee	36,136	28,750
Property management fee	38,339	30,481
Carpark operating expenses	22,412	16,047
Advertising and promotion	20,807	16,520
Legal and other professional fees	12,321	7,648
Leasing commission and marketing services fee	27,501	24,841
Others	22,596	18,204
	<b>494,550</b>	<b>389,132</b>

**8 TRUST EXPENSES**

	Group		Fortune REIT	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Trustee's fee	10,721	8,033	10,721	8,033
Acquisition fee	–	58,490	–	58,490
Amortisation of front end fees (Note)	–	–	38,412	23,929
Expenses for acquisition	70	36,545	70	36,545
Other charges	4,135	4,059	4,135	4,059
	<b>14,926</b>	<b>107,127</b>	<b>53,338</b>	<b>131,056</b>

Note:

Included in amortisation of front end fees of HK\$38,412,000 (2013: HK\$23,929,000) is front end fee of HK\$9,776,000 (2013: nil) written off upon early repayment of term loans during the year. Front end fees amortised by Fortune REIT in respect of its subsidiaries' bank borrowings are not recharged to the subsidiaries.

## ● Notes to the Financial Statements

For the year ended 31 December 2014

### 9 BORROWING COSTS

	Group	
	2014 HK\$'000	2013 HK\$'000
Interest expense on		
– term loans	<b>138,515</b>	81,269
– revolving loans	<b>11,064</b>	10,856
Equalisation of interest expense through interest rate swaps	<b>60,793</b>	59,980
Commitment fee	<b>1,688</b>	1,727
Front end fees		
– amortisation	<b>31,662</b>	23,929
– written off upon early repayment of term loans	<b>9,776</b>	–
	<b>253,498</b>	177,761

### 10 PROFIT BEFORE TAXATION AND TRANSACTIONS WITH UNITHOLDERS

Profit before taxation and transactions with unitholders is arrived at after charging:

	Group		Fortune REIT	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000 (Note)	2013 HK\$'000 (Note)
Audit fees to external auditors	<b>1,913</b>	2,901	<b>683</b>	805
Non-audit services fee to external auditors	<b>705</b>	1,749	–	1,177
Fee to internal auditor	<b>330</b>	330	–	–
Valuation fees (paid to principal valuer)	<b>777</b>	777	–	201
Bank charges	<b>334</b>	268	<b>8</b>	14
Public relation and non-deal roadshow expenses	<b>1,336</b>	1,538	<b>335</b>	624

Note:

The expenses are classified as Trust Expenses in Note 8.

**11 INCOME TAX (EXPENSE)/CREDIT**

	Group		Fortune REIT	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Current tax:				
– Hong Kong	(138,641)	(108,464)	–	–
– Singapore	(423)	(545)	(423)	(545)
– Over provision in prior years	26	2,596	3	2,252
	(139,038)	(106,413)	(420)	1,707
Deferred taxation (Note 19)				
– Current year	(32,045)	(25,662)	–	–
– Over/(under) provision in prior year	187	(441)	–	–
	(31,858)	(26,103)	–	–
	(170,896)	(132,516)	(420)	1,707

Fortune REIT's subsidiaries in Hong Kong are subject to Hong Kong profits tax at 16.5% (2013: 16.5%).

Fortune REIT, which is established in Singapore, is subject to Singapore income tax at 17% (2013: 17%).

At present, Fortune REIT has not been accorded the tax transparency treatment and income earned will be subject to Singapore income tax at the prevailing corporate tax rate.

The Ministry of Finance of Singapore ("MOF") has issued a tax ruling on the taxation of Fortune REIT for income earned and expenditure incurred after its listing on 12 August 2003. Subject to meeting the terms and conditions of tax ruling, the Singapore taxation of Fortune REIT is described below:

**(i) Tax-Exempt Income**

Fortune REIT is exempt from Singapore income tax on the dividends received from its subsidiaries that are distributed out of income (including interest income and gains from the sale of properties) which have been subject to Hong Kong Profits Tax at a rate of not less than 15%.

**(ii) Taxable Income**

Fortune REIT is subject to Singapore income tax on dividends received from its subsidiaries that are paid out of income or gains which are not subject to Hong Kong Profits Tax (except for gains from the sale of investments in Property Companies that are capital in nature), and on all income derived from or accrued in Singapore, or received in Singapore from outside Singapore.



## ● Notes to the Financial Statements

For the year ended 31 December 2014

### 11 INCOME TAX (EXPENSE)/CREDIT (Continued)

#### (iii) Non-Taxable Capital Gain

Fortune REIT is not subject to Singapore income tax on the gains from the disposal of investments in its subsidiaries that have been confirmed by MOF to be capital gains.

The income tax varied from the amount of income tax determined by applying the Hong Kong profits tax rate of 16.5% (2013: 16.5%) to the profit before taxation and transactions with unitholders as a result of the following differences:

	Group		Fortune REIT	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Profit before taxation and transactions with unitholders	<b>4,101,802</b>	3,781,920	<b>638,779</b>	443,272
Tax at the applicable income tax rate	<b>676,797</b>	624,017	<b>105,398</b>	73,140
Tax effect of expenses not deductible for tax purpose	<b>43,295</b>	39,616	<b>24,179</b>	33,239
Tax effect of income not taxable for tax purpose	<b>(548,995)</b>	(528,978)	<b>(129,166)</b>	(105,850)
Effect of different tax rates of overseas operations	<b>12</b>	16	<b>12</b>	16
Over provision in prior years	<b>(213)</b>	(2,155)	<b>(3)</b>	(2,252)
Taxation for the year	<b>170,896</b>	132,516	<b>420</b>	(1,707)

Hong Kong profits tax rate is used as it is the jurisdiction where the operations of the Group are substantially based.

For the year ended 31 December 2014

## 12 EARNINGS PER UNIT

Basic earnings per unit is calculated by dividing the profit for the year, before transactions with unitholders by the weighted average number of units outstanding during the year as follows:

	Group	
	2014 HK\$'000	2013 HK\$'000
Profit for the year, before transactions with unitholders	3,930,906	3,649,404
Weighted average number of units outstanding during the year Number of units ('000)	1,870,212	1,765,444
Basic earnings per unit (HK cents)	210.19	206.71

The weighted average number of units outstanding during the year takes into account the 3,243,664 (2013: 3,642,690) units issuable as Manager's base fee for the period from 1 October 2014 to 31 December 2014 (2013: 1 October 2013 to 31 December 2013), which were issued to the Manager on 2 January 2015 (2013: 3 January 2014).

No diluted earnings per unit is presented as there are no potential units in issue during the financial year nor outstanding as at the end of the financial year.

## 13 INVESTMENTS IN SUBSIDIARIES

	Fortune REIT	
	2014 HK\$'000	2013 HK\$'000
Unquoted ordinary shares, at cost	3,103,540	3,103,540
Unquoted preference shares, at cost	3,325,569	3,189,752
Unquoted deferred shares, at cost	210	210
	6,429,319	6,293,502

During the year ended 31 December 2014, Fortune REIT subscribed and fully paid for redeemable preference shares amounting to HK\$135.8 million from its subsidiaries.

## ● Notes to the Financial Statements

For the year ended 31 December 2014

### 13 INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries which are wholly owned by Fortune REIT as at 31 December 2014 and 2013 are as follows:

Name of company	Country/ Place of incorporation	Effective equity interest held by Fortune REIT		Issued and fully paid capital			Principal activities
		2014	2013	Ordinary shares	Redeemable preference shares	Non-voting deferred shares	
		%	%	HK\$	HK\$	HK\$	
<b>Direct subsidiaries</b>							
Ace Courage Limited	British Virgin Islands ("BVI")	100	100	8	56,058,600	–	Property investment in Centre de Laguna
Art Full Resources Limited	Hong Kong	100	100	2	60,000,000	–	Property investment in Nob Hill Square
Brilliant Crystal Enterprises Limited	BVI	100	100	8	–	–	Financing
Full Belief Limited	BVI	100	100	8	109,000,000	–	Property investment in Hampton Loft
Genuine Joy Limited	BVI	100	100	8	394,690,000	–	Property investment in Caribbean Square
Max Dynamic Investments Limited	BVI	100	100	8	–	–	Financing
Partner Now Limited	BVI	100	100	8	30,810,000	–	Property investment in Lido Avenue
Poko Shine Limited	Hong Kong	100	100	2	355,870,000	–	Property investment in Ma On Shan Plaza
Proven Effort Limited	BVI	100	100	8	17,495,400	–	Property investment in Rhine Avenue
Quick Switch Limited	BVI	100	100	8	79,000,000	–	Property investment in Smartland
Smart Growth Enterprises Limited	BVI	100	100	8	872,625,000	–	Investment holding
Team Challenge Limited	BVI	100	100	8	95,620,200	–	Property investment in Tsing Yi Square
Vision Million Limited	BVI	100	100	8	810,000,000	–	Property investment in Fortune Metropolis
Waldorf Realty Limited	Hong Kong	100	100	210,000	–	210,000	Property investment in Waldorf Avenue
Yee Pang Realty Limited	Hong Kong	100	100	10,000	8,000,000	–	Property investment in Jubilee Square

For the year ended 31 December 2014

## 13 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Country/ Place of incorporation	Effective equity interest held by Fortune REIT		Issued and fully paid capital			Principal activities
		2014	2013	Ordinary shares	Redeemable preference shares	Non-voting deferred shares	
		%	%	HK\$	HK\$	HK\$	
<b>Indirect subsidiaries</b>							
Bysean Limited	Hong Kong	100	100	2	–	–	Property investment in part of the Belvedere Square
Bysky Limited	Hong Kong	100	100	2	–	–	Property investment in part of the Belvedere Square
Fullforce Limited	Hong Kong	100	100	2	–	–	Property investment in part of the Belvedere Square
Maulden Investments Limited	BVI	100	100	8	–	–	Property investment in Provident Square
Mega Gain Resources Limited	Hong Kong	100	100	1	436,400,000	–	Property investment in Metro Town
Million Nice Development Limited	Hong Kong	100	100	2	–	–	Property investment in Fortune City One
Quebostar Limited	Hong Kong	100	100	100,000	–	–	Property investment in part of the Belvedere Square
Swinley Investments Limited	BVI	100	100	8	–	–	Financing
Tidmarsh Investments Limited	BVI	100	100	8	–	–	Property investment in part of the Belvedere Square
Tin Shui Wai Development Limited	Hong Kong	100	100	1,000	–	–	Property investment in Fortune Kingswood

## ● Notes to the Financial Statements

For the year ended 31 December 2014

### 13 INVESTMENTS IN SUBSIDIARIES (Continued)

Notes:

(i) Information about the composition of the Group at the end of the reporting period is as follows:

Principal activity	Place of incorporation	Number of wholly-owned subsidiaries	
		2014	2013
Property investment	Hong Kong	11	11
Property investment	BVI	10	10
Financing	BVI	3	3
Investment holding or inactive	Hong Kong	5	5
Investment holding or inactive	BVI	11	8
		<b>40</b>	<b>37</b>

(ii) All redeemable preference shares issued by the subsidiaries are held by Fortune REIT.

The redeemable preference shares issued by the subsidiaries are redeemable at the option of the subsidiaries and they have the following terms:

- (a) They do not carry any right to dividend;
- (b) They are not participating (i.e. there is no right to participate in the surplus profits of the subsidiary after payment of dividend to the holders of the ordinary shares);
- (c) They do not have any voting rights at general meetings of the subsidiary;
- (d) In the event of a winding up of the subsidiary, the holders of the redeemable preference shares have priority over the holders of the ordinary shares to repayment of capital and premium paid on the issue of such redeemable preference shares, but that the holders of the redeemable preference shares are not entitled to participate in the surplus assets (if any) of the subsidiary; and
- (e) Each redeemable preference share is redeemable at any time at the option of the subsidiary at a redemption price equal to the issue price thereof.

(iii) The non-voting deferred shares issued by the subsidiaries, all of which are held by Fortune REIT, are subject to the following restrictions and provisions:

- (a) They do not carry any right to dividend;
- (b) They do not have any voting rights at general meetings of the subsidiary; and
- (c) On a return of assets on winding up or otherwise, the assets of the subsidiary to be returned should be distributed as regards the first HK\$100,000,000,000 thereof among the holders of ordinary shares in proportion to the nominal amounts of ordinary shares held by them respectively and one half of the balance of such assets shall belong to and be distributed among the holders of the non-voting deferred shares and the other half thereof to and among the holders of the ordinary shares in proportion in each case to the nominal amount of the shares held by them respectively.

(iv) The place of operations of the above property investment subsidiaries is Hong Kong.

(v) Interests in all subsidiaries were pledged as securities for the loan and credit facility granted by the banks to the subsidiaries as disclosed in Note 18.

For the year ended 31 December 2014

## 14 INVESTMENT PROPERTIES

	Group	
	2014 HK\$'000	2013 HK\$'000
<b>FAIR VALUE</b>		
At beginning of year	<b>29,338,000</b>	20,208,000
During the year:		
Acquisition of investment properties (Note (i))	–	5,976,388
Capital expenditure incurred in upgrading investment properties	<b>60,221</b>	66,037
Disposal of investment properties	–	(1,150)
Change in fair value of investment properties	<b>3,321,779</b>	3,088,725
At end of year	<b>32,720,000</b>	29,338,000

Details of the investment properties as at the end of the reporting period are set out below:

Description of property	Tenure of land	Terms of leases	Remaining term of lease	Location	Valuation	
					2014 HK\$'000	2013 HK\$'000
Fortune City One	Leasehold	149 years	32.5 years	No. 1 & 2 Ngan Shing Street, 6 Lok Shing Street, Shatin, New Territories, Hong Kong	<b>7,124,000</b>	6,253,000
Fortune Kingswood	Leasehold	149 years	32.5 years	Nos. 12 and 18 Tin Yan Road; Nos. 1 and 3 Tin Wu Road; No. 8 Tin Shui Road; Nos. 2 and 9 Tin Lung Road and No. 3 Tin Kwai Road, Tin Shui Wai, Yuen Long, New Territories, Hong Kong	<b>6,652,000</b>	6,028,000
Ma On Shan Plaza	Leasehold	55.5 years	32.5 years	No. 608 Sai Sha Road, Ma On Shan, Shatin, New Territories, Hong Kong	<b>4,896,000</b>	4,342,000
Metro Town	Leasehold	50 years	38 years	No. 8 King Ling Road, Tseung Kwan O, Hong Kong	<b>3,026,000</b>	2,726,000
Fortune Metropolis	Leasehold	50.5 years	32.5 years	No. 6–10 Metropolis Drive, Kowloon, Hong Kong	<b>2,311,000</b>	2,059,000
Belvedere Square	Leasehold	149 years	32.5 years	No. 530–590, 620 & 625, Castle Peak Road, Tsuen Wan, New Territories, Hong Kong	<b>1,914,000</b>	1,693,000



## ● Notes to the Financial Statements

For the year ended 31 December 2014

### 14 INVESTMENT PROPERTIES (Continued)

Description of property	Tenure of land	Terms of leases	Remaining term of lease	Location	Valuation	
					2014 HK\$'000	2013 HK\$'000
Waldorf Avenue	Leasehold	149 years	32.5 years	No. 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong	1,582,000	1,435,000
Caribbean Square	Leasehold	50 years	32.5 years	No. 1 Kin Tung Road, Tung Chung, New Territories, Hong Kong	943,000	875,000
Provident Square	Leasehold	150 years	57 years	No. 21–53 Wharf Road, North Point, Hong Kong	922,000	856,000
Jubilee Square	Leasehold	149 years	32.5 years	No. 2–18 Lok King Street, Fo Tan, Shatin, New Territories, Hong Kong	863,000	768,000
Smartland	Leasehold	149 years	32.5 years	No. 16 Tsuen Wah Street, Tsuen Wan, New Territories, Hong Kong	658,000	599,000
Tsing Yi Square	Leasehold	149 years	32.5 years	No. 7–19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong	574,000	524,000
Nob Hill Square	Leasehold	50 years	33.5 years	No. 8 King Lai Path, Kwai Chung, New Territories, Hong Kong	438,000	406,000
Centre de Laguna	Leasehold	58 years	32.5 years	93/99 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong	264,000	245,000
Hampton Loft	Leasehold	50 years	35 years	No. 11 Hoi Fan Road, Kowloon, Hong Kong	258,000	250,000
Lido Avenue	Leasehold	149 years	32.5 years	No. 41–63 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong	182,000	169,000
Rhine Avenue	Leasehold	57 years	32.5 years	No. 38 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong	113,000	110,000
					<b>32,720,000</b>	<b>29,338,000</b>

## 14 INVESTMENT PROPERTIES (Continued)

- (i) On 9 October 2013, Fortune REIT completed the acquisition of Fortune Kingswood from a subsidiary of Cheung Kong through acquisition of the entire equity interest in Tin Shui Wai Development Limited (“**Tin Shui Wai**”) for a cash consideration of HK\$5,849.0 million plus adjustments on the net current liabilities of Tin Shui Wai of HK\$176.5 million as at completion date of the acquisition.

The above acquisition was partly financed by net proceeds from the placement of new units which was completed on 6 August 2013 (the “**Unit Placement**”) as well as drawdown of a new bank borrowing as disclosed in Note 18 under the facility agreements dated 7 October 2013. Details of the acquisition are as follows:

	HK\$'000
Investment properties	5,976,388
Cash and cash equivalents	3,809
Trade and other receivables	31,535
Trade and other payables	(115,208)
Taxation (Note)	(224,029)
<b>Total consideration, satisfied by cash</b>	<b>5,672,495</b>
<b>Net cash outflow arising on acquisition</b>	
Cash consideration paid/payable	(5,672,495)
Cash and cash equivalents acquired	3,809
	<b>(5,668,686)</b>

Note: Taxation liabilities include an amount of HK\$70,217,000 relating to income generated from activities which have been ceased by Tin Shui Wai prior to the acquisition date.

- (ii) In estimating the fair value of investment properties, it is the Group’s policy to engage third party qualified external valuer to perform the valuation. The Manager works closely with the qualified external valuer to establish the appropriate valuation technique and inputs to the model.

On 31 December 2014 and 2013, independent valuations were undertaken by Jones Lang LaSalle Limited (“**Jones Lang**”). The firm is independent qualified professional valuer not related to the Group and has appropriate professional qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation of the properties was principally arrived at using the basis of capitalisation of the net income. In the valuation, which falls under Level 2 of the fair value hierarchy, the market rentals of all lettable units of the properties are assessed and capitalised at market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The market yield which is the capitalisation rate adopted is made by reference to the yields derived from analysing the sales transactions of similar commercial properties in Hong Kong and adjusted to take account of the valuers’ knowledge of the market expectation from property investors to reflect factors specific to the Group’s investment properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The adopted capitalisation rates in the valuation range from 4.3% – 5.0% (2013: 4.3% – 5.0%). The capitalisation rate is one of the key parameters in the valuation method of income capitalisation and they involve professional judgment in relation to the adjustments made by the independent valuer.

## ● Notes to the Financial Statements

For the year ended 31 December 2014

### 14 INVESTMENT PROPERTIES (Continued)

- (iii) All of the Group's property interests in properties located in Hong Kong are either held under long leases or medium-term leases which are finance lease in nature. The properties have been leased out under operating leases, most of which contain tenancy periods ranging from two to three years. Subsequent renewals are negotiated with the lessees at prevailing market rates.

The carrying amount of investment properties shown above comprise:

	2014 HK\$'000	2013 HK\$'000
Land in Hong Kong:		
Long lease	922,000	856,000
Medium-term lease	31,798,000	28,482,000
	<b>32,720,000</b>	29,338,000

- (iv) Certain properties with total fair value of HK\$30,275.0 million (2013: HK\$27,135.0 million) as at 31 December 2014 have been mortgaged as collaterals for credit facilities granted by the banks.

### 15 DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2014 HK\$'000	2013 HK\$'000
Derivative financial instruments are analysed as:		
Derivatives under hedge accounting:		
Cash flow hedges – interest rate swaps	(25,347)	(40,799)
Derivatives not under hedge accounting:		
Interest rate swaps and caps	24,036	45,538
	<b>(1,311)</b>	4,739
Reflected on consolidated statement of financial position based on remaining contractual maturity as:		
Non-current Assets	32,306	66,906
Non-current Liabilities	(33,617)	(40,799)
Current Liabilities	–	(21,368)
	<b>(1,311)</b>	4,739

The Group uses interest rate swaps and caps as hedging instruments in order to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of these borrowings from floating rates to fixed rates.

## 15 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

### Derivatives under hedge accounting:

A contract with notional amount of HK\$708.2 million (2013: HK\$1,415.0 million) as at 31 December 2014 will mature in April 2016 and are highly effective. During the year, hedge accounting for a contract with notional amount of HK\$706.8 million which will mature in April 2016 was discontinued as the hedge is no longer highly effective. These contracts have fixed interest payments at rates ranging from 2.000% to 2.017% per annum for the year ended 31 December 2014 and have floating interest receipts at three months Hong Kong Inter-bank Offered Rate (“**HIBOR**”) with HIBOR being repriced every three months.

The effective portion of the change in fair value of the derivative financial instruments, amounting to a gain of HK\$11.3 million (2013: gain of HK\$29.9 million), is recognised in other comprehensive income for the year ended 31 December 2014. The fair value change of the derivative financial instrument which was no longer highly effective hedge amounting to a gain of HK\$4.1 million is recognised in the consolidated statement of comprehensive income for the year ended 31 December 2014.

### Derivatives not under hedge accounting:

Contracts not under hedge accounting with notional amount of HK\$836.0 million (31 December 2013: nil), HK\$614.5 million (2013: HK\$614.5 million), HK\$800.5 million (2013: HK\$800.5 million), HK\$962.0 million (31 December 2013: nil) and HK\$800.0 million (2013: HK\$800.0 million) as at 31 December 2014 will mature in March 2017, April 2018, April 2018, March 2019 and August 2019, respectively. These contracts have fixed interest payments at rates ranging from 0.21% to 2.91% (2013: 1.08% to 2.91%) per annum and have floating interest receipts at three months HIBOR or at three months HIBOR minus 1.50% if HIBOR is within a pre-determined range (if applicable) with HIBOR being repriced every three months. The interest payments/receipts for contracts with notional amounts of HK\$800.5 million will commence from January 2015.

The change in fair value of the derivative financial instruments not under hedge accounting amounting to a loss of HK\$21.4 million (2013: gain of HK\$120.2 million), is recognised in the profit or loss for the year ended 31 December 2014. In addition, as certain interest rate swap contracts previously designated under hedge accounting were no longer highly effective, the respective cumulative losses from inception of the hedge until then that previously recognised in hedging reserve remains in equity and is released to profit or loss over the periods during which the interest payment in relation to the interest rate swap contracts affects the profit or loss. During the year, release of such cumulative losses from the hedging reserve amounted to HK\$11.9 million (2013: HK\$5.4 million). Accordingly, the total change in fair value of derivative financial instruments recognised in profit or loss was a net loss of HK\$29.2 million (2013: net gain of HK\$114.8 million).

The fair value of derivative financial instruments represented 0.01% (2013: 0.02%) of the net assets of Fortune REIT as at 31 December 2014.

The derivative financial instruments are measured at fair value at the end of the reporting period. Their fair values are determined based on the discounted future cash flows using the applicable yield curve for the remaining duration of the instruments.

The fair value of derivative financial instruments falls under Level 2 of the fair value hierarchy and is based on valuation of the instruments provided by the counterparty banks, which are determined using interest rates implied from observable market inputs such as market interest rates yield curves and contracted interest rates discounted at a rate that reflects the credit risk of various counterparties.

## ● Notes to the Financial Statements

For the year ended 31 December 2014

### 16 TRADE AND OTHER RECEIVABLES

	Group		Fortune REIT	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>(a) Trade receivables</b>				
Outside parties	29,812	31,690	–	–
Related parties (Note 30)	2,578	3,480	–	–
	<b>32,390</b>	35,170	–	–
<b>(b) Other receivables and prepayments</b>				
Security deposits	23,846	23,154	–	–
Other receivables	2,917	7,028	2,475	6,182
Prepayments	1,700	1,741	54,235	93,961
	<b>28,463</b>	31,923	<b>56,710</b>	100,143
	<b>60,853</b>	67,093	<b>56,710</b>	100,143

Aging analysis of the Group's trade receivables at the end of the reporting period is as follows:

	Group	
	2014 HK\$'000	2013 HK\$'000
0 – 30 days	31,495	35,130
31 – 90 days	885	10
Over 90 days	10	30
	<b>32,390</b>	35,170

There is no credit period given on billing for rental of properties. No interest is charged on the trade receivables for the first 10 days from the date of the invoice. Interest will be charged on the outstanding amount overdue for more than 10 days at the rate of 12% per annum. The balances of trade receivables include accrued rentals in respect of rent free periods.

Included in the Group's trade receivable balance are debtors with a carrying amount of HK\$3.6 million (2013: HK\$5.3 million) which are past due as at the reporting date for which the Group has not provided for doubtful debts as there has not been a significant change on credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

For the year ended 31 December 2014

**16 TRADE AND OTHER RECEIVABLES** (Continued)

The aging of the debtors which are past due but not impaired are as follows:

	Group	
	2014 HK\$'000	2013 HK\$'000
1 – 30 days	2,665	5,221
31 – 90 days	885	10
Over 90 days	10	30
	<b>3,560</b>	<b>5,261</b>

In determining the recoverability of a trade receivable, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The exposure of credit risk is limited due to deposits received from tenants. Full provision will be made on the balance overdue for 90 days after setting off the relevant tenant's deposits. Accordingly, the Manager believes that there is no further credit provision required in excess of the allowance for doubtful debts.

Fortune REIT's prepayments included front end fees of HK\$54.2 million (2013: HK\$92.6 million) as at 31 December 2014 in respect of its subsidiaries' bank borrowings.

Other receivables and prepayments which are not denominated in the functional currency of the relevant Group entities are as follows:

	Group and Fortune REIT	
	2014 HK\$'000	2013 HK\$'000
Denominated in:		
Singapore dollars	2,551	6,098



## ● Notes to the Financial Statements

For the year ended 31 December 2014

### 17 BANK BALANCES AND CASH

	Group		Fortune REIT	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Cash at bank and in hand	270,556	104,698	108,567	16,501
Fixed deposits with original maturity date less than 3 months	417,851	753,477	315,851	498,477
Cash and cash equivalents	688,407	858,175	424,418	514,978
Effective interest rate per annum	0.40%	1.33%	0.37%	1.22%

The cash and cash equivalents which are not denominated in the functional currency of the relevant Group entities are as follows:

	Group and Fortune REIT	
	2014 HK\$'000	2013 HK\$'000
Denominated in: Singapore dollars	4,403	2,889

### 18 BORROWINGS

	Group	
	2014 HK\$'000	2013 HK\$'000
Secured term loans	7,334,253	7,334,253
Unsecured term loans	1,618,700	1,618,700
Secured revolving loans	940,000	970,000
Less: unamortised front end fees	(71,843)	(92,581)
	9,821,110	9,830,372
Carrying amount repayable:		
On demand or within one year	940,000	970,000
More than one year, but not more than two years	2,817,265	1,087,424
More than two years, but not more than five years	6,063,845	7,772,948
	9,821,110	9,830,372
Less: Amount due within one year shown under current liabilities	(940,000)	(970,000)
	8,881,110	8,860,372

For the year ended 31 December 2014

**18 BORROWINGS** (Continued)

- (i) In relation to the term loan of HK\$2,830.0 million and revolving credit facility of HK\$970.0 million under the facility agreement dated 11 April 2011 for a term of 5 years (the “**2011 Facilities**”), the amounts outstanding under the 2011 Facilities drawn down by certain subsidiaries as at 31 December 2014 was HK\$3,268.0 million (2013: HK\$3,798.0 million). The 2011 Facilities are secured by, inter alia, a mortgage over certain investment properties and the Trustee (in its capacity as Trustee of Fortune REIT) has provided a guarantee for the 2011 Facilities. The 2011 Facilities bear interest at HIBOR plus a margin of 0.91% per annum.
- (ii) In relation to the term loans with aggregate amount of HK\$5,025.0 million under the facility agreements dated 7 October 2013 for terms between 3.5 years to 5 years (the “**2013 Facilities**”), the amounts outstanding under the 2013 Facilities drawn down by certain subsidiaries as at 31 December 2014 was HK\$5,025.0 million (2013: HK\$5,025.0 million). Term loans of HK\$3,406.3 million under the 2013 Facilities are secured by, inter alia, a mortgage over certain investment properties and the Trustee (in its capacity as Trustee of Fortune REIT) has provided a guarantee for the 2013 Facilities. The 2013 Facilities bear interest at HIBOR plus a margin of ranging from 1.30% to 1.70% per annum. The 2013 Facilities was used to partly finance the acquisition of subsidiary as disclosed in Note 14(i).
- (iii) In relation to the term loan of HK\$1,100.0 million and revolving credit facility of HK\$700.0 million under the facility agreement dated 8 April 2014 for a term of 5 years (the “**2014 Facilities**”), the amounts outstanding under the 2014 Facilities drawn down by a subsidiary as at 31 December 2014 was HK\$1,600.0 million. The 2014 Facilities are secured by, inter alia, a mortgage over certain investment properties and the Trustee (in its capacity as Trustee of Fortune REIT) has provided a guarantee for the 2014 Facilities. The 2014 Facilities bear interest at HIBOR plus a margin of 1.40% per annum. The 2014 Facilities was used in part to refinance the facilities entered in 2012 and the balance was used to finance the corporate funding requirement of the Group.
- (iv) During the year, the Group has paid front end fees of HK\$20.7 million (2013: HK\$65.3 million) to the banks to secure the loan facilities. The front end fees are amortised over the respective loan periods. The movements in the front end fees and accumulated amortisation are as follow:

	Group	
	2014 HK\$'000	2013 HK\$'000
At beginning of year	140,725	75,400
Addition	20,700	65,325
Reversal during the year	(33,600)	–
At end of year	127,825	140,725
Movement in accumulated amortisation:		
At beginning of year	(48,144)	(24,215)
Amortised during the year	(31,662)	(23,929)
Reversal during the year	23,824	–
At end of year	(55,982)	(48,144)
Net book values	71,843	92,581

## ● Notes to the Financial Statements

For the year ended 31 December 2014

### 18 BORROWINGS (Continued)

(v) The effective interest rates:

	Weighted average effective interest rate		Principal amount	
	2014 %	2013 %	2014 HK\$'000	2013 HK\$'000
<b>Interest bearing borrowing</b>				
Fixed rate*	<b>2.57</b>	2.95	<b>3,630,000</b>	3,630,000
Variable rate	<b>1.87</b>	1.76	<b>6,262,953</b>	6,292,953
			<b>9,892,953</b>	9,922,953

\* The effective interest rate had taken into account the effect of the interest rate swaps (including derivatives not under hedge accounting) which were entered into to swap a portion of the Group's borrowings from floating rate to fixed rate and therefore the loan is analysed as fixed rate.

### 19 DEFERRED TAX LIABILITIES

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The followings are the major component of deferred tax liabilities/(assets) recognised and movements therein during the year:

	Accelerated tax depreciation		Tax losses		Total	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Group</b>						
At beginning of year	<b>349,744</b>	196,253	<b>(3,367)</b>	(3,367)	<b>346,377</b>	192,886
Movements during the year	<b>31,858</b>	153,491	<b>–</b>	–	<b>31,858</b>	153,491
At end of year	<b>381,602</b>	349,744	<b>(3,367)</b>	(3,367)	<b>378,235</b>	346,377

Movements during the year included HK\$31,858,000 (2013: HK\$26,103,000) charged to profit or loss for the year.

The investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and hence the presumption that the carrying amounts are recovered entirely through sale is not rebutted.

For the year ended 31 December 2014

## 20 TRADE AND OTHER PAYABLES

	Group		Fortune REIT	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>(a) Trade payables</b>				
Tenants' deposits				
– Outside parties	<b>410,128</b>	383,324	–	–
– Related parties (Note 30)	<b>10,500</b>	11,096	–	–
Rental received in advance				
– Outside parties	<b>15,995</b>	17,101	–	–
	<b>436,623</b>	411,521	–	–
<b>(b) Other payables</b>				
Trustee's fee	<b>1,943</b>	2,512	<b>1,943</b>	2,512
Other expenses				
– Outside parties	<b>69,599</b>	50,612	<b>1,993</b>	2,092
– Related parties (Note 30)	<b>68,173</b>	58,789	–	–
– Manager (Note 30)	<b>6,011</b>	5,782	–	–
Interest payable	<b>4,079</b>	6,494	–	–
Others	<b>2,199</b>	4,955	<b>2,199</b>	4,955
	<b>152,004</b>	129,144	<b>6,135</b>	9,559
<b>Total</b>	<b>588,627</b>	540,665	<b>6,135</b>	9,559

Trade and other payables comprise deposits refundable to tenants upon termination or cancellation of operating lease arrangements and amounts outstanding for ongoing costs. The tenants' deposits are refundable to tenants within 30-45 days upon the termination of the tenancy agreement.

The tenants' deposits to be settled after twelve months from the reporting period based on lease term amounted to HK\$262.3 million (2013: HK\$239.7 million) as at 31 December 2014.

Trade and other payable which are not denominated in the functional currency of the respective Group entities are as follows:

	Group and Fortune REIT	
	2014 HK\$'000	2013 HK\$'000
Denominated in:		
– Singapore dollars	<b>891</b>	1,536

## ● Notes to the Financial Statements

For the year ended 31 December 2014

### 21 UNITS IN ISSUE AND TO BE ISSUED

Before the amendment of Trust Deed on 26 March 2010, Fortune REIT has no contractual obligation to pay or declare distribution of which is entirely at the discretion of the Manager pursuant to the Trust Deed. Accordingly, the issued units are classified as equity in accordance with IAS 32 *Financial Instruments: Presentation* ("IAS 32").

As a consequence of the dual primary listing on the SEHK, Fortune REIT has to comply with the distribution requirements set in the REIT Code issued by the SFC. In accordance with the amended Trust Deed, Fortune REIT's current distribution policy provides the unitholders with a right to receive distribution which Fortune REIT has a contractual obligation to distribute to unitholders at the higher of Net Tax-Exempt Income or 90% of consolidated Net Profit After Tax (defined in Note (i) to the distribution statement).

Accordingly, the issued units as at 31 December 2014 and 2013 are compound instruments in accordance with IAS 32. The Manager considers the equity component of the issued units to be insignificant and that the net assets attributable to unitholders presented on the statements of financial position as at 31 December 2014 and 2013 mainly represents financial liabilities.

	Number of units '000	HK\$'000
Balance as at 1 January 2013	1,700,225	6,468,360
Issue of new units during the year:		
Unit placement (Note (i))	142,962	975,001
As payment of acquisition fee for the acquisition of Fortune Kingswood (Note (ii))	8,576	58,490
As payment of Manager's base fee for the period from 1 January to 30 September 2013	7,128	48,321
Balance in issue as at 31 December 2013	1,858,891	7,550,172
New units to be issued:		
As payment of Manager's base fee for the period from 1 October 2013 to 31 December 2013 (Note (iii))	3,643	22,184
Balance as at 1 January 2014	1,862,534	7,572,356
Issue of new units during the year:		
As payment of Manager's base fee for the period from 1 January to 30 September 2014	10,512	68,149
Balance in issue as at 31 December 2014	1,873,046	7,640,505
New units to be issued:		
As payment of Manager's base fee for the period from 1 October to 31 December 2014 (Note (iii))	3,244	24,742
Balance as at 31 December 2014	1,876,290	7,665,247

Notes:

- (i) On 6 August 2013, 142,962,000 units were issued at an issue price of HK\$6.82 per unit pursuant to the Unit Placement.
- (ii) On 9 October 2013, Fortune REIT issued 8,576,246 units to the Manager at HK\$6.82 per unit as acquisition fee for the acquisition of subsidiary as disclosed in Note 14. The acquisition fee of HK\$58.49 million was calculated at 1.0% of the consideration paid for the acquired property of HK\$5,849 million and were paid by way of units.
- (iii) Manager's base fee paid to the Manager is in the form of units. On 3 January 2015, Fortune REIT issued 3,243,664 units at an issue price of HK\$7.6277 per unit to the Manager as base fee for the period from 1 October to 31 December 2014. On 3 January 2014, Fortune REIT issued 3,642,690 units at an issue price of HK\$6.0901 per unit to the Manager as base fee for the period from 1 October 2013 to 31 December 2013.

## 22 NET ASSET VALUE PER UNIT ATTRIBUTABLE TO UNITHOLDERS

Net asset value per unit is calculated based on the net assets attributable to unitholders of the Group of HK\$22,375.5 million (2013: HK\$19,109.3 million) and the total number of 1,876,289,958 (2013: 1,862,533,814) units in issue and to be issued, including the new units to be issued as payment of Manager's base fee.

## 23 NET CURRENT LIABILITIES

As at 31 December 2014, the Group's net current liabilities, defined as current assets less current liabilities, amounted to HK\$1,179.7 million (2013: HK\$1,048.0 million).

## 24 TOTAL ASSETS LESS CURRENT LIABILITIES

As at 31 December 2014, the Group's total assets less current liabilities amounted to HK\$31,668.5 million (2013: HK\$28,356.9 million).

## 25 CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group and Fortune REIT manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to unitholders through the optimisation of debt and net assets attributable to unitholders, and to ensure that all other externally imposed capital requirements are complied with.

The capital structure of the Group consists of debts, which includes borrowings, cash and cash equivalents and net assets attributable to unitholders comprising issued and issuable units, reserves and retained profits. Fortune REIT and the Group are required to maintain the aggregate borrowing not exceeding 35% (2013: 35%) and 45% (2013: 45%) of the gross asset value of the Group in accordance with the CIS Code issued by MAS and the REIT Code issued by SFC, respectively. As at 31 December 2014, the Group has aggregate borrowings with principal amount of HK\$9,893 million (2013: HK\$9,923 million).

The management's strategy remains unchanged from prior year. The Group and Fortune REIT are in compliance with externally imposed capital requirements as at 31 December 2014.



## ● Notes to the Financial Statements

For the year ended 31 December 2014

### 26 FINANCIAL INSTRUMENTS

#### (a) Categories of financial instruments

	Group		Fortune REIT	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Financial assets</b>				
<i>Loans and receivables</i>				
Trade and other receivables	<b>59,153</b>	65,352	<b>2,475</b>	6,182
Bank balances and cash	<b>688,407</b>	858,175	<b>424,418</b>	514,978
	<b>747,560</b>	923,527	<b>426,893</b>	521,160
<i>Fair value</i>				
Derivative financial instruments				
– Not under designated hedge accounting	<b>32,306</b>	66,906	–	–
<b>Financial liabilities</b>				
<i>Amortised cost</i>				
Other payables	<b>86,700</b>	85,870	<b>4,142</b>	7,465
Distribution payable	<b>390,316</b>	335,424	<b>390,316</b>	335,424
Borrowings	<b>9,821,110</b>	9,830,372	–	–
	<b>10,298,126</b>	10,251,666	<b>394,458</b>	342,889
<i>Fair value</i>				
Derivative financial instruments				
– In designated hedge accounting relationships	<b>12,762</b>	40,799	–	–
– Not under designated hedge accounting	<b>20,855</b>	21,368	–	–
	<b>33,617</b>	62,167	–	–

#### (b) Financial risk management objectives and policies

Details of the Group's and Fortune REIT's financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include interest rate risk, credit risk, foreign currency risk and liquidity risk.

The policies on how to mitigate these risks are set out below. The Manager manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**26 FINANCIAL INSTRUMENTS** (Continued)**(b) Financial risk management objectives and policies** (Continued)*Interest rate risk*

The Group's and Fortune REIT's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Manager on an ongoing basis with primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

Where necessary, the Group adopts an appropriate hedging policy to minimise interest rate exposure. This may involve fixing certain portion of the interest payable on its underlying debt liabilities via financial derivatives or other suitable financial products.

*Interest rate sensitivity analysis*

The sensitivity analysis below has been determined based on the Group's exposure to interest rates for derivative and non-derivative instruments at the end of the reporting period and assumed the stipulated changes taking place at the beginning of last financial year and held constant throughout last financial period in the case of financial instruments that bear interest at floating rates. A range of 25 to 75 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the effect from reasonably possible change in interest rates.

If the interest rates have been higher or lower and all other variables were held constant, the Group's profit before tax for the year would decrease or increase accordingly. This is mainly attributable to the Group's exposure to interest rates on its floating rate borrowings which is not hedged. The following analysis shows the Group's sensitivity to interest rates exposure:

Increase in interest rates basis points by:

	Decrease in the Group's profit	
	2014 HK\$'000	2013 HK\$'000
25 basis points	15,657	15,738
50 basis points	31,315	31,475
75 basis points	46,972	47,212

No interest rate sensitivity analysis in relation to time deposit of the Group and Fortune REIT as the Manager considered that the impact of interest rate risk on profit or loss for the year was insignificant.

## ● Notes to the Financial Statements

For the year ended 31 December 2014

### 26 FINANCIAL INSTRUMENTS (Continued)

#### (b) Financial risk management objectives and policies (Continued)

##### Credit risk

Credit risk is the potential financial loss resulting from the failure of a tenant or counterparty to settle its financial and contractual obligations to the property companies, as and when they fall due. The Group has adopted a policy of obtaining deposit to mitigate the risk of financial loss from default.

Trade receivable consists of rental revenue receivables from tenant or counterparty. The Manager monitors their balances on an ongoing basis. Credit evaluations are performed by the property manager on behalf of the Manager before lease agreements are entered into with tenants.

The Group and Fortune REIT do not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The credit risk on liquid funds is limited because cash and fixed deposits are placed with reputable bank with high credit ratings assigned by international credit-rating agencies.

The credit risk on derivative financial instrument is limited because the counterparties are bank with high credit ratings assigned by international credit-rating agencies.

The maximum exposure to credit risk of the Group and Fortune REIT is represented by the carrying value of each financial asset on the statements of financial position.

##### Foreign currency risk

The functional currency of Fortune REIT and its subsidiaries is Hong Kong dollars.

The net carrying amounts of monetary assets denominated in currencies other than their functional currency arise from Singapore dollars ("S\$") denominated bank balances and deposits, other receivables and other payables amounting to HK\$6.1 million (2013: HK\$7.5 million) as at 31 December 2014. The foreign currency risk is managed by the Manager on an ongoing basis as well as to minimising the bank balance in Singapore dollars.

If HK\$ were to strengthen against S\$ by 5%, 10% and 15% (2013: 5%, 10% and 15%), the Group's profit for the year would decrease by:

	Decrease in the Group's and Fortune REIT's result	
	2014 HK\$'000	2013 HK\$'000
5%	303	373
10%	606	745
15%	909	1,118

Conversely, if the HK\$ were to weaken against S\$, there would be an equal and opposite effect on the Group's profit for the year.

## 26 FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

#### Liquidity risk

The Manager monitors and maintains a level of cash and cash equivalents deemed adequate by the Manager to finance the Group's and Fortune REIT's operations. In addition, the Manager also monitors and observes the CIS Code and REIT Code concerning limits of total borrowings.

As at 31 December 2014, the Group had bank loan facilities of HK\$10,625.0 million comprising a HK\$8,955.0 million term loan and HK\$1,670.0 million revolving credit facilities. The term loan facilities were fully drawn and revolving credit facilities of HK\$940.0 million were drawn as at 31 December 2014. 2011 Facilities, 2013 Facilities and 2014 Facilities are repayable from 2016 to 2019. The revolving credit facility will be repaid on each maturity date and can be redrawn upon maturity. Taking into account the fair value of investment properties of HK\$32,720 million, presently available banking facilities of HK\$730.0 million and internal financial resources of the Group, the Manager is of the opinion that the Group has sufficient working capital for its present requirements within one year from the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

#### Liquidity risk analysis

The following table details the Group's and Fortune REIT's remaining contractual maturity for its financial liabilities (other than issued and issuable units) based on the agreed repayment terms. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Fortune REIT can be required to pay.

For derivative instruments settled on a net basis, undiscounted net cash outflows are presented. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date. The liquidity analysis for derivative financial instruments is prepared based on the contractual maturities as the management considers the contractual maturities are essential for an understanding of the timing of the cash flows of the derivatives.

The Group's derivative financial instruments are interest rate swaps and caps with notional amount totaling HK\$5,428 million (2013: HK\$5,045 million) as at 31 December 2014 with contracted net cash flows due within five years (2013: six years) from inception date.

## ● Notes to the Financial Statements

For the year ended 31 December 2014

### 26 FINANCIAL INSTRUMENTS (Continued)

#### (b) Financial risk management objectives and policies (Continued)

Group

	Weighted average interest rate %	On demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 2 years HK\$'000	Over 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount as at 31 December 2014 HK\$'000
<b>2014</b>							
<b>Non-derivative-net settlement</b>							
Tenants' Deposits	-	48,105	110,188	141,695	120,640	420,628	420,628
Other payables	-	86,700	-	-	-	86,700	86,700
Bank borrowings – variable rate	1.50	136,621	111,601	3,290,364	6,735,435	10,274,021	9,821,110
Distribution Payable	-	390,316	-	-	-	390,316	390,316
Cash outflow		661,742	221,789	3,432,059	6,856,075	11,171,665	10,718,754
<b>Derivative liabilities-net settlement</b>							
Derivative financial instruments, cash outflow		7,806	21,983	12,437	11,213	53,439	33,617

	Weighted average interest rate %	On demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 2 years HK\$'000	2 years to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount as at 31 December 2013 HK\$'000
<b>2013</b>							
<b>Non-derivative-net settlement</b>							
Tenants' Deposits	-	51,435	103,278	141,498	98,209	394,420	394,420
Other payables	-	85,870	-	-	-	85,870	85,870
Bank borrowings – variable rate	1.70	171,592	126,222	1,243,291	8,853,429	10,394,534	9,830,372
Distribution Payable	-	335,424	-	-	-	335,424	335,424
Cash outflow		644,321	229,500	1,384,789	8,951,638	11,210,248	10,646,086
<b>Derivative liabilities-net settlement</b>							
Derivative financial instruments, cash outflow		13,661	30,099	19,364	4,037	67,161	62,167

For the year ended 31 December 2014

**26 FINANCIAL INSTRUMENTS** (Continued)**(b) Financial risk management objectives and policies** (Continued)

Fortune REIT

	On demand or less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount as at 31 December 2014 HK\$'000
<b>2014</b>			
Other payables	4,142	4,142	4,142
Distribution payable	390,316	390,316	390,316
	<b>394,458</b>	<b>394,458</b>	<b>394,458</b>

	On demand or less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount as at 31 December 2013 HK\$'000
<b>2013</b>			
Other payables	7,465	7,465	7,465
Distribution payable	335,424	335,424	335,424
	<b>342,889</b>	<b>342,889</b>	<b>342,889</b>

**(c) Fair value**

The carrying amounts of cash and cash equivalents, trade and other receivables and other payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The long-term borrowings are floating rate loans based on market interest rates and hence their carrying values approximate their fair value.

The fair value of derivative instruments is based on valuation of the instruments provided by the counterparty banks, which are determined using interest rates implied from observable market inputs such as market interest rates yield curves and contracted interest rates discounted at a rate that reflects the credit risk of various counterparties.

## ● Notes to the Financial Statements

For the year ended 31 December 2014

### 27 OPERATING LEASE ARRANGEMENTS

	Group	
	2014 HK\$'000	2013 HK\$'000
Minimum lease income under operating leases included in revenue	<b>1,191,055</b>	950,175

As at the end of the reporting period, the future minimum lease receipts under the committed rental of shopping mall premises were as follows:

	Outside parties		Related parties		Total	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Within one year	<b>910,536</b>	897,577	<b>160,338</b>	144,280	<b>1,070,874</b>	1,041,858
In the second to fifth year inclusive	<b>808,282</b>	707,083	<b>116,969</b>	131,818	<b>925,251</b>	838,901
Over five years	<b>13,724</b>	15,057	<b>630</b>	–	<b>14,354</b>	15,057
	<b>1,732,542</b>	1,619,717	<b>277,937</b>	276,098	<b>2,010,479</b>	1,895,816

The Group rents out its investment properties in Hong Kong under operating leases. Operating lease income represents rentals receivable by the Group for its investment properties. Leases are negotiated for term ranging primarily from one to three years with monthly fixed rental, except for certain leases of which contingent rents are charged based on the percentage of sales mainly ranging from 2% to 18%.

### 28 CAPITAL COMMITMENT

As at 31 December 2014, the Group had capital commitments in respect of investment properties which were authorised but not contracted for of HK\$216.0 million (2013: HK\$150.0 million) and contracted but not provided for of HK\$107.3 million (2013: HK\$43.7 million).

### 29 MAJOR NON CASH TRANSACTIONS

During the year, previous bank loans of HK\$1,100 million were refinanced in part by the 2014 Facilities. The refinancing did not involve the settlement of cash by the Group as the previous bank loans were settled by the respective banks directly. In addition, the Manager's base fee for the year ended 31 December 2014 of HK\$92.9 million were and will be settled by the issuance of 10,512,480 units and 3,243,664 units, respectively.

In prior year, Manager's base fee and acquisition fee for the year ended 31 December 2013 of HK\$70.5 million and HK\$58.49 million were settled by the issuance of 10,770,154 units and 8,576,246 units, respectively.



For the year ended 31 December 2014

### 30 CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with connected and related parties.

	Notes	2014 HK\$'000	2013 HK\$'000
<b>Rent and rental related income from</b>			
AMTD Strategic Capital Limited	(a)	5,320	6,523
ARA Asset Management (Fortune) Limited	(f)	582	562
A.S. Watson Group (HK) Limited	(b)	–	78,493
A.S. Watson Retail (HK) Limited	(b)	30,373	9,446
BIGBOXX.com Limited	(b)	2,023	1,932
Cheung Kong Property Development Limited	(a)	43,778	38,021
Cheung Kong	(c)	153	99
Citybase Property Management Limited	(a)	3,262	3,074
Hang Seng Bank Limited	(d)	15,253	9,615
HSBC Life (International) Limited	(d)	–	17
Hutchison Global Communications Limited	(b)	1,383	1,192
Hutchison International Limited	(b)	2,670	2,670
Hutchison Telephone Company Limited	(b)	8,954	6,950
Hutchison Telecommunications Services Limited	(b)	12	–
Kingswood Property Services Limited	(a)	145	145
PARKnSHOP (HK) Limited	(b)	133,402	43,873
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	(d)	13,427	7,675
Towerich Limited	(a)	56	51
<b>Carpark lease agency fee for the operations for the Group's carpark</b>			
Cayley Property Management Limited	(b)	237	203
E-Park Parking Management Limited	(a)	6,332	4,472
<b>Property management and project management fee</b>			
Cayley Property Management Limited	(b)	637	631
Citybase Property Management Limited	(a)	951	870
Goodwell-Fortune Property Services Limited	(a)	37,003	29,178
Goodwell Property Management Limited	(a)	141	129
Whampoa Property Management Limited	(b)	698	869
<b>Marketing services fee</b>			
Goodwell-Fortune Property Services Limited	(a)	26,159	24,703
<b>Advertising and promotion expenses</b>			
Metro Broadcast Corporation Limited	(e)	809	736
<b>Trustee's fee</b>			
HSBC Institutional Trust Services (Singapore) Limited		10,721	8,033
<b>Manager's acquisition fee</b>			
ARA Asset Management (Fortune) Limited	(f)	–	58,490
<b>Manager's base fee</b>			
ARA Asset Management (Fortune) Limited	(f)	92,891	70,505
<b>Manager's performance fee</b>			
ARA Asset Management (Fortune) Limited	(f)	36,136	28,750
<b>Valuation and other fees</b>			
Jones Lang	(g)	777	777

## ● Notes to the Financial Statements

For the year ended 31 December 2014

### 30 CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

Trade receivables with connected and related companies are as follows:

	Notes	2014 HK\$'000	2013 HK\$'000
A.S. Watson Retail (HK) Limited	(b)	19	95
Cheung Kong Property Development Limited	(a)	2,483	2,897
Hang Seng Bank Limited	(d)	–	15
Hutchison Telephone Company Limited	(b)	–	205
Kingswood Property Services Limited	(a)	–	48
PARKnSHOP (HK) Limited	(b)	76	220
		<b>2,578</b>	<b>3,480</b>

Other payables with connected and related companies are as follows:

	Notes	2014 HK\$'000	2013 HK\$'000
ARA Asset Management (Fortune) Limited	(f)	6,011	5,782
Cayley Property Management Limited	(b)	2,509	2,909
Citybase Property Management Limited	(a)	24,046	19,354
Citytruth Property Management Limited	(a)	–	532
E-Park Parking Management Limited	(a)	1,059	890
Goodwell-Fortune Property Services Limited	(a)	13,103	10,914
Goodwell Property Management Limited	(a)	23,507	21,581
Whampoa Property Management Limited	(b)	3,949	2,609
		<b>74,184</b>	<b>64,571</b>

	Notes	2014 HK\$'000	2013 HK\$'000
<b>Deposits placed with the Group for the lease of the Group's properties</b>			
AMTD Strategic Capital Limited	(a)	–	1,877
ARA Asset Management (Fortune) Limited	(f)	161	149
A.S. Watson Retail (HK) Limited	(b)	751	247
Citybase Property Management Limited	(a)	982	982
Hang Seng Bank Limited	(d)	4,139	3,873
HSBC	(d)	2,356	2,224
Hutchison Global Communications Limited	(b)	370	32
Hutchison Telephone Company Limited	(b)	1,470	1,467
PARKnSHOP (HK) Limited	(b)	255	232
Towerich Limited	(a)	16	13
		<b>10,500</b>	<b>11,096</b>

### 30 CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

Notes:

- (a) These companies are the subsidiaries of Cheung Kong (see Note (c)).
- (b) These companies are the subsidiaries of HWL, which is 49.9% owned by Cheung Kong and is described as an associate of Cheung Kong in the published 2013 annual report of Cheung Kong.
- (c) The company is the largest unitholder with approximately 28% holding of the outstanding units of Fortune REIT at the end of the reporting year.
- (d) These companies are the fellow subsidiaries of the Trustee.
- (e) The company is an associate of Cheung Kong.
- (f) The company is the Manager of Fortune REIT.
- (g) Jones Lang is the principal valuer of investment properties as at 31 December 2014 and 2013.

In addition, the Trustee (in its capacity as trustee of Fortune REIT) has provided guarantees for the 2011 Facilities, 2013 Facilities and 2014 Facilities.

### 31 SUBSEQUENT EVENT

On 5 December 2014, a wholly owned subsidiary of Fortune REIT entered into a sale and purchase agreement to acquire the entire issued share capital of and loan owing by a company (the Target, and referred as "Target Group" for the company and its subsidiary) which indirectly wholly owns a retail property in Hong Kong namely Laguna Plaza (the "**Acquisition**") for a consideration of HK\$1,925,100,000 (being the value of the property of HK\$1,918,500,000 plus other net assets of HK\$6,600,000 of the Target Group), subject to adjustment after completion. Details of the transaction are set out in an announcement of the Fortune REIT dated 8 December 2014. As at 31 December 2014, the Group paid a deposit of HK\$95,925,000 for the Acquisition.

Subsequent to the end of the reporting period, the Group has entered into credit agreements with a bank on 2 January 2015 with respect to new banking facilities of up to HK\$1,600 million (the "**2015 Facilities**") in relation to the Acquisition. The 2015 Facilities comprises of a HK\$1,200 million 5-year secured term loan facility and a HK\$400 million 2-year unsecured revolving credit facility.

Upon the fulfillment of the conditions as set out in the sale and purchase agreement, the Acquisition was completed on 9 January 2015 and was financed by drawdown of the 2015 Facilities and existing banking facilities of the Group. Management considered that the assets acquired and liabilities assumed did not constitute a business as defined under IFRS 3 Business Combinations and, therefore, the acquisition will be accounted for as an asset acquisition.

## MAJOR ESTATE AGENTS AND CONTRACTORS

### TOP FIVE ESTATE AGENTS AND CONTRACTORS

The top five estate agents and contractors and their respective value of service were as follows:

Contractors	Nature of services	Value of contract HK\$ million	Percentage
Citybase Property Management Limited	Building Management	95.6	26.2%
Goodwell Property Management Limited	Building Management	90.5	24.8%
Goodwell-Fortune Property Services Limited	Property Management	80.5	22.0%
Whampoa Property Management Limited	Building Management	14.3	3.9%
Cayley Property Management Limited	Building Management	13.9	3.8%
<b>Total</b>		<b>294.8</b>	<b>80.7%</b>

## PERFORMANCE TABLE

	Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2012	Year ended 31 December 2011	Year ended 31 December 2010
Net assets attributable to unitholders (HK\$'000)	<b>22,375,537</b>	19,109,327	14,977,709	13,227,770	10,333,688
Net asset value per unit (HK\$)	<b>11.93</b>	10.26	8.81	7.85	6.18
The highest traded price during the year (HK\$)	<b>7.84</b>	8.61	6.96	4.23	4.15
The highest premium of the trade price to net asset value <sup>1</sup>	<b>N.A.</b>	N.A.	N.A.	N.A.	N.A.
The lowest traded price during the year (HK\$)	<b>5.60</b>	5.89	3.70	3.19	2.92
The highest discount of the trade price to net asset value <sup>1</sup>	<b>53.06%</b>	42.59%	58.00%	59.36%	52.75%
The net yield per unit <sup>2</sup>	<b>5.34%</b>	5.79%	5.07%	6.97%	6.08%

Notes:

- The highest traded price is lower than the net asset value per unit as at the end of the period. Accordingly, premium of the trade price to net asset value per unit had not been recorded.
- The net yield per unit is calculated based on the distribution per unit for each reporting period over the last traded price for the respective reporting period.

## ISSUED AND FULLY PAID-UP UNITS

as at 13 February 2015

Date	Event	No of Units (HK\$)	Amount (HK\$)	Price (HK\$)
12 August 2003	Initial public offering	473,000,000	2,234,045,650 <sup>1</sup>	4.7500
16 October 2003	Manager's base fee	285,275	1,318,969	4.6235
13 January 2004	Manager's base fee	508,329	2,562,639	5.0413
1 April 2004	Manager's base fee	491,656	2,534,746	5.1556
2 July 2004	Manager's base fee	471,649	2,534,783	5.3743
1 October 2004	Manager's base fee	411,900	2,562,636	6.2215
12 January 2005	Manager's base fee	501,966	3,163,791	6.3028
6 April 2005	Manager's base fee	460,047	3,095,012	6.7276
28 June 2005	Equity fund raising	318,796,148	1,986,100,002	6.2300
18 July 2005	Acquisition fee	5,520,064	34,389,999	6.2300
18 July 2005	Manager's base fee	496,797	3,189,039	6.4192
3 October 2005	Manager's base fee	977,811	5,907,152	6.0412
16 January 2006	Manager's base fee	1,124,236	6,496,960	5.7790
6 April 2006	Manager's base fee	995,742	6,355,722	6.3829
5 July 2006	Manager's base fee	1,088,288	6,426,341	5.9050
3 October 2006	Manager's base fee	1,087,740	6,496,962	5.9729
16 January 2007	Manager's base fee	1,168,830	6,983,175	5.9745
9 April 2007	Manager's base fee	1,173,532	6,831,364	5.8212
4 July 2007	Manager's base fee	1,081,039	6,907,947	6.3901
5 October 2007	Manager's base fee	1,212,602	6,983,860	5.7594
15 January 2008	Manager's base fee	1,412,396	7,345,307	5.2006
10 April 2008	Manager's base fee	1,424,193	7,185,628	5.0454
7 July 2008	Manager's base fee	1,611,601	7,264,617	4.5077
8 October 2008	Manager's base fee	2,441,418	7,344,274	3.0082
9 January 2009	Manager's base fee	3,075,716	6,504,526	2.1148
6 April 2009	Manager's base fee	2,299,231	6,363,123	2.7675
10 July 2009	Manager's base fee	1,761,221	6,656,712	3.7796
8 October 2009	Manager's base fee	2,634,306	6,729,863	2.5547
15 October 2009	Rights issue	824,879,427	1,888,973,888	2.2900
16 October 2009	Acquisition fee	6,371,875	20,390,000	3.2000
7 January 2010	Manager's base fee	2,830,232	8,695,890	3.0725
12 April 2010	Manager's base fee	2,357,120	8,506,849	3.6090
8 July 2010	Manager's base fee	2,645,356	9,290,227	3.5119
7 October 2010	Manager's base fee	2,434,504	9,392,318	3.8580
5 January 2011	Manager's base fee	2,567,653	10,056,986	3.9168
4 April 2011	Manager's base fee	2,582,245	9,838,356	3.8100
5 July 2011	Manager's base fee	3,115,131	11,733,764	3.7667
3 October 2011	Manager's base fee	3,398,666	11,862,707	3.4904
4 January 2012	Manager's base fee	3,321,723	12,392,022	3.7306
17 February 2012	Acquisition fee	4,809,152	19,000,000	3.9508
2 April 2012	Manager's base fee	3,360,308	13,685,527	4.0727
7 July 2012	Manager's base fee	3,150,378	14,411,408	4.5745
4 October 2012	Manager's base fee	2,488,475	14,569,775	5.8549
3 January 2013	Manager's base fee	2,399,436	15,280,570	6.3684
2 April 2013	Manager's base fee	2,195,067	14,947,532	6.8096
2 July 2013	Manager's base fee	2,310,051	16,595,408	7.1840
6 August 2013	Unit placement <sup>2</sup>	142,962,000	975,000,840	6.8200
4 October 2013	Manager's base fee	2,622,346	16,777,775	6.3980
9 October 2013	Acquisition fee	8,576,246	58,490,000	6.8200

## ● Unitholders' Statistics

### ISSUED AND FULLY PAID-UP UNITS (Continued)

as at 13 February 2015

Date	Event	No of Units (HK\$)	Amount (HK\$)	Price (HK\$)
3 January 2014	Manager's base fee	3,642,690	22,184,351	6.0901
4 April 2014	Manager's base fee	3,739,997	21,702,082	5.8027
4 July 2014	Manager's base fee	3,415,184	23,096,548	6.7629
3 October 2014	Manager's base fee	3,357,299	23,350,356	6.9551
2 January 2015	Manager's base fee	3,243,664	24,741,699	7.6277
	Total units outstanding	1,876,289,958		

Notes:

1. After volume discount
2. The balance of the net proceeds from the unit placement has been fully used up for the acquisition of Fortune Kingswood on 9 October 2013.

There were 1,876,289,958 units (voting rights: one vote per unit) outstanding as at 13 February 2015. There is only one class of units in Fortune REIT.

### TOP 20 UNITHOLDERS

as at 13 February 2015

No.	Name	No. of Units	%
1	HKSCC NOMINEES LIMITED	1,236,673,046	65.91
2	FOCUS EAGLE INVESTMENTS LIMITED	230,774,684	12.30
3	HSBC (SINGAPORE) NOMINEES PTE LTD	87,998,151	4.69
4	DBS NOMINEES (PRIVATE) LIMITED	49,902,743	2.66
5	DBSN SERVICES PTE. LTD.	48,306,685	2.57
6	CITIBANK NOMINEES SINGAPORE PTE LTD	44,744,823	2.38
7	HSBC NOMINEES (HONG KONG) LIMITED	13,788,627	0.73
8	CITI (NOMINEES) LIMITED	11,724,600	0.62
9	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	9,454,000	0.50
10	RAFFLES NOMINEES (PTE) LIMITED	8,664,302	0.46
11	MAYBANK KIM ENG SECURITIES PTE. LTD.	6,413,015	0.34
12	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,811,845	0.20
13	TO CHING WAI	3,210,000	0.17
14	PHILLIP SECURITIES PTE LTD	2,779,488	0.15
15	DB NOMINEES (SINGAPORE) PTE LTD	2,664,872	0.14
16	HORSFORD NOMINEES LIMITED	2,531,000	0.13
17	BANK OF SINGAPORE NOMINEES PTE. LTD.	2,252,000	0.12
18	TAN CHEE JIN	2,000,000	0.11
19	THE BANK OF EAST ASIA NOMINEES PRIVATE LIMITED	1,971,000	0.11
20	MIGAN SDN BHD	1,761,100	0.09
		1,771,425,981	94.38

Note:

1. Focus Eagle Investments Limited held 182,300,000 units through HKSCC Nominees Limited.

## SUBSTANTIAL UNITHOLDERS

as at 13 February 2015

		No. of Units	
		Direct Interest	Deemed interest
1	Focus Eagle Investments Limited	413,074,684	–
2	Ballston Profits Limited	112,556,000	–
3	Schroders Plc <sup>2</sup>	–	252,103,042
4	Cheung Kong (Holdings) Limited (“ <b>Cheung Kong</b> ”) <sup>3</sup>	–	525,630,684
5	Hutchison Whampoa Limited <sup>4</sup>	–	112,556,000

Notes:

- The unitholding interests set out in this section were based on the confirmation of the relevant persons as at 31 December 2014 and any subsequent notifications of changes of interest received by the Manager on or before 13 February 2015.
- Schroders Plc was deemed to be interested in 252,103,042 units of which:
  - 97,974,000 units were held by Schroder Investment Management Ltd;
  - 83,854,000 units were held by Schroder Investment Management (Singapore) Ltd;
  - 69,440,000 units were held by Schroder Investment Management (Hong Kong) Ltd;
  - 120,000 units were held by Schroder Channel Island Limited;
  - 43,000 units were held by Schroder Investment Management North America Limited; and
  - 672,042 units were held by Schroder & Co (Asia) Limited.
- Cheung Kong is deemed to be interested in 525,630,684 units of which:
  - 413,074,684 units were held by Focus Eagle Investments Limited (a wholly-owned subsidiary of Cheung Kong); and
  - 112,556,000 units were held by Ballston Profits Limited (a wholly-owned subsidiary of Hutchison Whampoa Limited, which in turn is 49.9% owned by Cheung Kong).
- Hutchison Whampoa Limited is deemed to be interested in 112,556,000 units held by its wholly-owned subsidiary company, Ballston Profits Limited.

## SIZE OF HOLDINGS

as at 13 February 2015

Size of Unitholdings	No. of Unitholders	Percentage of Unitholders	No. of Units	Percentage of Units
1 – 99	96	3.99	792	0.00
100 – 1,000	201	8.34	182,264	0.01
1,001 – 10,000	928	38.52	5,659,228	0.30
10,001 – 1,000,000	1,155	47.95	86,912,573	4.63
1,000,001 and above	29	1.20	1,783,535,101	95.06
	<b>2,409</b>	<b>100.00</b>	<b>1,876,289,958</b>	<b>100.00</b>



## ● Unitholders' Statistics

### DIRECTORS' UNITHOLDINGS

As shown in the Register of Directors' holdings as at 21 January 2015

		No. of Units	
		Direct Interest	Deemed interest
1	Lim Hwee Chiang <sup>1</sup>	1,000,000	2,100,000
2	Sng Sow-Mei (alias Poon Sow Mei)	220,000	–
3	Lan Hong Tsung, David <sup>2</sup>	300,000	100,000

Notes:

1. Mr. Lim Hwee Chiang was deemed to be interested in the 2,100,000 units held by Citibank Nominees Singapore Pte. Ltd. (as nominee for JL Philanthropy Ltd) is JL Charitable Settlement. Mr. Lim is the settlor of JL Charitable Settlement which is the beneficiary of JL Philanthropy Ltd.
2. Dr. Lau Hong Tsung, David is deemed to be interested in the 100,000 units held by his associate.

### FREE FLOAT

Based on information made available to the Manager as at 13 February 2015, approximately 58.3% of the units in Fortune REIT are held in public hands. Under Rules 723 of the Listing Manual of the SGX-ST, a listed issuer must ensure that at least 10% of its listed securities are at all times held by the public.

## RELATED PARTY TRANSACTIONS

The transactions entered into during the financial year with an “interested person” or an “interested party” which fall under the Listing Manual of the SGX-ST and Property Funds Appendix respectively are as follows:

Name of Related Party	Aggregate value of all related party transactions entered during the financial period under review (excluding transactions of less than S\$100,000 (HK\$613,880 equivalent) <sup>1</sup> each) HK\$ million
<b>Base rent and charge-out collections</b>	
ARA Asset Management (Fortune) Limited	1.3
A.S. Watson Retail (HK) Limited	39.3
BIGBOXX.com Limited	4.6
Cheung Kong Property Development Limited	45.7
Hang Seng Bank Limited	16.7
Hutchison Global Communications Limited	4.1
Hutchison Telephone Company Limited	3.8
PARKnSHOP (HK) Limited	134.8
<b>Total</b>	<b>250.3</b>

Saved as disclosed above, there was no additional related party transactions (excluding transactions of less than S\$100,000 (HK\$613,880 equivalent)<sup>1</sup> each) entered during the year ended 31 December 2014.

Note:

1. Exchange rate as at 1 January 2014.

## CORPORATE INFORMATION

### MANAGER

#### ARA Asset Management (Fortune) Limited

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#16-02, Suntec Tower Four  
Singapore 038986  
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Tel: +65 6835 9672

### DIRECTORS OF THE MANAGER

CHIU Kwok Hung, Justin, *Chairman and Non-Executive Director*  
LIM Hwee Chiang, *Non-Executive Director*  
IP Tak Chuen, Edmond, *Non-Executive Director*  
YEUNG, Eirene, *Non-Executive Director*  
CHIU Yu, Justina, *Executive Director and Chief Executive Officer*  
ANG Meng Huat, Anthony, *Executive Director*  
LIM Lee Meng, *Independent Non-Executive Director and Lead Independent Director*  
SNG Sow-Mei (alias POON Sow Mei), *Independent Non-Executive Director*  
LAN Hong Tsung, David, *Independent Non-Executive Director*  
MA Lai Chee, Gerald, *Alternate Director to IP Tak Chuen, Edmond*

### COMPANY SECRETARY OF THE MANAGER

TAN San-Ju  
YEO Poh Noi Caroline

### TRUSTEE

HSBC Institutional Trust Services (Singapore) Limited

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