

A Flourishing Decade

攜手置富 豐盛十載



Interim Report 2014 中期報告

Stock Code 股份代號: Hong Kong 香港 778 | Singapore 新加坡 F25U

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. It currently holds a portfolio of 17 private housing estate retail properties in Hong Kong comprising of 3.11 million square feet (“**Sq.ft.**”) of retail space and 2,606 carparking spaces.

About the Manager

Fortune REIT is managed by ARA Asset Management (Fortune) Limited, a wholly-owned subsidiary of Singapore-listed ARA Asset Management Limited (“**ARA**”). ARA is an Asian real estate fund management company focused on the management of publicly listed REITs and private real estate funds.

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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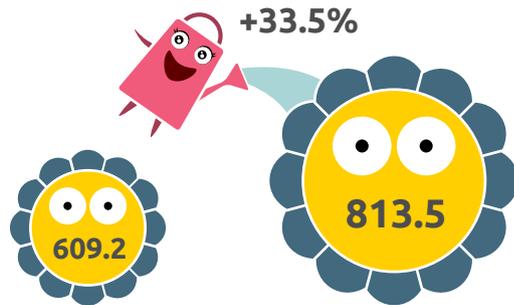
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Financial Highlights



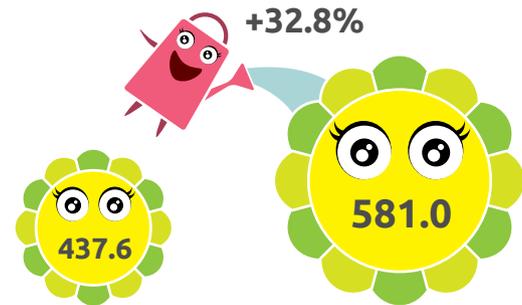
Revenue (HK\$ million)



Six months ended
30 June 2013

Six months ended
30 June 2014

Net Property Income (HK\$ million)

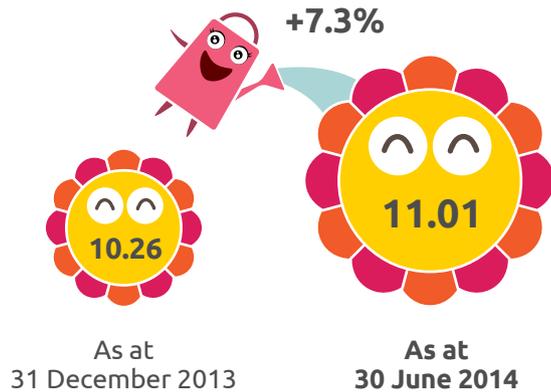


Six months ended
30 June 2013

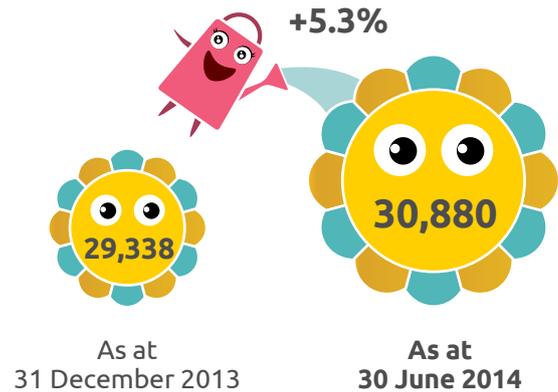
Six months ended
30 June 2014

	Six months ended 30 June 2014	Six months ended 30 June 2013	% change
Revenue (HK\$ million)	813.5	609.2	+33.5%
Net property income (HK\$ million)	581.0	437.6	+32.8%
Cost-to-revenue ratio	26.3%	26.0%	+0.3%
Income available for distribution (HK\$ million)	390.5	307.0	+27.2%
Distribution per unit ("DPU") (HK cents)	20.88	18.00	+16.0%

Net Asset Value Per Unit (HK\$)



Property Valuation (HK\$ million)



	As at 30 June 2014	As at 31 December 2013	% change
Net asset value per unit (HK\$)	11.01	10.26	+7.3%
Property valuation (HK\$ million)	30,880	29,338	+5.3%
Gearing ratio/Aggregate leverage ¹	31.1%	32.7%	-1.6%

Note:

- 1 Gearing ratio is defined as total borrowings as a percentage of gross assets. Aggregate leverage is defined as the value of total borrowings and deferred payments as a percentage of gross assets. As at 30 June 2014, there was no deferred payment incurred for Fortune REIT.

Acquisition Highlights



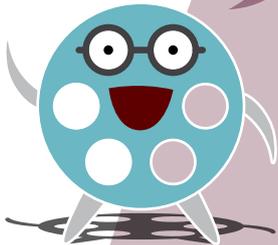
Fortune REIT successfully completed the acquisition of Fortune Kingswood in October 2013. The HK\$5,849 million acquisition represented the largest and most significant acquisition in Fortune REIT's history. Being the largest shopping mall in Yuen Long District, Fortune Kingswood has significantly boosted Fortune Malls' presence in the northwestern New Territories – a strategic location that has huge potential to capture the increasing demand from both Mainland shoppers and a growing local population.

Supported by our proactive leasing strategies, Fortune Kingswood has demonstrated strong operating performance during the six months ended 30 June 2014 (the "Reporting Period") with occupancy stood at 98.0% as at 30 June 2014. As a result of organic growth and the additional income contribution from Fortune Kingswood, Fortune REIT's revenue has increased by 33.5% year-on-year during the first half of 2014. We are confident that Fortune Kingswood will continue to be an important growth driver for Fortune REIT.





Let's watch movie after dinner.



Awards



Fortune REIT is committed to creating sustainable value for stakeholders and the society in a responsible manner. During the Reporting Period, we have received wide recognition for our constant efforts and achievement in corporate management, corporate governance and corporate social responsibility.

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1. Outstanding Real Estate Investment Trust Award

Quamnet Outstanding Enterprise Awards

2. No. 1 Best Mid-Cap Company
3. No. 1 Most Committed to a Strong Dividend Policy
4. No. 1 Best Corporate Governance
5. No. 1 Best Corporate Social Responsibility
6. No. 1 Best Managed Company
7. No. 1 Best Investor Relations
8. No. 1 Best CEO – Mr Anthony Ang

Asia's Best Companies 2014 (Hong Kong), FinanceAsia

2-8



9. U Green Awards 2013/14 – Excellence of Environmental Contributions

U Magazine, Hong Kong Economic Times Holdings

10. Hong Kong Smoke Free Leading Company – Gold Award

Hong Kong Council on Smoking and Health

11. Indoor Air Quality Certificate

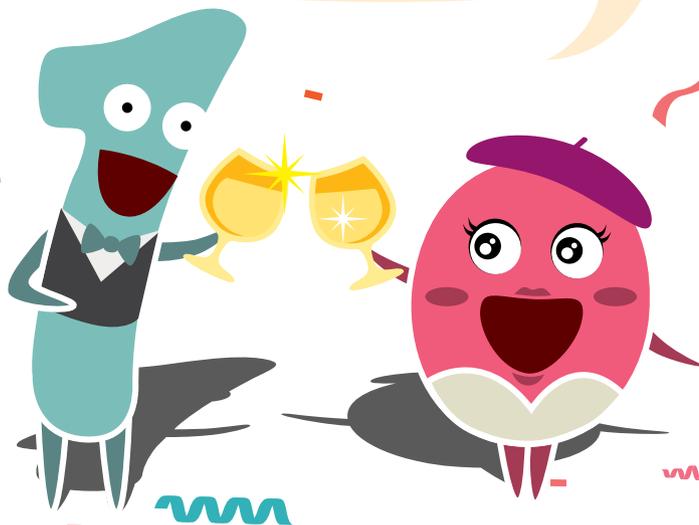
Environmental Protection Department and the Indoor Air Quality Information Centre

12. Best Landscape Award for Private Property Development 2014: Non-Domestic Property, Merit Award – Fortune City One

Leisure and Cultural Services Department



7 Champions at Asia's Best Companies Poll !!



Management Discussion and Analysis



Financial Review

Fortune REIT continued to grow during the first half of 2014, benefiting from the success of its three core growth strategies: active leasing management, yield-accretive acquisitions and asset enhancement initiatives (“AEIs”).

For the Reporting Period, Fortune REIT’s revenue and net property income rose by 33.5% and 32.8% year-on-year to historical high of HK\$813.5 million and HK\$581.0 million respectively, maintaining last year’s growth momentum. This exceptional financial performance was attributable to (i) the strong rental reversions across its enlarged portfolio; (ii) satisfactory returns from completed AEIs; as well as (iii) additional income contributions from Fortune Kingswood acquired in October 2013.

Borrowing costs, excluding non-tax deductible front end fees, for the Reporting Period totalled HK\$108.1 million, an increase of 62.2% over the first half of 2013, mainly as a result of the drawdown of additional loan facilities in October 2013 to finance the acquisition of Fortune Kingswood.

Income available for distribution for the Reporting Period amounted to HK\$390.5 million, a year-on-year increase of 27.2%. DPU for the Reporting Period was 20.88 Hong Kong cents, 16.0% higher than the DPU of 18.00 Hong Kong cents for the corresponding period in 2013. This represents an annualised distribution yield of 6.2% based on the unit price of HK\$6.785, the average of the two closing unit prices in Singapore and Hong Kong as at 30 June 2014.



The interim distribution of 20.88 Hong Kong cents per unit will be paid on Friday, 29 August 2014 to Unitholders registered in the registers of Unitholders of Fortune REIT as at Monday, 11 August 2014.

The outstanding performance of Fortune REIT has gained widespread recognition from the investment community. Fortune REIT won seven champions in the Asia’s Best Companies 2014 Poll (Hong Kong) conducted by FinanceAsia – not only been named the “Best Managed Company”, but also honoured as the “Best Mid Cap” for the third consecutive year and the “Most Committed to a Strong Dividend Policy” for the second consecutive year, in addition to winning four other prestigious accolades in the Poll.

Capital Management

Fortune REIT's financial position strengthened during the Reporting Period. Capitalising on an opportunity of liquidity in Hong Kong's credit market, 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 interest margin under the new facilities has been lowered to 1.4% per annum over HIBOR (down from 2% per annum over HIBOR).

The new facilities, which is due in April 2019, will also extend 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 30 June 2014, the total committed loan facilities amounted to HK\$10,623.0 million. Fortune REIT closed the Reporting Period with a gearing ratio and an aggregate leverage of 31.1% (31 December 2013: 32.7%), a term of 2.8 years of weighted average term to maturity of debt, and an average all-in cost of debt of 2.20% (31 December 2013: 2.59%). Fortune REIT's gross liabilities as a percentage of gross assets decreased to 35.5% as at 30 June 2014 (31 December 2013: 37.0%). The net current liabilities as at 30 June 2014 were HK\$1,074.9 million. There is an option to roll over the revolving credit facilities up until maturity.

The facilities are secured over Fortune REIT's 15 investment properties, which carried an aggregate fair value of HK\$28,578 million as at 30 June 2014. The Trustee has provided a guarantee for the facilities.

During the Reporting Period, the Manager has stepped up its effort to mitigate the impact of interest rate fluctuations. As at 30 June 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\$11.01 as at 30 June 2014, up 7.3% from HK\$10.26 reported as at the end of 2013, mainly as a result of the increase in the valuation of investment properties.

Portfolio Valuation

The valuation of Fortune REIT's 17 retail properties was appraised at HK\$30,880 million by Jones Lang LaSalle Limited ("Jones Lang LaSalle"), an independent valuer, as at 30 June 2014. This represents a 5.3% increase from the valuation of HK\$29,338 million as at 31 December 2013. With the capitalization rates adopted unchanged, the increase in valuation can be attributed to an overall improvement in asset performance. The higher valuation has resulted in a revaluation gain of HK\$1,512.7 million for the Reporting Period.



Management Discussion and Analysis

Portfolio Highlights

As at 30 June 2014, Fortune REIT owns a geographically diverse portfolio of 17 retail malls and properties in Hong Kong, comprising approximately 3.11 million Sq.ft. of retail space and 2,606 car parking lots.

Property	Gross Rentable Area ("GRA") (Sq.ft.)	Valuation (HK\$ million)	Occupancy	No. of Car Parking Lots
Fortune City One	414,469	6,648	99.6%	653
Fortune Kingswood	665,244	6,292	98.0%	622
Ma On Shan Plaza	310,084	4,629	99.9%	290
Metro Town	180,822	2,869	98.7%	74
Fortune Metropolis	332,168	2,180	98.8%	179
Belvedere Square	276,862	1,778	99.6%	329
Waldorf Avenue	80,842	1,522	100.0%	73
Caribbean Square	63,018	900	100.0%	117
Provident Square	180,238	892	100.0%	N.A.
Jubilee Square	170,616	780	96.5%	97
Smartland	123,544	624	99.6%	67
Tsing Yi Square	78,836	547	100.0%	27
Nob Hill Square	91,779	423	100.0%	43
Hampton Loft	74,734	257	100.0%	35
Centre de Laguna	43,000	252	100.0%	N.A.
Lido Avenue	9,836	174	100.0%	N.A.
Rhine Avenue	14,604	113	100.0%	N.A.
Total/Overall Average	3,110,696	30,880	99.1%	2,606

Operations Review

Fortune REIT's private housing estate retail portfolio has again demonstrated its resilience by delivering a solid performance amidst a softening of overall retail sales in Hong Kong. Active leasing management and the completed AEs continued to drive the revenue growth of the portfolio. Portfolio occupancy remained strong at 99.1% as at 30 June 2014 (30 June 2013: 97.8%).

A solid rental reversion of 21.2% was recorded for renewals during the Reporting Period, driven by the strong rental growth at Fortune Kingswood. Consequently, portfolio passing rent stood at HK\$34.2 per Sq.ft.. Excluding Fortune Kingswood, passing rent for the original portfolio has increased by 7.3% year-on-year.

Operating expenses (excluding the Manager's performance fee) stood at HK\$214.3 million, 35.6% higher than the corresponding period last year, mainly attributed to the additional expenses from Fortune Kingswood. Meanwhile, the cost-to-revenue ratio was 26.3% (first half 2013: 26.0%).

Asset Enhancement Initiatives

Fortune REIT continued its success in executing and delivering good returns from its AEs. The two AEs at Ma On Shan Plaza and Fortune City One Market were successfully completed in the fourth quarter last year with return on investment ("ROI") of 60% and 27% respectively. The two AEs began to fully contribute during the Reporting Period.

Looking ahead, the AEs at Belvedere Square are on track to commence in the second half of 2014 and are scheduled for completion by the end of 2015. Phase 3 of Belvedere Square, involving a GRA of approximately 133,750 Sq.ft., will be fully upgraded to offer an enhanced shopping ambience. Capital expenditure for the project is approximately HK\$80 million with a target ROI of 15%.

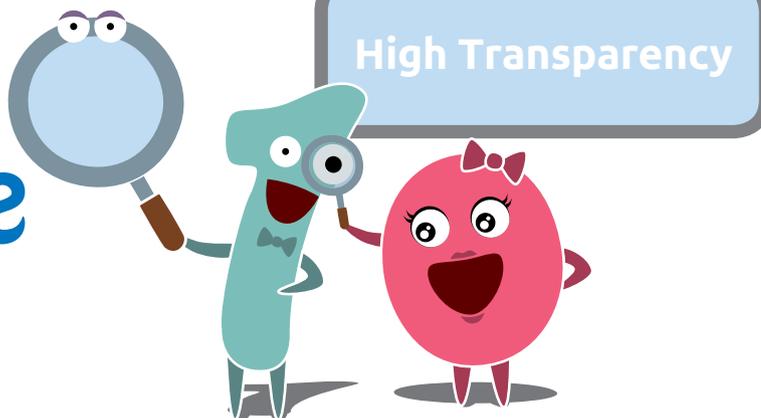
Outlook

Hong Kong's economic growth moderated in the first quarter of 2014. Gross domestic product grew 2.5% from a year earlier, a slower rate than that of 2.9% in the fourth quarter of 2013. Supported by a full-employment labour market, private consumption expenditure increased by 2.0% year-on-year in the first quarter of 2014. For the first five months of 2014, total retail sales in Hong Kong decreased by 0.2% in value over the same period a year earlier, caused by a plunge in the sales of major big-ticket items. Nevertheless, retail sales related to local consumption, such as supermarkets, food and beverage, actually held firm, reflecting the still positive local consumer sentiment amid full employment. As more than 60% of Fortune REIT's tenants cater to the non-discretionary and necessity type of spending, Fortune REIT's portfolio of 17 private housing estate retail properties should continue to benefit from the healthy local consumption environment.

As there could be continuing pressure going forward on certain costs items such as rising statutory minimum wages and electricity tariffs, as well as inflation and other external factors, the Manager will continue to closely monitor operating expenses. As part of Fortune REIT's green policy, energy-saving measures will continue to be adopted to alleviate the impact of higher electricity tariffs.

The Manager will maintain its commitment to drive revenue growth by implementing AEs, as well as effective leasing and tenant repositioning strategies. Looking ahead, the full-year contribution from Fortune Kingswood, as well as the completed AEs at Ma On Shan Plaza and Fortune City One Market are expected to contribute to the further revenue growth of Fortune REIT.

Corporate Governance



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 (the “**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 (the “**Singapore Code**”) contained in the listing manual of the SGX-ST (the “**SGX-ST Listing Manual**”) and the code provisions 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 Period.

During the Reporting Period, the Compliance Manual had been amended (1) by updating references to the predecessor Companies Ordinance to the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which had become effective on 3 March 2014; and (2) to reflect the responsibility of the board of directors of the Manager (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 (the “**Directors**”) from time to time.

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. The Board has established a framework for the management of Fortune REIT and the Manager, including a system of internal control 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 presently comprises nine members, seven of whom are Non-Executive Directors. Three of the Non-Executive Directors are Independent Non-Executive Directors. The positions of Chairman and Chief Executive Officer are held by two different persons in order to maintain an effective segregation of duties.

The Board has established an Audit Committee, a Disclosures Committee and a Designated 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, 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 also, among other things, monitors the procedures established to regulate transactions with "connected person" (as defined in the Code on Real Estate Investment Trusts (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 role of the Disclosures Committee is to review matters relating to the disclosure of information to Unitholders and public announcements.
- The role of the Designated Committee is to review matters relating to hedging strategies, financing and refinancing arrangements and transactions involving derivative instruments for hedging purposes.

Corporate Governance

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 set out in Appendix 10 of the Hong Kong Listing Rules. 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 Period.

The Manager has also adopted a policy for dealings in Fortune REIT’s units pursuant to the provisions of the Listing Rules of SGX-ST which has to be concurrently complied with together with the Units Dealing Code.

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.

Changes of Directors' Information

Subsequent to publication of the Annual Report 2013 of Fortune REIT, the Manager received notifications regarding the following changes of Directors' information during the Reporting Period:

1. Dr. Chiu Kwok Hung, Justin has ceased to be the Chairman and resigned as Non-executive Director of ARA Trust Management (Suntec) Limited, the manager of Suntec REIT which is listed in Singapore with effect from 17 April 2014.
2. Mr. Lim Hwee Chiang has resigned as Non-executive Director of Am ARA REIT Managers Sdn Bhd, the manager of AmFIRST REIT which is listed in Malaysia with effect from 1 August 2014.
3. Mr. Ip Tak Chuen, Edmond has resigned as Non-executive Director of ARA Trust Management (Suntec) Limited, the manager of Suntec REIT which is listed in Singapore with effect from 17 April 2014.
4. Ms. Yeung, Eirene was appointed as a Member of the Financial Reporting Council on 3 June 2014 and has ceased to be a Member of the Companies Ordinance Rewrite Advisory Group.
5. Mr. Lim Lee Meng has ceased to be a Board Member of the Casino Regulatory Authority of Singapore with effect from 30 April 2014.
6. Mr. Ma Lai Chee, Gerald has *ipso facto* ceased as Alternate Director to Mr. Ip Tak Chuen, Edmond, on the board of directors of ARA Trust Management (Suntec) Limited, the manager of Suntec REIT which is listed in Singapore with effect from 17 April 2014.

Review of Interim Report

The interim report of Fortune REIT for the six months ended 30 June 2014 has been reviewed by the Audit Committee and the Disclosures Committee of the Manager. The interim financial statements have also been reviewed by Fortune REIT's auditors, in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by International Auditing and Assurance Standards Board.

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 table sets forth information on all connected party transactions from which Fortune REIT derived its income during the Reporting Period:

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Income for the six months ended 30 June 2014 HK\$'000	Rental Deposit Received as at 30 June 2014 HK\$'000
AMTD Strategic Capital Limited	Subsidiary of a significant holder ¹	Leasing transactions	3,547	1,877
ARA Asset Management (Fortune) Limited	Manager	Leasing transactions	281	149
A.S. Watson Retail (HK) Limited	Subsidiary of an associate of a significant holder ²	Leasing and licensing transactions	14,438	1,686
BIGBOXX.com Limited	Subsidiary of an associate of a significant holder ²	Leasing transactions	966	–
Cheung Kong Property Development Limited	Subsidiary of a significant holder ¹	Licensing transactions	21,547	–
Cheung Kong (Holdings) Limited (“Cheung Kong”)	Significant holder	Licensing transactions	121	–
Citybase Property Management Limited	Subsidiary of a significant holder ¹	Leasing transactions	1,499	982
Hutchison Global Communications Limited	Subsidiary of an associate of a significant holder ²	Licensing transactions	668	32
Hutchison Telecommunication Services Limited	Subsidiary of an associate of a significant holder ²	Licensing transactions	12	–
Hutchison International Limited	Subsidiary of an associate of a significant holder ²	Leasing transactions	1,335	–
Hutchison Telephone Company Limited	Subsidiary of an associate of a significant holder ²	Licensing transactions	4,547	1,495
Kingswood Property Services Limited	Subsidiary of a significant holder ¹	Leasing transactions	145	–
PARKnSHOP (HK) Limited	Subsidiary of an associate of a significant holder ²	Leasing and licensing transactions	67,163	247
Towerich Limited	Subsidiary of a significant holder ¹	Licensing transactions	27	14
Total			116,296	6,482

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.

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 Period:

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Expenses for the six months ended 30 June 2014 HK\$'000
Cayley Property Management Limited	Subsidiary of an associate of a significant holder ²	Property management and operations and carpark lease agency fee	420
Citybase Property Management Limited	Subsidiary of a significant holder ¹	Property management and operations	476
E-Park Parking Management Limited	Subsidiary of a significant holder ¹	Carpark lease agency fee	3,099
Goodwell-Fortune Property Services Limited	Subsidiary of a significant holder ¹	Property and lease management fee and marketing service fee	28,424
Goodwell Property Management Limited	Subsidiary of a significant holder ¹	Property management and operations	71
Metro Broadcast Corporation Limited	Associate of a significant holder ¹	Advertising and promotion expenses	218
Whampoa Property Management Limited	Subsidiary of an associate of a significant holder ²	Property management and operations	321
Total			33,029

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

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 Period:

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Expenses for the six months ended 30 June 2014 HK\$'000
ARA Asset Management (Fortune) Limited	Manager	Manager's fee	62,871
HSBC Institutional Trust Services (Singapore) Limited	Trustee	Trustee's fee	5,136
Jones Lang LaSalle	Principal valuer	Valuation fee	308
Total			68,315

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 Group¹ (collectively, the “Trustee Connected Persons”) during the Reporting Period:

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Income for the six months ended 30 June 2014 HK\$'000	Rental Deposit Received as at 30 June 2014 HK\$'000
Hang Seng Bank Limited	Trustee Connected Persons	Leasing and licensing transactions	7,400	3,876
The Hongkong and Shanghai Banking Corporation Limited (“HSBC”)	Trustee Connected Persons	Leasing and licensing transactions	6,713	2,224
Total			14,113	6,100

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 Period.

Connected Party Transactions

Connected Party Transactions – Leasing/licensing transactions under which the annual income exceeds 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 ¹ HK\$'000
AMTD Strategic Capital Limited	Subsidiary of a significant holder ²	Tenancy at Hampton Loft	5,974
A.S. Watson Retail (HK) Limited	Subsidiary of an associate of a significant holder ³	Tenancies at Fortune City One, Fortune Kingswood, Ma On Shan Plaza, Metro Town, Belvedere Square, Waldorf Avenue, Provident Square and Smartland	22,604
Cheung Kong Property Development Limited	Subsidiary of a significant holder ²	Licence at Fortune Metropolis	22,094
Citybase Property Management Limited	Subsidiary of a significant holder ²	Tenancy at Hampton Loft	2,674
Hutchison International Limited	Subsidiary of an associate of a significant holder ³	Tenancies at Belvedere Square	1,751
Hutchison Telephone Company Limited	Subsidiary of an associate of a significant holder ³	Licences at Ma On Shan Plaza and Fortune Kingswood	3,137
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, Ma On Shan Plaza and Fortune Kingswood	10,572
PARKnSHOP (HK) Limited	Subsidiary of an associate of a significant holder ³	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	99,297
Total			180,245

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.

Disclosure of Interests

Unit Capital

The total number of issued units as at 30 June 2014 was 1,866,273,811 units.

Holdings of Significant Unitholders and Other Unitholders

As at 30 June 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 ¹	413,074,684	22.13%	–	–
Cheung Kong ¹	–	–	525,630,684	28.16%
Schroders Plc ²	–	–	237,713,000	12.74%

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 30 June 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 ^{1, 3}	112,556,000	6.03%	–	–
HWL ¹	–	–	112,556,000	6.03%

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 237,713,000 units of which:
 - 97,890,000 units were held by Schroder Investment Management Limited;
 - 77,411,000 units were held by Schroder Investment Management (Singapore) Limited;
 - 62,249,000 units were held by Schroder Investment Management (Hong Kong) Limited;
 - 120,000 units were held by Schroder Channel Islands Limited; and
 - 43,000 units were held by Schroder Investment Management North America Limited.
- A director of Ballston Profits Limited, Mr. Robin Cheng Khoong Sng is the spouse of Mrs. Sng Sow-Mei (alias Poon Sow Mei).

Disclosure of Interests

Interests of the Manager

As at 30 June 2014, the Manager held 11,807,515 units, or approximately 0.63% 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 30 June 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
Directors				
Lim Hwee Chiang ¹	1,000,000	0.05%	2,100,000	0.11%
Lan Hong Tsung, David ²	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 1,038,000 units, or approximately 0.06% of the issued units of Fortune REIT as at 30 June 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 30 June 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 30 June 2014 and 31 December 2013:

- a) Schroders Plc was beneficially interested in 237,713,000 units as at 30 June 2014 and 238,863,000 units as at 31 December 2013;
- b) The Manager was beneficially interested in 11,807,515 units as at 30 June 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 30 June 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 30 June 2014 and 100,000 units as at 31 December 2013; and
- e) HSBC Bank PLC was beneficially interested in 1,038,000 units as at 30 June 2014 and 1,530,000 units as at 31 December 2013.

Other Information

Employees

Fortune REIT is managed by the Manager and does not employ any staff itself.

New Units Issued

As at 30 June 2014, the total number of issued units of Fortune REIT was 1,866,273,811. As compared with the position as at 31 December 2013, a total of 7,382,687 new units were issued during the Reporting Period in the following manner:

- On 3 January 2014, 3,642,690 new units were issued to the Manager at the price of HK\$6.0901 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's base fee of approximately HK\$22.2 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 the price of HK\$5.8027 per unit (being ascribed in the Trust Deed) as payment in full of 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.

Repurchase, Sale or Redemption of Units

During the Reporting Period, other than the disposal of 12,368,000 units by the Manager, there was no repurchase, sale or redemption of the units of Fortune REIT by Fortune REIT or its subsidiaries.

Public Float

As far as the Manager is aware, more than 25% of the issued and outstanding units of Fortune REIT were held in public hands as at 30 June 2014.

Corporate Information

Manager

ARA Asset Management (Fortune) Limited

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99 Queen's Road Central Singapore 038986
Hong Kong
Tel: +852 2169 0928 Tel: +65 6835 9232
Fax: +852 2169 0968 Fax: +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*
ANG Meng Huat, Anthony, *Executive Director and Chief Executive Officer*
CHIU Yu, Justina, *Executive Director and Deputy Chief Executive Officer*
LIM Lee Meng, *Lead Independent Director and Independent Non-Executive 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 Mr. IP Tak Chuen, Edmond*

Company Secretaries of the Manager

CHOO Yvonne
KOHSIKAPORN Busarakham

Note: Ms. KOHSIKAPORN Busarakham has ceased to act as the Company Secretary of the Manager with effect from 31 July 2014 and Ms. TAN San-Ju has been appointed as the Company Secretary of the Manager with effect from 31 July 2014.

Trustee

HSBC Institutional Trust Services (Singapore) Limited

Legal Adviser as to Hong Kong Law

Baker & McKenzie

Legal Adviser as to Singapore Law

Allen & Gledhill LLP

Hong Kong Unit Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Singapore Unit Registrar

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01, Singapore Land Tower
Singapore 048623

Auditors

Deloitte Touche Tohmatsu
Deloitte & Touche LLP

Stock Codes

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Singapore: F25U

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Report on Review of Interim Financial Information

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF ARA ASSET MANAGEMENT (FORTUNE) LIMITED

Introduction

We have reviewed the interim financial information set out on pages 27 to 51, which comprises the condensed consolidated statement of financial position of Fortune Real Estate Investment Trust (“**Fortune REIT**”) as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in net assets attributable to unitholders, condensed consolidated statement of cash flows and distribution statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”) issued by the International Accounting Standards Board. ARA Asset Management (Fortune) Limited, as manager of Fortune REIT, is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on the interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 July 2014

Financial Statements

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Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Audited)
Revenue	4	813,455	609,220
Property operating expenses	6	(232,406)	(171,640)
Net property income		581,049	437,580
Manager's base fee		(44,799)	(31,543)
Foreign currency exchange gain/(loss)		46	(139)
Interest income		5,160	1,230
Trust expenses	7	(7,280)	(5,397)
Change in fair value of investment properties		1,512,690	1,957,965
Change in fair value of derivative financial instruments		(21,200)	107,216
Gain on disposal of investment properties		-	897
Borrowing costs	8	(133,550)	(76,390)
Profit before taxation and transactions with unitholders	9	1,892,116	2,391,419
Income tax expense	10	(85,626)	(63,402)
Profit for the period, before transactions with unitholders		1,806,490	2,328,017
Distributions to unitholders		(390,454)	(306,965)
Profit for the period, after transactions with unitholders		1,416,036	2,021,052
Other comprehensive income – item that may be reclassified subsequently to profit or loss			
Net gain on derivative financial instruments under cash flow hedge		9,499	28,183
Total comprehensive income for the period		1,425,535	2,049,235
Income available for distribution to unitholders		390,454	306,965
Basic earnings per unit (HK cents)	11	96.77	136.71

Distribution Statement

For the six months ended 30 June 2014

	Notes	Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Audited)
Profit for the period, before transactions with unitholders		1,806,490	2,328,017
Adjustments:			
Manager's base fee		44,799	31,543
Change in fair value of investment properties		(1,512,690)	(1,957,965)
Change in fair value of derivative financial instruments		21,200	(107,216)
Gain on disposal of investment properties		–	(897)
Non-tax deductible front end fees		25,494	9,780
Foreign currency exchange (gain)/loss		(46)	139
Other non-tax deductible trust expenses		5,207	3,564
Income available for distribution	(i)	390,454	306,965
Distribution per unit (HK cents)	(ii)	20.88	18.00

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 six months ended 30 June 2014 is HK\$390.5 million (six months ended 30 June 2013: HK\$307.0 million) and HK\$365.3 million (six months ended 30 June 2013: HK\$286.7 million), respectively. Accordingly, the income available for distribution, based on the Net Tax-Exempt Income, of HK\$390.5 million (six months ended 30 June 2013: HK\$307.0 million) would be distributed to unitholders for the six months ended 30 June 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 service 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) will be paid on 29 August 2014 (six months ended 30 June 2013: 29 August 2013).

Condensed Consolidated Statement of Financial Position

As at 30 June 2014

	Notes	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	12	30,880,000	29,338,000
Derivative financial instruments	13	43,992	66,906
Total non-current assets		30,923,992	29,404,906
Current assets			
Trade and other receivables	14	60,920	67,093
Bank balances and cash		941,014	858,175
Total current assets		1,001,934	925,268
Total assets		31,925,926	30,330,174
Non-current liabilities			
Derivative financial instruments	13	41,468	40,799
Borrowings	15	8,866,121	8,860,372
Deferred tax liabilities		361,806	346,377
Total non-current liabilities		9,269,395	9,247,548
Current liabilities			
Trade and other payables	16	562,728	540,665
Borrowings	15	970,000	970,000
Derivative financial instruments	13	9,486	21,368
Distribution payable		390,454	335,424
Provision for taxation		144,202	105,842
Total current liabilities		2,076,870	1,973,299
Total liabilities, excluding net assets attributable to unitholders		11,346,265	11,220,847
Net assets attributable to unitholders		20,579,661	19,109,327
Units in issue and to be issued ('000)	17	1,869,689	1,862,534
Net asset value per unit (HK\$) attributable to unitholders	18	11.01	10.26

Condensed Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the six months ended 30 June 2014

	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
Net assets attributable to unitholders as at 1 January 2014 (Audited)	7,572,356	(286,279)	(53,610)	11,876,860	19,109,327
OPERATIONS					
Profit for the period, before transactions with unitholders	–	–	–	1,806,490	1,806,490
Distribution paid and payable of 20.88 HK cents per unit for the six months ended 30 June 2014	–	–	–	(390,454)	(390,454)
Change in fair value of derivative financial instruments under cash flow hedge	–	–	7,011	–	7,011
Release to profit or loss	–	–	2,488	–	2,488
Total comprehensive income for the period	–	–	9,499	1,416,036	1,425,535
UNITHOLDERS' TRANSACTIONS					
Creation of units					
– Manager's base fee paid/payable in units	44,799	–	–	–	44,799
Increase in net assets resulting from unitholders' transactions	44,799	–	–	–	44,799
Net assets attributable to unitholders as at 30 June 2014 (Unaudited)	7,617,155	(286,279)	(44,111)	13,292,896	20,579,661
Net assets attributable to unitholders as at 1 January 2013 (Audited)	6,468,360	(271,593)	(88,903)	8,869,845	14,977,709
OPERATIONS					
Profit for the period, before transactions with unitholders	–	–	–	2,328,017	2,328,017
Distribution paid and payable of 18.00 HK cents per unit for the six months ended 30 June 2013	–	–	–	(306,965)	(306,965)
Change in fair value of derivative financial instruments under cash flow hedge	–	–	25,278	–	25,278
Release to profit or loss	–	–	2,905	–	2,905
Total comprehensive income for the period	–	–	28,183	2,021,052	2,049,235
UNITHOLDERS' TRANSACTIONS					
Creation of units					
– Manager's base fee paid/payable in units	31,543	–	–	–	31,543
Increase in net assets resulting from unitholders' transactions	31,543	–	–	–	31,543
Net assets attributable to unitholders as at 30 June 2013 (Audited)	6,499,903	(271,593)	(60,720)	10,890,897	17,058,487

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Audited)
Net cash from operating activities	571,457	444,199
Net cash used in investing activities:		
Upgrading of investment properties	(29,310)	(23,185)
Proceed from disposal of investment properties	–	2,047
Interest received	5,216	1,651
	(24,094)	(19,487)
Net cash used in financing activities:		
Drawdown of borrowings	30,000	–
Repayment of borrowings	(30,000)	(102,047)
Distribution paid	(335,256)	(281,047)
Other financing cash flows	(129,268)	(67,134)
	(464,524)	(450,228)
Net increase/(decrease) in cash and cash equivalents	82,839	(25,516)
Cash and cash equivalents at beginning of the period	858,175	578,022
Cash and cash equivalents at end of period, represented by bank balances and cash	941,014	552,506
Represented by:		
Cash at bank and in hand	93,543	84,465
Fixed deposits with original maturity date less than 3 months	847,471	468,041
	941,014	552,506

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 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**”) 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 and The Stock Exchange of Hong Kong Limited (the “**SEHK**”) on 12 August 2003 and 20 April 2010, respectively.

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.

2 Basis of Preparation

The condensed consolidated financial statements are presented in Hong Kong dollars, which is the functional currency of Fortune REIT.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on SEHK and with International Accounting Standard 34 “Interim Financial Reporting” and the relevant disclosure requirements set out in Appendix C of the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong.

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 condensed consolidated financial statements have been prepared on a going concern basis.

3 Principal Accounting Policies

The condensed consolidated financial statements have been prepared under the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in these condensed consolidated financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013 except as described below.

In the current period, the Group has applied the following amendments and interpretations to the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board 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 interpretations to the IFRSs in the current period 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.

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

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁴
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁴
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions ¹
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures ²
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle ³
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle ¹
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants ⁴
IFRS 9	Financial Instruments ²
IFRS 15	Revenue from Contracts with Customers ⁵

¹ Effective for annual periods beginning on or after 1 July 2014

² Available for application – the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised

³ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

⁴ Effective for annual periods beginning on or after 1 January 2016

⁵ Effective for annual periods beginning on or after 1 January 2017

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

3 Principal Accounting Policies (Continued)

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are 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. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting 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 of financial liabilities attributable to changes in the financial liabilities' 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 was presented in profit or loss.

3 Principal Accounting Policies (Continued)

The new general hedge accounting requirements retain the three types of hedge accounting. However, 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 Managers anticipate that the adoption of IFRS 9 in the future may not have significant impact on amount reported in respect of the financial assets and financial liabilities.

4 Revenue

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Audited)
Base rental	584,874	440,756
Charge-out collections	148,602	114,641
Other rental	78,927	51,431
Other income	1,052	2,392
	813,455	609,220

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 management of the Manager, in order to allocate resources to segments and to assess their performance.

The Group owns 17 (31 December 2013: 17) properties as at 30 June 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 properties or operating segments are aggregated into a single reportable segment and no further analysis for segment information is presented.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

6 Property Operating Expenses

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Audited)
Building management expenses	87,252	66,787
Utilities	24,796	19,420
Government rents and rates	35,050	24,370
Manager's performance fee	18,072	13,543
Property management fee	18,819	14,147
Carpark operating expenses	11,033	7,258
Advertising and promotion	10,541	6,136
Legal and other professional fees	6,262	2,660
Leasing commission and marketing services fee	10,367	9,546
Others	10,214	7,773
	232,406	171,640

7 Trust Expenses

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Audited)
Trustee's fee	5,136	3,564
Other charges	2,144	1,833
	7,280	5,397

8 Borrowing Costs

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Audited)
Interest expense on		
– term loans	70,489	30,672
– revolving loan	5,396	5,480
Equalisation of interest expense through cash flow hedge	30,413	29,605
Commitment fee	803	853
Front end fees		
– amortisation	16,673	9,780
– written off upon early repayment of term loans	9,776	–
	133,550	76,390

9 Profit Before Taxation and Transactions with Unitholders

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

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Audited)
Fees to external auditor	1,352	1,500
Fees to internal auditor	165	165
Valuation fees (paid to principal valuer)	308	215

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

10 Income Tax Expense

	Six months ended 30 June	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Audited)
Current tax:		
– Hong Kong	69,881	51,647
– Singapore	316	154
	70,197	51,801
Deferred taxation	15,429	11,601
	85,626	63,402

Fortune REIT's subsidiaries in Hong Kong are subject to Hong Kong Profits Tax at 16.5% (six months ended 30 June 2013: 16.5%) for the period. Fortune REIT, which is established in Singapore, is subject to Singapore income tax at 17% (six months ended 30 June 2013: 17%) for the period.

Deferred tax is provided on temporary differences in relation to accelerated tax depreciation and tax losses using the applicable rate of 16.5%. 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.

11 Earnings Per Unit

Basic earnings per unit is calculated by dividing the profit for the period, before transactions with unitholders of HK\$1,806.5 million (six months ended 30 June 2013: HK\$2,328.0 million) by the weighted average of 1,866,799,364 (six months ended 30 June 2013: 1,702,831,381) units outstanding during the period.

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

12 Investment Properties

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Fair Value		
At beginning of the period/year	29,338,000	20,208,000
During the period/year:		
Acquisition of investment properties (Note (i))	–	5,976,388
Capital expenditure incurred in upgrading investment properties	29,310	66,037
Disposal of investment properties	–	(1,150)
Change in fair value of investment properties	1,512,690	3,088,725
At end of the period/year	30,880,000	29,338,000

Notes:

- (i) On 9 October 2013, Fortune REIT completed the acquisition of Fortune Kingswood from a subsidiary of Cheung Kong (Holdings) Limited (“**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 15 under the facility agreements dated 7 October 2013.

- (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 30 June 2014 and 31 December 2013, independent valuations were undertaken by Jones Lang LaSalle Limited (“**Jones Lang LaSalle**”). 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, 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 valuer’s 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 capitalisation rate is one of the key parameters in the valuation methods of income capitalisation and they involve professional judgment in relation to the adjustments made by the independent valuer.

- (iii) At the end of the reporting period, certain properties with total fair value of HK\$28,578.0 million (31 December 2013: HK\$27,135.0 million) have been mortgaged as collaterals for credit facilities granted by the banks.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

13 Derivative Financial Instruments

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Derivative financial instruments are analysed as:		
Derivatives under hedge accounting:		
Cash flow hedges – interest rate swaps	(33,788)	(40,799)
Derivatives not under hedge accounting:		
Interest rate swaps and caps	26,826	45,538
	(6,962)	4,739
Reflected on condensed consolidated statement of financial position based on remaining contractual maturity as:		
Non-current assets	43,992	66,906
Non-current liabilities	(41,468)	(40,799)
Current liabilities	(9,486)	(21,368)
	(6,962)	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.

Derivatives under hedge accounting:

Contracts with notional amount of HK\$1,415.0 million (31 December 2013: 1,415.0 million) as at 30 June 2014 will mature in April 2016 and are highly effective. These contracts have fixed interest payments at rates ranging from 2.000% to 2.017% per annum for the period ended 30 June 2014 and have floating interest receipts at three months Hong Kong Inter-bank Offered Rate (“HIBOR”) repricing every three months.

The change in fair value of the derivative financial instruments, amounting to a gain of HK\$7.0 million (six months ended 30 June 2013: gain of HK\$25.3 million), is recognised in other comprehensive income for the period ended 30 June 2014.

13 Derivative Financial Instruments (Continued)

Derivatives not under hedge accounting:

Contracts not under hedge accounting with notional amount of HK\$800.5 million (31 December 2013: HK\$800.5 million), HK\$836.0 million (31 December 2013: nil), HK\$614.5 million (31 December 2013: HK\$614.5 million), HK\$800.5 million (31 December 2013: HK\$800.5 million), HK\$962.0 million (31 December 2013: nil) and HK\$800.0 million (31 December 2013: HK\$800.0 million) as at 30 June 2014 will mature in December 2014, 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% (31 December 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) repricing 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\$18.7 million (six months ended 30 June 2013: gain of HK\$110.1 million), is recognised in the profit or loss for the period ended 30 June 2014. In addition, as certain interest rate swap contracts were no longer highly effective, the respective cumulative losses from inception of the hedge until then that previously recognised in hedging reserve 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 period, release of such cumulative losses from the hedging reserve amounted to HK\$2.5 million (six months ended 30 June 2013: loss of HK\$ 2.9 million). Accordingly, the total change in fair value of derivative financial instruments recognised in profit or loss was a net loss of HK\$21.2 million (six months ended 30 June 2013: net gain of HK\$107.2 million).

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 Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

14 Trade And Other Receivables

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
(a) Trade receivables		
Outside parties	29,694	31,690
Related parties (Note 22)	3,930	3,480
	33,624	35,170
(b) Other receivables and prepayments		
Security deposits	23,669	23,154
Other receivables	2,734	7,028
Prepayments	893	1,741
	27,296	31,923
	60,920	67,093

Aging analysis of the Group's trade receivables presented based on the invoice date at the end of the reporting period is as follows:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
0-30 days	33,507	35,130
31-90 days	112	10
Over 90 days	5	30
	33,624	35,170

15 Borrowings

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Secured term loans	7,334,253	7,334,253
Unsecured term loans	1,618,700	1,618,700
Secured revolving loans	970,000	970,000
Less: unamortised front end fees	(86,832)	(92,581)
	9,836,121	9,830,372
Carrying amount repayable:		
On demand or within one year	970,000	970,000
More than one year, but not more than two years	2,813,085	1,087,424
More than two years, but not more than five years	6,053,036	7,772,948
	9,836,121	9,830,372
Less: Amount due within one year shown under current liabilities	(970,000)	(970,000)
	8,866,121	8,860,372

- (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 five years (the “**2011 Facilities**”), the amounts outstanding under the 2011 Facilities drawn down by certain subsidiaries as at 30 June 2014 was HK\$3,798.0 million (31 December 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 30 June 2014 was HK\$5,025.0 million (31 December 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 12 (i).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

15 Borrowings (Continued)

- (iii) In relation to the term loan of HK\$1,100 million and revolving credit facility of HK\$700 million under the facility agreement dated 8 April 2014 for a term of five years (the "2014 Facilities"), the amounts outstanding under the 2014 Facilities drawn down by a subsidiary as at 30 June 2014 was HK\$1,100 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) The Group has paid front end fees of HK\$20.7 million (year ended 31 December 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:

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
At beginning of the period/year	140,725	75,400
Addition	20,700	65,325
Reversal during the period	(33,600)	–
At end of the period/year	127,825	140,725
Movement in accumulated amortisation:		
At beginning of the period/year	(48,144)	(24,215)
Reversal during the period	23,824	–
Amortised during the period/year	(16,673)	(23,929)
At end of the period/year	(40,993)	(48,144)
Net book values	86,832	92,581

16 Trade and Other Payables

	30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Trade payables		
Tenants' deposits		
– Outside parties	394,476	383,324
– Related parties (Note 22)	12,582	11,096
Rental received in advance		
– Outside parties	19,899	17,101
	426,957	411,521
Other payables		
Trustee's fee	1,760	2,512
Other expenses		
– Outside parties	59,291	50,612
– Related parties (Note 22)	61,178	58,789
– Manager (Note 22)	6,042	5,782
Interest payable	5,243	6,494
Others	2,257	4,955
	135,771	129,144
	562,728	540,665

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 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\$243.0 million (31 December 2013:HK\$239.7 million) as at 30 June 2014.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

17 Units in Issue and to be Issued

	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 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 period:		
As payment of Manager's base fee for the period from 1 January to 31 March 2014	3,740	21,702
Balance in issue as at 30 June 2014	1,866,274	7,594,058
New units to be issued:		
As payment of Manager's base fee for the period from 1 April to 30 June 2014 (Note (iii))	3,415	23,097
Balance as at 30 June 2014	1,869,689	7,617,155

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 12. 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 payable to the Manager is in the form of units. On 4 July 2014, Fortune REIT issued 3,415,184 units at an issue price of HK\$6.7629 per unit to the Manager as base fee for the period from 1 April 2014 to 30 June 2014. On 4 January 2014, Fortune REIT issued 3,642,690 units at an issue price of HK\$6.0901 to the Manager as base fee for the period from 1 October 2013 to 31 December 2013.

18 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\$20,579.7 million (31 December 2013: HK\$19,109.3 million) and the total number of 1,869,688,995 (31 December 2013: 1,862,533,814) units in issue or to be issued, including the new units to be issued as payment of Manager's base fee.

19 Net Current Liabilities

As at 30 June 2014, the Group's net current liabilities, defined as current assets less current liabilities, amounted to HK\$1,074.9 million (31 December 2013: HK\$1,048.0 million).

20 Total Assets Less Current Liabilities

As at 30 June 2014, the Group's total assets less current liabilities amounted to HK\$29,849.1 million (31 December 2013: HK\$28,356.9 million).

21 Capital Commitments

As at 30 June 2014, the Group had capital commitments in respect of investment properties which were authorised but not contracted for of HK\$132.8 million (31 December 2013: HK\$150.0 million) and contracted but not provided for of HK\$29.0 million (31 December 2013: HK\$43.7 million).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

22 Connected and Related Party Transactions

During the period, the Group also entered into the following transactions with connected and related parties:

	Notes	Six months ended 30 June	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Audited)
Rent and rental related income from			
AMTD Strategic Capital Limited	(a)	3,547	3,119
ARA Asset Management (Fortune) Limited	(f)	281	281
A.S. Watson Group (HK) Limited	(b)	–	61,067
A.S. Waston Retail (HK) Limited	(b)	14,438	–
BIGBOXX.com Limited	(b)	966	966
Cheung Kong Property Development Limited	(a)	21,547	16,975
Cheung Kong	(c)	121	–
Citybase Property Management Limited	(a)	1,499	1,424
Hang Seng Bank Limited	(d)	7,400	3,360
HSBC Life (International) Limited	(d)	–	17
Hutchison Global Communications Limited	(b)	668	580
Hutchison Telecommunication services Limited	(b)	12	–
Hutchison International Limited	(b)	1,335	1,335
Hutchison Telephone Company Limited	(b)	4,547	3,049
Kingswood Property Services Limited	(a)	145	–
PARKnSHOP (HK) Limited	(b)	67,163	–
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	(d)	6,713	2,943
Towerich Limited	(a)	27	25
Carpark lease agency fee for the operations of the Group's carpark			
Cayley Property Management Limited	(b)	118	101
E-Park Parking Management Limited	(a)	3,099	1,951

22 Connected and Related Party Transactions (Continued)

		Six months ended 30 June		
		2014	2013	
		HK\$'000	HK\$'000	
Notes		(Unaudited)	(Audited)	
Property management fee				
	Cayley Property Management Limited	(b)	302	237
	Citybase Property Management Limited	(a)	476	435
	Goodwell-Fortune Property Services Limited	(a)	18,196	13,566
	Goodwell Property Management Limited	(a)	71	65
	Whampoa Property Management Limited	(b)	321	340
Marketing services fee				
	Goodwell-Fortune Property Services Limited	(a)	10,228	9,456
Advertising and promotion expenses				
	Metro Broadcast Corporation Limited	(e)	218	258
Trustee's fee				
	HSBC Institutional Trust Services (Singapore) Limited		5,136	3,564
Manager's base fee				
	ARA Asset Management (Fortune) Limited	(f)	44,799	31,543
Manager's performance fee				
	ARA Asset Management (Fortune) Limited	(f)	18,072	13,543
Valuation and other fees				
	Jones Lang LaSalle	(g)	308	215

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2014

22 Connected and Related Party Transactions (Continued)

		30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Trade receivables with connected and related companies are as follows:			
A.S. Watson Retail (HK) Limited	(b)	19	95
Cheung Kong Property Development Limited	(a)	3,775	2,897
Hang Seng Bank Limited	(d)	–	15
HSBC	(d)	14	–
Hutchison Telephone Company Limited	(b)	48	205
Kingswood Property Services Limited	(a)	–	48
PARKnSHOP (HK) Limited	(b)	74	220
		3,930	3,480
Other payables with connected and related companies are as follows:			
ARA Asset Management (Fortune) Limited	(f)	6,042	5,782
Cayley Property Management Limited	(b)	2,463	2,909
Citybase Property Management Limited	(a)	21,457	19,354
Citytruth Property Management Limited	(a)	–	532
E-Park Parking Management Limited	(a)	1,038	890
Goodwell-Fortune Property Services Limited	(a)	10,586	10,914
Goodwell Property Management Limited	(a)	21,901	21,581
Whampoa Property Management Limited	(b)	3,733	2,609
		61,178	58,789
		67,220	64,571

22 Connected and Related Party Transactions (Continued)

		30 June 2014 HK\$'000 (Unaudited)	31 December 2013 HK\$'000 (Audited)
Deposits placed with the Group for the lease of the Group's properties			
AMTD Strategic Capital Limited	(a)	1,877	1,877
ARA Asset Management (Fortune) Limited	(f)	149	149
A.S. Watson Retail (HK) Limited	(b)	1,686	247
Citybase Property Management Limited	(a)	982	982
Hang Seng Bank Limited	(d)	3,876	3,873
HSBC	(d)	2,224	2,224
Hutchison Global Communications Limited	(b)	32	32
Hutchison Telephone Company Limited	(b)	1,495	1,467
PARKnSHOP (HK) Limited	(b)	247	232
Towerich Limited	(a)	14	13
		12,582	11,096

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 latest published annual consolidated financial statements 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 period.
- (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 LaSalle is the principal valuer of investment properties for the six months ended 30 June 2014 and the year ended 31 December 2013.

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

Performance Table

	30 June 2014 (Unaudited)	31 December 2013 (Audited)
Net asset attributable to Unitholders (HK\$'000)	20,579,661	19,109,327
Net asset value per unit (HK\$)	11.01	10.26
The highest traded price during the period/year (HK\$)	6.95	8.61
The highest premium of the traded price to net asset value ¹	N.A.	N.A.
The lowest traded price during the period/year (HK\$)	5.83	5.89
The highest discount of the traded price to net asset value	47.0%	42.6%
The net yield per unit ²	6.21%	5.79%

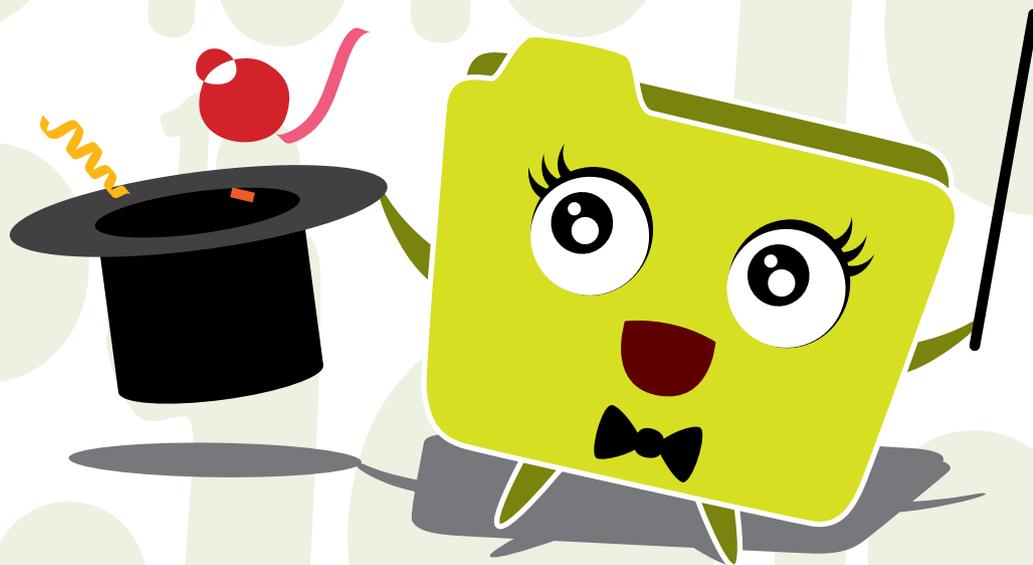
Notes:

1. The highest traded price is lower than the net asset value per unit as at the end of the period. Accordingly, premium of the traded price to net asset value per unit had not been recorded.
2. The net yield per unit for the six months ended 30 June 2014 is an annualized yield based on the distribution per unit of 20.88 HK cents for the six months ended 30 June 2014 and the average of the two closing unit prices of HK\$6.77 in Singapore and HK\$6.80 in Hong Kong as at 30 June 2014.

The net yield per unit for the year ended 31 December 2013 is based on the distribution per unit of 36.00 HK cents for the year ended 31 December 2013 and the average of the two closing unit prices of HK\$6.24 in Singapore and HK\$6.19 in Hong Kong as at 31 December 2013.

Portfolio Map & Summary

物業組合分佈及總覽



Portfolio Summary

物業總覽

Property	物業	Gross Rentable Area (Sq.ft.) 可出租總面積 (平方呎)	Valuation (HK\$ million) 估值 (百萬港元)	Occupancy 出租率	No. of Car Parking Lots 車位數目	
1	Fortune City One	置富第一城	414,469	6,648	99.6%	653
2	Fortune Kingswood	置富嘉湖	665,244	6,292	98.0%	622
3	Ma On Shan Plaza	馬鞍山廣場	310,084	4,629	99.9%	290
4	Metro Town	都會駅	180,822	2,869	98.7%	74
5	Fortune Metropolis	置富都會	332,168	2,180	98.8%	179
6	Belvedere Square	麗城薈	276,862	1,778	99.6%	329
7	Waldorf Avenue	華都大道	80,842	1,522	100.0%	73
8	Caribbean Square	映灣薈	63,018	900	100.0%	117
9	Provident Square	和富薈	180,238	892	100.0%	N.A.
10	Jubilee Square	銀禧薈	170,616	780	96.5%	97
11	Smartland	荃薈	123,544	624	99.6%	67
12	Tsing Yi Square	青怡薈	78,836	547	100.0%	27
13	Nob Hill Square	盈暉薈	91,779	423	100.0%	43
14	Hampton Loft	凱帆薈	74,734	257	100.0%	35
15	Centre de Laguna	城中薈	43,000	252	100.0%	N.A.
16	Lido Avenue	麗都大道	9,836	174	100.0%	N.A.
17	Rhine Avenue	海韻大道	14,604	113	100.0%	N.A.
Total/Overall Average		合計／總平均值	3,110,696	30,880	99.1%	2,606

As at 30 June 2014, Fortune REIT owns a geographically diverse portfolio of 17 private housing estate retail properties in Hong Kong, comprising approximately 3.11 million Sq.ft. of retail space and 2,606 car parking lots.

置富產業信託於2014年6月30日在香港持有一個地域廣泛的零售物業組合(包含17個私人住宅屋苑零售物業)，其中包括面積約311萬平方呎零售樓面及2,606個車位。

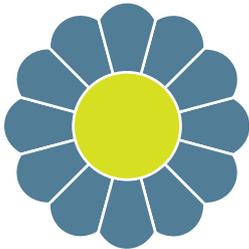




Manager 管理人

ARA

ARA Asset Management (Fortune) Limited
置富資產管理有限公司





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