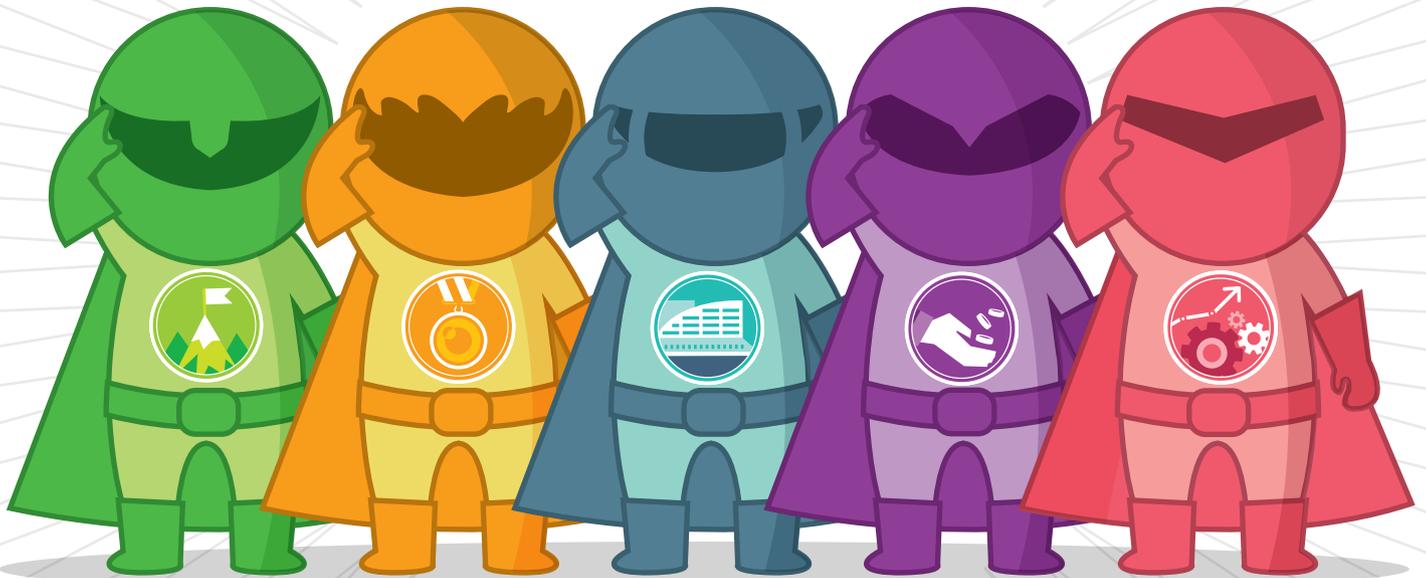


# THE POWER OF

# FORTUNE

中期報告 2015 Interim Report

FORTUNE  
置富產業信託 REIT



股份代號 | 香港 Hong Kong 778  
Stock Code | 新加坡 Singapore 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. Fortune REIT currently holds a portfolio of 17 private housing estate retail properties in Hong Kong comprising of 3.18 million square feet (“**Sq.ft.**”) of retail space and 2,713 carparking spaces.

## 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, it has over 1,100 professionals in 15 cities managing total assets in excess of S\$27 billion as of 30 June 2015.

## 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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# Financial Highlights

## Revenue

(HK\$ million)



Six months ended  
30 June 2014

Six months ended  
30 June 2015

## Net Property Income

(HK\$ million)



Six months ended  
30 June 2014

Six months ended  
30 June 2015

	Six months ended 30 June 2015	Six months ended 30 June 2014	% change
Revenue (HK\$ million)	922.6	813.5	+13.4%
Net property income (HK\$ million)	654.4	581.0	+12.6%
Cost-to-revenue ratio	26.9%	26.3%	+0.6%
Income available for distribution (HK\$ million)	440.3	390.5	+12.8%
Distribution per unit ("DPU") (HK cents)	23.38	20.88	+12.0%

## Net Asset Value Per Unit

(HK\$)



As at  
31 December 2014

As at  
30 June 2015

## Property Valuation

(HK\$ million)



As at  
31 December 2014

As at  
30 June 2015

	As at 30 June 2015	As at 31 December 2014	% change
Net asset value per unit (HK\$)	12.49	11.93	+4.7%
Property valuation (HK\$ million)	35,238	32,720	+7.7%
Gearing ratio/Aggregate leverage <sup>1</sup>	30.6%	29.4%	+1.2%

Note:

- 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 2015, there was no deferred payment incurred for Fortune REIT.

# Extracting Value from Proactive Portfolio Management



**DPU-accretive**

**Yield-accretive acquisition with consideration at a discount to valuation to drive further growth.**



麗港城商場  
Laguna Plaza



## Acquisition

Date of Completion	: 9 January 2015
Gross Rentable Area	: 163,203 sq. ft.

**Consideration**      **HK\$1,918.5 million**

Net Property Yield	: 4.7%
Comparison with Valuation	: 8% discount



## NAV-accretive

Divestment at premium to book to maximize return and unlock value for Unitholders.

## Disposal

Date of Completion : 2 April 2015

Gross Rentable Area : 91,779 sq. ft.

**Consideration** **HK\$648 million**

Net Property Yield : 2.9%

Comparison with Valuation : 48% premium

盈暉薈  
Nob Hill Square



# Management Discussion and Analysis

## Financial Review

Fortune REIT's financial performance continued to perform well and record steady growth during the first half of 2015.

For the six months ended 30 June 2015 (the "**Reporting Period**"), Fortune REIT's revenue and net property income went up by 13.4% and 12.6% year-on-year to HK\$922.6 million and HK\$654.4 million respectively. The growth was mainly attributed to a solid rental reversion of 22.1% across the portfolio as well as the additional income contributions from Laguna Plaza acquired in January 2015.

Borrowing costs (excluding non-tax deductible front end fees) were HK\$114.8 million for the Reporting Period. This represents an increase of 6.3% compared with the first half of 2014. The rise in borrowing cost was a result from the drawdown of additional loan facilities in January 2015 to finance the acquisition of Laguna Plaza.

Income available for distribution for the Reporting Period amounted to HK\$440.3 million, representing a year-on-year increase of 12.8%. DPU for the Reporting Period was 23.38 Hong Kong cents, which is 12.0% higher than the DPU of 20.88 Hong Kong cents for the corresponding period in 2014. This represents an annualized distribution yield of 6.0% based on the unit price of HK\$7.795, the average of the two closing unit prices in Singapore and Hong Kong as at 30 June 2015.

The interim DPU of 23.38 Hong Kong cents will be paid on 28 August 2015 to Unitholders registered in the registers of Unitholders of Fortune REIT as at 13 August 2015.

## Two Accretive Transactions to Create Unitholder Value

During the Reporting Period, Fortune REIT completed the acquisition of Laguna Plaza, for HK\$1,918.5 million at 4.7% net property yield, as well as the disposal of Nob Hill Square, for HK\$648.0 million at 2.9% net property yield. Laguna Plaza, which contributed additional income to Fortune REIT during the Reporting Period, was Fortune REIT's first-ever acquisition from an independent third party. Nob Hill Square, divested at a premium of 48% over book value, was the first asset disposal since Fortune REIT's listing in 2003. The two transactions were significant milestones for Fortune REIT and successfully enhanced value to our Unitholders.



## Capital Management

During the Reporting Period, Fortune REIT entered into additional loan facilities, comprising a HK\$1,200.0 million 5-year term loan and a HK\$400.0 million 2-year revolving credit facility, to finance the acquisition of Laguna Plaza in January 2015.

In addition, upon the completion of the disposal of Nob Hill Square in April 2015, HK\$638.0 million was used for the repayment of existing loan facilities. With the lower subsequent gearing, Fortune REIT now has greater financial flexibility to pursue better-yielding opportunities as they arise.

As at 30 June 2015, the total committed loan facilities amounted to HK\$11,540.0 million. Fortune REIT closed the Reporting Period with a gearing ratio and an aggregate leverage of 30.6% (31 December 2014: 29.4%), a term of 2.2 years of weighted average term to maturity of debt, and an average all-in cost of debt of 2.04% (31 December 2014: 2.17%). Fortune REIT's gross liabilities as a percentage of gross assets increase to 35.0% as at 30 June 2015 (31 December 2014: 33.4%). The net current liabilities as at 30 June 2015 were HK\$4,115.2 million, mainly comprised of (i) a HK\$3,114.5 million 5-year loan facilities, which was due to mature within the next twelve months in April 2016; and (ii) revolving credit facilities of HK\$677.0 million, which has an option to roll over to their maturities.

Fortune REIT had obtained both secured and unsecured facilities. The former facilities are secured over Fortune REIT's 15 investment properties, which carried an aggregate fair value of HK\$32,777.0 million as at 30 June 2015. The Trustee has provided a guarantee for all of the facilities.

As at 30 June 2015, the interest cost for approximately 49% (31 December 2014: 55%) 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 consider putting in place additional hedging arrangements.

Net asset value per unit amounted to HK\$12.49 as at 30 June 2015, up 4.7% from HK\$11.93 reported as at the end of 2014, 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\$35,238.0 million by Savills Valuation and Professional Services Limited ("Savills"), an independent valuer, as at 30 June 2015. This represents a 7.7% increase from the valuation of HK\$32,720.0 million as at 31 December 2014, which was contributed by the improvement in asset performance and the addition of Laguna Plaza, offset by the disposal of Nob Hill Square. The higher valuation has resulted in a revaluation gain of HK\$992.0 million for the Reporting Period.

## Management Discussion and Analysis

### Portfolio Highlights

As at 30 June 2015, Fortune REIT owns a geographically diverse portfolio of 17 retail malls and properties in Hong Kong, comprising approximately 3.18 million sq.ft. of retail space and 2,713 car parking lots.

Property	Gross Rentable Area ("GRA") (Sq.ft.)	Valuation (HK\$ million)	Occupancy	No. of Car Parking Lots
Fortune City One	414,469	7,348	99.6%	653
Fortune Kingswood	665,244	6,783	99.9%	622
Ma On Shan Plaza	310,084	5,057	99.3%	290
Metro Town	180,822	3,131	99.9%	74
Fortune Metropolis	332,168	2,369	98.1%	179
Laguna Plaza	163,203	2,100	97.2%	150
Belvedere Square	276,862	1,978	81.5%	329
Waldorf Avenue	80,842	1,594	100.0%	73
Caribbean Square	63,018	963	100.0%	117
Provident Square	180,238	945	90.5%	N.A.
Jubilee Square	170,616	867	99.3%	97
Smartland	123,544	676	99.8%	67
Tsing Yi Square	78,836	591	100.0%	27
Centre de Laguna	43,000	270	99.4%	N.A.
Hampton Loft	74,734	265	100.0%	35
Lido Avenue	9,836	186	100.0%	N.A.
Rhine Avenue	14,604	115	100.0%	N.A.
<b>Total/Overall Average</b>	<b>3,182,120</b>	<b>35,238</b>	<b>97.3%</b>	<b>2,713</b>

### Operations Review

The performance of Fortune REIT's retail portfolio remains resilient despite a slowdown in the overall retail sales in Hong Kong. Portfolio occupancy was at 97.3% as at 30 June 2015 (30 June 2014: 99.1%).

A strong rental reversion of 22.1% was recorded for renewals during the first half of 2015. The portfolio passing rent stood at HK\$38.4 per sq.ft., up by 9.5% year-on-year for the existing portfolio excluding Laguna Plaza and Nob Hill Square.

Operating expenses (excluding the Manager's performance fee) increased to HK\$247.9 million, 15.7% higher on a year-on-year basis. This is mainly attributed to the additional expenses from Laguna Plaza. Meanwhile, the cost-to-revenue ratio was 26.9% (first half of 2014: 26.3%).

## Asset Enhancement Initiatives

The asset enhancement initiatives ("AEIs") at Belvedere Square has progressed well during the Reporting Period. The first phase of the renovation has been completed and the second phase has commenced in March 2015. Approximately 80,000 sq.ft. has been closed down during the second phase of the AEIs which is expected to be completed in phases by the end of 2015. The total capital expenditure for the project is approximately HK\$80 million with a target return on investment of 15%.

## Outlook

Hong Kong's economy recorded moderate growth in the first quarter of 2015 with gross domestic product up by 2.1% from a year earlier. Private consumption continued to grow and registered an increase of 3.5% in the first quarter of 2015 while unemployment rate remained low at 3.2% in March to May 2015. Although total retail sales decreased by 1.8% in the first five months of 2015 over the same period last year, a solid employment trend continued to provide support to local consumption.

The Manager remains mindful of the economic uncertainties associated with factors such as the changing pattern of tourist spending and the uncertain external environment. These factors are compounded by the prospects of slower domestic demand and the anticipation of the potential interest rate hikes. Nevertheless, Fortune REIT's portfolio of private housing estate retail properties, which cater mainly to day-to-day shopping needs, tends to maintain a more resilient performance when compared to the overall market and economic conditions.

As there could be continuing pressure in the coming year on certain costs such as rising wages and electricity tariffs, inflation and other external factors, the Manager will closely monitor the operating expenses. Cost containment measures such as implementing energy-saving in operations and facilities will continue to be adopted in order to mitigate the impact from cost inflation.

Looking ahead, the Manager is committed to drive revenue growth by implementing effective leasing and tenant repositioning strategy as well as asset enhancement initiatives. Despite the disposal of Nob Hill Square in April 2015, the additional income from Laguna Plaza should continue to contribute further revenue growth for 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 Stock Exchange of Hong Kong Limited (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 Trust Deed had been amended to (i) revise the divestment fee structure to the actual rate of fees (but not exceeding 1% of the sale price of the real estate) charged by the third party agents or brokers where the Manager engages such third party agents or brokers in connection with the relevant sale or divestment and the payment to such agent or broker exceeds 0.5% of the sale price of the real estate; and (ii) allow the Manager to repurchase units of Fortune REIT (the “**Units**”) under a unit buy-back mandate in accordance with terms and conditions under the Trust Deed subject to the requirements of any Applicable Rules and the approval from the Unitholders by way of ordinary resolution and provide the Manager with the discretion to determine the repurchase price (not exceeding the maximum price as approved by the Unitholders when granting the unit buy-back mandate) for a repurchase of Units under the unit buy-back mandate.



## Board of Directors of the Manager

The 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 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 would be circulated for approval by the Board.

The Board presently comprises nine members, four of whom are Non-Executive Directors and three 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, assist the Board with discharging its responsibility in maintaining 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).

## Corporate Governance

- The role of the Disclosures Committee is to assist the Board in reviewing matters relating to the disclosure of information to Unitholders and public announcements.
- The role of the Designated Committee is to assist the Board in reviewing matters relating to hedging strategies, financing and refinancing arrangements and transactions involving derivative instruments for hedging purposes.

### 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 2014 of Fortune REIT, the Manager received notifications regarding the following changes of Directors' information during the Reporting Period:

1. Dr. Chiu Kwok Hung, Justin was appointed as an Executive Director and a Member of the Executive Committee of CK Hutchison Holdings Limited (a company listed in Hong Kong on 18 March 2015) ("**CKH Holdings**") on 9 January 2015 and 26 February 2015 respectively. He resigned as Executive Director and ceased to be a Member of the Executive Committee of both Cheung Kong (Holdings) Limited (whose listing status was replaced by CKH Holdings on 18 March 2015) ("**Cheung Kong**") and CKH Holdings on 3 June 2015. Dr. Chiu has also been appointed as an Executive Director and a Member of the Executive Committee of Cheung Kong Property Holdings Limited (a company listed in Hong Kong on 3 June 2015) ("**CK Property**") on 26 February 2015 and 3 June 2015 respectively.
2. Ms. Yeung, Eirene was appointed as Company Secretary and a Member of the Executive Committee of CKH Holdings on 11 December 2014 and 18 March 2015 respectively. She resigned as Company Secretary and ceased to be a Member of the Executive Committee of both Cheung Kong and CKH Holdings on 3 June 2015. Ms. Yeung has also been appointed as a Member of the Executive Committee and General Manager, Company Secretarial Department and Company Secretary of CK Property on 3 June 2015.
3. Mr. Ma Lai Chee, Gerald *ipso facto* ceased as Alternate Director to Mr. Ip Tak Chuen, Edmond of the Board and was appointed as a Non-executive Director and a Member of the Designated Committee of the Manager with effect from 1 June 2015. He was also appointed as a Member of the Executive Committee and General Manager, Corporate Business Development Department of CKH Holdings on 26 February 2015 and 18 March 2015 respectively and he ceased to be a Member of the Executive Committee and General Manager, Corporate Business Development Department of both Cheung Kong and CKH Holdings on 3 June 2015. Mr. Ma has also been appointed as a Member of the Executive Committee and General Manager, Corporate Business Development Department of CK Property on 3 June 2015.
4. Ms. Chiu Yu, Justina has been appointed as the Chief Executive Officer of the Manager with effect from 2 February 2015. She has also resigned as a director of Art Full Resources Limited with effect from 2 April 2015.

## Corporate Governance

5. Mr. Ang Meng Huat, Anthony has relinquished his position as Chief Executive Officer of the Manager and also ceased to be the Responsible Officer of the Manager, but remained as a Non-executive Director of the Manager with effect from 2 February 2015. He was re-designated from a Non-executive Director to an Executive Director of the Manager with effect from 18 February 2015.
6. Dr. Lan Hong Tsung, David has been appointed as a Non-executive Director and Co-Chairman of Aurum Pacific (China) Group Limited, a company listed in Hong Kong, since 6 March 2015.

## Review of Interim Report

The interim report of Fortune REIT for the six months ended 30 June 2015 has been reviewed by the Audit Committee and the Disclosures Committee of the Manager. The interim financial statements have also been reviewed by the 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 Connected Party Transaction	Income for	Rental Deposit
			the six months ended 30 June 2015	Received as at 30 June 2015
			HK\$'000	HK\$'000
ARA Asset Management (Fortune) Limited	Manager	Leasing transactions	307	163
A.S. Watson Retail (HK) Limited	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transactions	16,721	1,231
BIGBOXX.com Limited	Associated company of a significant holder <sup>1</sup>	Leasing transactions	1,123	–
Cheung Kong Property Development Limited	Associate of a significant holder <sup>1</sup>	Licensing transactions	22,279	–
Cheung Kong	Associated company of a significant holder <sup>2</sup>	Licensing transactions	52	–
Citybase Property Management Limited	Associate of a significant holder <sup>1</sup>	Leasing transactions	1,536	1,000
Hutchison Global Communications Limited	Associated company of a significant holder <sup>1</sup>	Licensing transactions	744	385
Hutchison International Limited	Associated company of a significant holder <sup>1</sup>	Leasing transactions	1,357	–
Hutchison Telephone Company Limited	Associated company of a significant holder <sup>1</sup>	Licensing transactions	4,070	1,482
Metro Broadcast Corporation Limited	Associated company of a significant holder <sup>1</sup>	Licensing transactions	34	–
PARKnSHOP (HK) Limited	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transactions	78,197	7,446
Towerich Limited	Associate of a significant holder <sup>1</sup>	Licensing transactions	14	16
<b>Total</b>			<b>126,434</b>	<b>11,723</b>

Notes:

1. The significant holder being Focus Eagle Investments Limited (“Focus Eagle”).
2. The significant holder being Focus Eagle. As disclosed in the listing document of CK Property published on 8 May 2015, Cheung Kong and its subsidiaries have undergone a series of reorganisation (the “Reorganisation”), which was completed on 3 June 2015. Before the completion of the Reorganisation, Cheung Kong was the holding company of Focus Eagle.

## 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 Period:

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Expenses for the six months ended 30 June 2015 HK\$'000
Cayley Property Management Limited	Associate of a significant holder <sup>1</sup>	Property management and operations and carpark lease agency fee	221
Citybase Property Management Limited	Associate of a significant holder <sup>2</sup>	Property management and operations	476
E-Park Parking Management Limited	Associate of a significant holder <sup>2</sup>	Carpark lease agency fee	3,513
Goodwell-Fortune Property Services Limited	Associate of a significant holder <sup>2</sup>	Property and lease management fee and marketing service fee	31,869
Goodwell Property Management Limited	Associate of a significant holder <sup>2</sup>	Property management and operations	79
Guardian Property Management Limited	Associated company of principal valuer <sup>3</sup>	Property management and operations	749
Metro Broadcast Corporation Limited	Associated company of a significant holder <sup>2</sup>	Advertising and promotion expenses	316
Savills (Hong Kong) Limited	Associated company of principal valuer <sup>3</sup>	Leasing commission	99
Savills Property Management Limited	Associated company of principal valuer <sup>3</sup>	Property management and operations	400
Whampoa Property Management Limited	Associate of a significant holder <sup>1</sup>	Property management and operations	325
<b>Total</b>			<b>38,047</b>

Notes:

1. The significant holder being Focus Eagle. Before the completion of the Reorganisation, these companies were subsidiaries of Hutchison Whampoa Limited, which then was 49.9% owned by Cheung Kong and were defined as associates of the significant holder of Fortune REIT under the REIT Code.
2. The significant holder being Focus Eagle.
3. Principal valuer being Savills.

## 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 2015 HK\$'000
ARA Asset Management (Fortune) Limited	Manager	Manager's fee	94,707
HSBC Institutional Trust Services (Singapore) Limited	Trustee	Trustee's fee	6,003
Savills	Principal valuer	Valuation fee	304
<b>Total</b>			<b>101,014</b>

## Connected Party Transactions

### 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 Period:

Name of Connected Party	Relationship with Fortune REIT	Nature of Connected Party Transaction	Income for	Rental Deposit
			the six months ended 30 June 2015 HK\$'000	Received as at 30 June 2015 HK\$'000
Hang Seng Bank Limited	Trustee Connected Persons	Leasing and licensing transactions	8,145	4,524
The Hongkong and Shanghai Banking Corporation Limited (“HSBC”)	Trustee Connected Persons	Leasing and licensing transactions	6,818	2,650
<b>Total</b>			<b>14,963</b>	<b>7,174</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) during the Reporting Period.

# Disclosure of Interests

## Unit Capital

The total number of issued units as at 30 June 2015 is 1,879,418,796 units.

## Holdings of Significant Unitholders and Other Unitholders

As at 30 June 2015, 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 <sup>1</sup>	413,074,684	21.98%	–	–
CK Property <sup>1</sup>	–	–	525,630,684	27.97%
Schroders Plc <sup>2</sup>	–	–	248,587,006	13.23%

## Disclosure of Interests

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 2015:

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	5.99%	–	–

Notes:

- Focus Eagle and Ballston Profits Limited were indirect wholly-owned subsidiaries of CK Property. Therefore, CK Property was deemed to hold 525,630,684 units, of which: (i) 413,074,684 units were held by Focus Eagle; and (ii) 112,556,000 units were held by Ballston Profits Limited.
- Schroders Plc was deemed to be interested in 248,587,006 units of which:
  - 88,606,000 units were held by Schroder Investment Management Ltd;
  - 84,557,000 units were held by Schroder Investment Management (Singapore) Ltd;
  - 73,868,400 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
  - 1,392,606 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 30 June 2015, the Manager held 9,382,500 units, or approximately 0.50% 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 2015 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>	430,000	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.

## Disclosure of Interests

### 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 14,156 units, or approximately 0.0008% of the issued units of Fortune REIT as at 30 June 2015.

Hang Seng Insurance Company Limited, being a connected person of Fortune REIT by virtue of its being HSBC Group, held 17,629,000 units, or approximately 0.94% of the issued units of Fortune REIT as at 30 June 2015.

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 2015.

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 2015 and 31 December 2014:

- (a) CK Property was beneficially interested in 525,630,684 units as at 30 June 2015 and did not hold any beneficial interest in any unit as at 31 December 2014;
- (b) Schroders Plc was beneficially interested in 248,587,006 units as at 30 June 2015 and 252,103,042 units as at 31 December 2014;
- (c) The Manager was beneficially interested in 9,382,500 units as at 30 June 2015 and 3,357,998 units as at 31 December 2014;
- (d) Dr. Lan Hong Tsung, David, Director of the Manager, was beneficially interested in 530,000 units as at 30 June 2015 and 400,000 units as at 31 December 2014;
- (e) HSBC Bank PLC was beneficially interested in 14,156 units as at 30 June 2015 and 84,156 units as at 31 December 2014;
- (f) Hang Seng Insurance Company Limited was beneficially interested in 17,629,000 units as at 30 June 2015 and did not hold any beneficial interest in any unit as at 31 December 2014; and
- (g) Mr. Richard Waichi Chan, a director of Focus Eagle and his associate were beneficially interested in 100,000 units as at 30 June 2015 and 31 December 2014.

# Other Information

## Employees

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

## New Units Issued

As at 30 June 2015, the total number of issued units of Fortune REIT was 1,879,418,796. As compared with the position as at 31 December 2014, a total of 6,372,502 new units were issued during the Reporting Period in the following manner:

- On 2 January 2015, 3,243,664 new units were issued to the Manager at the price of HK\$7.6277 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's base fee of approximately HK\$24.7 million payable by Fortune REIT for the period from 1 October 2014 to 31 December 2014.
- On 2 April 2015, 3,128,838 new units were issued to the Manager at the price of HK\$8.1893 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's base fee of approximately HK\$25.6 million payable by Fortune REIT for the period from 1 January 2015 to 31 March 2015.

## Repurchase, Sale or Redemption of Units

During the Reporting Period, other than the disposal of 348,000 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 2015.

# Corporate Information

## Manager

ARA Asset Management (Fortune) Limited

Units 5508–5510, 55th Floor    6 Temasek Boulevard  
The Center    #16-02, Suntec Tower Four  
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*

YEUNG, Eirene, *Non-Executive Director*

MA Lai Chee, Gerald, *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*

## Company Secretary of the Manager

TAN San-Ju

## Trustee

HSBC Institutional Trust Services (Singapore) Limited

## Legal Adviser as to Hong Kong Law

Woo Kwan Lee & Lo

## 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

Hong Kong: 778  
Singapore: F25U

## Websites and Email

[www.fortunereit.com](http://www.fortunereit.com)  
[www.fortunemalls.com.hk](http://www.fortunemalls.com.hk)  
[enquiries@fortunereit.com](mailto:enquiries@fortunereit.com)

# 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 55, which comprises the condensed consolidated statement of financial position of Fortune Real Estate Investment Trust (“**Fortune REIT**”) as of 30 June 2015 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

27 July 2015



# Financial Statements

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- 28** Distribution Statement
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# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
<b>Revenue</b>	4	<b>922,592</b>	813,455
Property operating expenses	6	<b>(268,229)</b>	(232,406)
<b>Net property income</b>		<b>654,363</b>	581,049
Manager's base fee		<b>(51,979)</b>	(44,799)
Foreign currency exchange (loss)/gain		<b>(126)</b>	46
Interest income		<b>2,406</b>	5,160
Trust expenses	7	<b>(32,777)</b>	(7,280)
Change in fair value of investment properties		<b>992,020</b>	1,512,690
Change in fair value of derivative financial instruments		<b>(36,511)</b>	(21,200)
Gain on disposal of a property company	12(ii)	<b>218,598</b>	–
Borrowing costs	8	<b>(128,859)</b>	(133,550)
<b>Profit before taxation and transactions with unitholders</b>	9	<b>1,617,135</b>	1,892,116
Income tax expense	10	<b>(98,120)</b>	(85,626)
<b>Profit for the period, before transactions with unitholders</b>		<b>1,519,015</b>	1,806,490
Distributions to unitholders		<b>(440,258)</b>	(390,454)
<b>Profit for the period, after transactions with unitholders</b>		<b>1,078,757</b>	1,416,036
<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		<b>11,131</b>	9,499
<b>Total comprehensive income for the period</b>		<b>1,089,888</b>	1,425,535
<b>Income available for distribution to unitholders</b>		<b>440,258</b>	390,454
<b>Basic earnings per unit (HK cents)</b>	11	<b>80.80</b>	96.77

# Distribution Statement

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
<b>Profit for the period, before transactions with unitholders</b>		<b>1,519,015</b>	1,806,490
<b>Adjustments:</b>			
Manager's base fee		<b>51,979</b>	44,799
Acquisition fee		<b>19,185</b>	–
Change in fair value of investment properties		<b>(992,020)</b>	(1,512,690)
Change in fair value of derivative financial instruments		<b>36,511</b>	21,200
Gain on disposal of a property company		<b>(218,598)</b>	–
Non-tax deductible front end fees		<b>14,011</b>	25,494
Foreign currency exchange loss/(gain)		<b>126</b>	(46)
Other non-tax deductible trust expenses		<b>10,049</b>	5,207
<b>Income available for distribution</b>	(i)	<b>440,258</b>	390,454
<b>Distribution per unit (HK cents)</b>	(ii)	<b>23.38</b>	20.88

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 2015 is HK\$440.3 million (six months ended 30 June 2014: HK\$390.5 million) and HK\$410.5 million (six months ended 30 June 2014: HK\$365.3 million), respectively. Accordingly, the income available for distribution, based on the Net Tax-Exempt Income, of HK\$440.3 million (six months ended 30 June 2014: HK\$390.5 million) would be distributed to unitholders for the six months ended 30 June 2015.

- (ii) The distribution per unit of 23.38 HK cents for the six months ended 30 June 2015 (six months ended 30 June 2014: 20.88 HK cents) is calculated based on the income available for distribution for the period of HK\$440.3 million (six months ended 30 June 2014: HK\$390.5 million) over 1,882,805,728 units (30 June 2014: 1,869,688,995 units), representing issued units as at 30 June 2015 of 1,879,418,796 units (30 June 2014: 1,866,273,811 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 2015 of 3,386,932 units (second quarter of 2014: 3,415,184 units). The distribution amounting to HK\$440.3 million (six months ended 30 June 2014: HK\$390.5 million) will be paid on 28 August 2015 (six months ended 30 June 2014: 29 August 2014).



# Condensed Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties	12	35,238,000	32,720,000
Derivative financial instruments	13	9,073	32,306
Deposit for acquisition of property companies		–	95,925
<b>Total non-current assets</b>		<b>35,247,073</b>	32,848,231
<b>Current assets</b>			
Trade and other receivables	14	71,251	60,853
Bank balances and cash		836,165	688,407
<b>Total current assets</b>		<b>907,416</b>	749,260
<b>Total assets</b>		<b>36,154,489</b>	33,597,491
<b>Non-current liabilities</b>			
Derivative financial instruments	13	18,732	33,617
Borrowings	15	7,216,718	8,881,110
Deferred tax liabilities		378,987	378,235
<b>Total non-current liabilities</b>		<b>7,614,437</b>	9,292,962
<b>Current liabilities</b>			
Trade and other payables	16	682,381	588,627
Borrowings	15	3,791,539	940,000
Derivative financial instruments	13	17,032	–
Distribution payable		440,258	390,316
Provision for taxation		91,438	10,049
<b>Total current liabilities</b>		<b>5,022,648</b>	1,928,992
<b>Total liabilities, excluding net assets attributable to unitholders</b>		<b>12,637,085</b>	11,221,954
<b>Net assets attributable to unitholders</b>		<b>23,517,404</b>	22,375,537
<b>Units in issue and to be issued ('000)</b>	17	<b>1,882,806</b>	1,876,290
<b>Net asset value per unit (HK\$) attributable to unitholders</b>	18	<b>12.49</b>	11.93

# Condensed Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the six months ended 30 June 2015

	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 2015 (Audited)	7,665,247	(286,279)	(30,427)	15,026,996	22,375,537
<b>OPERATIONS</b>					
Profit for the period, before transactions with unitholders	–	–	–	1,519,015	1,519,015
Distribution paid and payable of 23.38 HK cents per unit for the six months ended 30 June 2015	–	–	–	(440,258)	(440,258)
Change in fair value of derivative financial instruments under cash flow hedge	–	–	4,191	–	4,191
Release to profit or loss	–	–	6,940	–	6,940
Total comprehensive income for the period	–	–	11,131	1,078,757	1,089,888
<b>UNITHOLDERS' TRANSACTIONS</b>					
Creation of units					
– Manager's base fee paid/payable in units	51,979	–	–	–	51,979
Increase in net assets resulting from unitholders' transactions	51,979	–	–	–	51,979
<b>Net assets attributable to unitholders as at 30 June 2015 (Unaudited)</b>	<b>7,717,226</b>	<b>(286,279)</b>	<b>(19,296)</b>	<b>16,105,753</b>	<b>23,517,404</b>
Net assets attributable to unitholders as at 1 January 2014 (Audited)	7,572,356	(286,279)	(53,610)	11,876,860	19,109,327
<b>OPERATIONS</b>					
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
<b>UNITHOLDERS' TRANSACTIONS</b>					
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
<b>Net assets attributable to unitholders as at 30 June 2014 (Unaudited)</b>	<b>7,617,155</b>	<b>(286,279)</b>	<b>(44,111)</b>	<b>13,292,896</b>	<b>20,579,661</b>



# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Net cash from operating activities		672,730	571,457
Net cash used in investing activities:			
Acquisition of property companies	12(i)	(1,783,205)	–
Upgrading of investment properties		(52,215)	(29,310)
Proceed from disposal of a property company	12(ii)	640,508	–
Other investing cash flows		2,450	5,216
		<b>(1,192,462)</b>	(24,094)
Net cash from/(used) in financing activities:			
Drawdown of borrowings		1,865,060	30,000
Repayment of borrowings		(678,000)	(30,000)
Distribution paid		(390,267)	(335,256)
Payment of debt front end fee		(18,438)	(20,700)
Borrowing costs paid		(110,865)	(108,568)
		<b>667,490</b>	(464,524)
Net increase in cash and cash equivalents		147,758	82,839
Cash and cash equivalents at beginning of the period		688,407	858,175
<b>Cash and cash equivalents at end of the period, represented by bank balances and cash</b>		<b>836,165</b>	941,014
<b>Represented by:</b>			
Cash at bank and in hand		836,165	93,543
Fixed deposits with original maturity date less than 3 months		–	847,471
		<b>836,165</b>	941,014

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

## 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 (“**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 2014 except as described below.



### 3 Principal Accounting Policies (Continued)

In the current period, the Group has applied the following amendments 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 2015:

Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions

The application of the amendments 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 IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle <sup>1</sup>
IFRS 9	Financial Instruments <sup>2</sup>
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception <sup>1</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to IFRS 11	Accounting for Acquisitions of Interests and Joint Operations <sup>1</sup>
IFRS 14	Regulatory Deferral Accounts <sup>3</sup>
IFRS 15	Revenue from Contracts with Customers <sup>2</sup>
Amendments to IAS 1	Disclosure Initiative <sup>1</sup>
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>1</sup>
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants <sup>1</sup>
Amendments to IAS 27	Equity Method in Separate Financial Statements <sup>1</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>3</sup> Effective for first annual IFRS financial statements beginning on or after 1 January 2016

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

### 3 Principal Accounting Policies (Continued)

#### IFRS 9 Financial Instruments

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

Key requirements of IFRS 9 are described below:

- 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. 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 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)

#### IFRS 9 Financial Instruments (Continued)

- 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. 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 Manager will assess the impact of the application of IFRS 9. For the moment, it is not practicable to provide a reasonable estimate of the effect of the application of IFRS 9 until the Group performs a detailed review.

### 4 Revenue

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Base rental	667,385	584,874
Charge-out collections	166,776	148,602
Other rental	87,125	78,927
Other income	1,306	1,052
	<b>922,592</b>	<b>813,455</b>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

### 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 2014: 17) properties as at 30 June 2015 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.

### 6 Property Operating Expenses

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Building management expenses	101,455	87,252
Utilities	26,778	24,796
Government rents and rates	41,024	35,050
Manager's performance fee	20,303	18,072
Property manager fee	20,739	18,819
Carpark operating expenses	12,446	11,033
Advertising and promotion	12,498	10,541
Legal and other professional fees	7,230	6,262
Leasing commission and marketing services fee	12,723	10,367
Others	13,033	10,214
	<b>268,229</b>	232,406



## 7 Trust Expenses

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Trustee's fee	6,003	5,136
Acquisition fee	19,185	–
Expenses for acquisition	4,046	–
Other charges	3,543	2,144
	<b>32,777</b>	<b>7,280</b>

## 8 Borrowing Costs

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Interest expense on		
– term loans	74,835	70,489
– revolving loans	10,955	5,396
Equalisation of interest expense through cash flow hedge	23,825	30,413
Commitment fee	719	803
Front end fees		
– amortisation	17,081	16,673
– written off upon early repayment of term loans	1,444	9,776
	<b>128,859</b>	<b>133,550</b>

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

### 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	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Fees to external auditor	1,604	1,352
Fees to internal auditor	165	165
Valuation fees (paid to principal valuer)	304	308

### 10 Income Tax Expense

	Six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Current tax:		
– Hong Kong	82,231	69,881
– Singapore	50	316
	82,281	70,197
Deferred taxation	15,839	15,429
	98,120	85,626

Fortune REIT's subsidiaries in Hong Kong are subject to Hong Kong Profits Tax at 16.5% (six months ended 30 June 2014: 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 2014: 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\$1,519.0 million (six months ended 30 June 2014: HK\$1,806.5 million) by the weighted average of 1,880,036,064 units (six months ended 30 June 2014: 1,866,799,364 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 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
<b>Fair Value</b>		
At beginning of the period/year	<b>32,720,000</b>	29,338,000
During the period/year:		
Acquisition of an investment property (Note (i))	<b>1,912,254</b>	–
Capital expenditure incurred in upgrading investment properties	<b>52,215</b>	60,221
Disposal of an investment property (Note (ii))	<b>(438,489)</b>	–
Change in fair value of investment properties	<b>992,020</b>	3,321,779
At end of the period/year	<b>35,238,000</b>	32,720,000

Notes:

- (i) On 9 January 2015, Fortune REIT completed the acquisition of Laguna Plaza from an independent third party through acquisition of the entire equity interest in Aqualand Investment Ltd and its wholly owned subsidiary LGF Investment Limited for a cash consideration of HK\$1,918.5 million plus adjustments on the net current liabilities of HK\$11.9 million as at completion date of the acquisition.

The above acquisition was funded by the drawdown of a new bank borrowing as disclosed in Note 15(iv) and utilisation of the revolving credit facility of the existing facilities.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK\$'000 (Unaudited)
Investment properties	1,912,254
Trade and other receivables	7,301
Bank balances and cash	27,435
Trade and other payables	(39,679)
Provision for taxation	(746)
Total consideration, satisfied by cash	1,906,565

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

### 12 Investment Properties (Continued)

Notes: (Continued)

(i) (Continued)

Net cash outflow arising on acquisition is as follows:

	HK\$'000 (Unaudited)
Cash consideration paid	1,906,565
Less: Cash and cash equivalents acquired	(27,435)
	1,879,130
Less: Deposit for acquisition of property companies	(95,925)
Net cash outflows from the acquisition for the current period	1,783,205

(ii) On 2 April 2015, Fortune REIT completed the disposal of Nob Hill Square to an independent third party through disposal of the entire equity interest in Art Full Resources Limited for a cash consideration of HK\$648.0 million plus adjustments on the net asset of HK\$1.0 million as at completion date of the disposal.

The sales proceeds, net of expenses, have been used to repay part of the banking facilities as disclosed in Note 15(i). The disposal resulted in a gain of approximately HK\$218.6 million.

Analysis of assets and liabilities over which control was lost:

	HK\$'000 (Unaudited)
Investment properties	438,489
Trade and other receivables	1,414
Bank balances and cash	8,515
Trade and other payables	(8,040)
Provision for taxation	(935)
Deferred tax liabilities	(15,018)
Net assets disposed of	424,425



## 12 Investment Properties (Continued)

Notes: (Continued)

(ii) (Continued)

Gain on disposal of a property company is determined as follows:

	HK\$'000 (Unaudited)
Consideration received	649,023
Less: Transaction cost incurred	(2,760)
Less: Divestment fee	(3,240)
Less: Net assets disposal of	(424,425)
	218,598

Net cash inflow arising on disposal is as follows:

	HK\$'000 (Unaudited)
Consideration received	649,023
Less: Cash and cash equivalents disposed of	(8,515)
	640,508

(iii) 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.

As at 30 June 2015 and 31 December 2014, independent valuations were undertaken by Savills Valuation and Professional Services Limited ("Savills") and Jones Lang LaSalle Limited ("Jones Lang LaSalle") respectively. The firms are independent qualified professional valuer not related to the Group and have 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.

(iv) As at 30 June 2015, properties with total fair value of HK\$32,777.0 million (31 December 2014: HK\$ 30,275.0 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 2015

### 13 Derivative Financial Instruments

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Derivative financial instructions are analysed as:		
Derivatives under hedge accounting:		
Cash flow hedges – interest rate swaps	(8,572)	(25,347)
Derivatives not under hedge accounting:		
Interest rate swaps and caps	(18,119)	24,036
	<b>(26,691)</b>	(1,311)
Reflected on condensed consolidated statement of financial position based on remaining contractual maturity as:		
Non-current assets	9,073	32,306
Non-current liabilities	(18,732)	(33,617)
Current liabilities	(17,032)	–
	<b>(26,691)</b>	(1,311)

The Group uses interest rate swaps 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\$708.2 million (31 December 2014: HK\$708.2 million) as at 30 June 2015 will mature in April 2016 and are highly effective. These contracts have fixed interest payments at 2.017% (31 December 2014: 2.017%) per annum for the six months ended 30 June 2015 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\$4.2 million (six months ended 30 June 2014: gain of HK\$7.0 million), is recognised in other comprehensive income for the six months ended 30 June 2015.



## 13 Derivative Financial Instruments (Continued)

### Derivatives not under hedge accounting:

Contracts not under hedge accounting with notional amount of HK\$706.8 million (31 December 2014: HK\$706.8 million), HK\$836.0 million (31 December 2014: HK\$836.0 million), HK\$614.5 million (31 December 2014: HK\$614.5 million), HK\$800.5 million (31 December 2014: HK\$800.5 million), HK\$962.0 million (31 December 2014: HK\$962.0 million) and HK\$800.0 million (31 December 2014: HK\$800.0 million) as at 30 June 2015 will mature in April 2016, 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 2.00% (31 December 2014: 0.21% 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 change in fair value of the derivative financial instruments not under hedge accounting amounting to a loss of HK\$29.6 million (six months ended 30 June 2014: loss of HK\$18.7 million), is recognised in the profit or loss for the six months ended 30 June 2015. 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\$6.9 million (six months ended 30 June 2014: HK\$2.5 million). Accordingly, the total change in fair value of derivative financial instruments recognised in profit or loss was a net loss of HK\$36.5 million (six months ended 30 June 2014: net loss of HK\$21.2 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 2015

### 14 Trade and Other Receivables

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
(a) Trade receivables:		
Outside parties	37,556	29,812
Related parties (Note 22)	4,815	2,578
	<b>42,371</b>	32,390
(b) Other receivables and prepayments:		
Security deposits	23,796	23,846
Other receivables	4,351	2,917
Prepayments	733	1,700
	<b>28,880</b>	28,463
	<b>71,251</b>	60,853

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 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
0–30 days	40,842	31,495
31–90 days	1,491	885
Over 90 days	38	10
	<b>42,371</b>	32,390



## 15 Borrowings

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Secured term loans	7,851,313	7,334,253
Unsecured term loans	1,618,700	1,618,700
Secured revolving loans	1,430,000	940,000
Unsecured revolving loans	180,000	–
Less: unamortised front end fees	(71,756)	(71,843)
	<b>11,008,257</b>	9,821,110
Carrying amount repayable:		
On demand or within one year	3,791,539	940,000
More than one year, but not more than two years	3,932,968	2,817,265
More than two years, but not more than five years	3,283,750	6,063,845
	<b>11,008,257</b>	9,821,110
Less: Amount due within one year shown under current liabilities	(3,791,539)	(940,000)
	<b>7,216,718</b>	8,881,110

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

### 15 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 five years (the “**2011 Facilities**”), the amounts outstanding under the 2011 Facilities drawn down by certain subsidiaries as at 30 June 2015 was HK\$3,120.0 million (31 December 2014: HK\$3,268.0 million). Part of the term loan of approximately HK\$638.0 million was early repaid due to the disposal of Nob Hill Square in April 2015 as disclosed in Note 12(ii). 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 2015 was HK\$5,025.0 million (31 December 2014: 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 ranging from 1.30% to 1.70% per annum.
- (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 five years (the “**2014 Facilities**”), the amounts outstanding under the 2014 Facilities drawn down by a subsidiary as at 30 June 2015 was HK\$1,600.0 million (31 December 2014: 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.
- (iv) In relation to the term loans of HK\$1,200.0 million and revolving credit facility of HK\$400.0 million under the facility agreements dated 2 January 2015 for terms between 2 years to 5 years (the “**2015 Facilities**”), the amounts outstanding under the 2015 Facilities drawn down by certain subsidiaries as at 30 June 2015 was HK\$1,355.1 million. Term loan of HK\$1,155.1 million under the 2015 Facilities are secured by, *inter alia*, a mortgage over Laguna Plaza and the Trustee (in its capacity as Trustee of Fortune REIT) has provided a guarantee for the 2015 Facilities. The 2015 Facilities bear interest at HIBOR plus a margin ranging from 1.45% to 1.75% per annum. The 2015 Facilities was used to partly finance the acquisition of subsidiaries as disclosed in Note 12(i).



## 15 Borrowings (Continued)

- (v) The Group has paid front end fees of HK\$18.4 million (six months ended 30 June 2014: HK\$20.7 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:

	<b>30 June 2015 HK\$'000 (Unaudited)</b>	<b>31 December 2014 HK\$'000 (Audited)</b>
At beginning of the period/year	<b>127,825</b>	140,725
Addition	<b>18,438</b>	20,700
Reversal during the period/year	<b>(7,018)</b>	(33,600)
At end of the period/year	<b>139,245</b>	127,825
Movement in accumulated amortisation:		
At beginning of the period/year	<b>(55,982)</b>	(48,144)
Amortised during the period/year	<b>(17,081)</b>	(31,662)
Reversal during the period/year	<b>5,574</b>	23,824
At end of the period/year	<b>(67,489)</b>	(55,982)
Net book values	<b>71,756</b>	71,843

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

### 16 Trade and Other Payables

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
(a) Trade payables:		
Tenants' deposits		
– Outside parties	450,864	410,128
– Related parties (Note 22)	18,897	10,500
Rental received in advance		
– Outside parties	31,628	15,995
	<b>501,389</b>	436,623
(b) Other payables:		
Trustee's fee	2,030	1,943
Other expenses		
– Outside parties	88,297	69,599
– Related parties (Note 22)	77,271	68,173
– Manager (Note 22)	6,785	6,011
Interest payable	3,921	4,079
Others	2,688	2,199
	<b>180,992</b>	152,004
	<b>682,381</b>	588,627

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\$296.6 million (31 December 2014: HK\$262.3 million) as at 30 June 2015.



## 17 Units in Issue and to be Issued

	Number of units '000	HK\$'000
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 30 September 2014	10,512	68,149
Balance in issue as at 31 December 2014	1,873,046	7,640,505
Issue of new units during the period:		
As payment of Manager's base fee for the period from 1 October to 31 December 2014 (Note (i))	3,244	24,742
Balance in issue as at 1 January 2015	1,876,290	7,665,247
Issue of new units during the period:		
As payment of Manager's base fee for the period from 1 January to 31 March 2015	3,129	25,623
Balance in issue as at 30 June 2015	1,879,419	7,690,870
New units to be issued:		
As payment of Manager's base fee for the period from 1 April to 30 June 2015 (Note (i))	3,387	26,356
Balance in issue as at 30 June 2015	1,882,806	7,717,226

Note:

- (i) Manager's base fee payable to the Manager is in the form of units. On 3 July 2015, Fortune REIT issued 3,386,932 units at an issue price of HK\$7.7817 per unit to the Manager as base fee for the period from 1 April 2015 to 30 June 2015. On 2 January 2015, Fortune REIT issued 3,243,664 units at an issue price of HK\$7.6277 to the Manager as base fee for the period from 1 October 2014 to 31 December 2014.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

### 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\$23,517.4 million (31 December 2014: HK\$ 22,375.5 million) and the total number of 1,882,805,728 units (31 December 2014: 1,876,289,958 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 2015, the Group's net current liabilities, defined as current assets less current liabilities, amounted to HK\$4,115.2 million (31 December 2014: HK\$1,179.7 million).

### 20 Total Assets Less Current Liabilities

As at 30 June 2015, the Group's total assets less current liabilities amounted to HK\$31,131.8 million (31 December 2014: HK\$31,668.5 million).

### 21 Capital Commitments

As at 30 June 2015, the Group had capital commitments in respect of investment properties which were authorised but not contracted for of HK\$227.6 million (31 December 2014: HK\$216.0 million) and contracted but not provided for of HK\$88.0 million (31 December 2014: HK\$107.3 million).



## 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	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
<b>Rent and rental related income from</b>			
AMTD Strategic Capital Limited	(f)	–	3,547
ARA Asset Management (Fortune) Limited	(h)	307	281
A.S. Waston Retail (HK) Limited	(d)	16,721	14,438
BIGBOXX.com Limited	(d)	1,123	966
Cheung Kong Property Development Limited	(b)	22,279	21,547
Cheung Kong (Holdings) Limited	(c)	52	121
Citybase Property Management Limited	(b)	1,536	1,499
Hang Seng Bank Limited	(g)	8,145	7,400
Hutchison Global Communications Limited	(d)	744	668
Hutchison Telecommunication Services Limited	(d)	–	12
Hutchison International Limited	(d)	1,357	1,335
Hutchison Telephone Company Limited	(d)	4,070	4,547
Kingswood Property Services Limited	(b)	–	145
Metro Broadcast Corporation Limited	(d)	34	–
PARKnSHOP (HK) Limited	(d)	78,197	67,163
The Hongkong and Shanghai Banking Corporation Limited (“HSBC”)	(g)	6,818	6,713
Towerich Limited	(b)	14	27
<b>Carpark lease agency fee for the operations of the Group’s carpark</b>			
Cayley Property Management Ltd	(e)	64	118
E-Park Parking Management Limited	(b)	3,513	3,099

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

### 22 Connected and Related Party Transactions (Continued)

	Notes	Six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
<b>Property management fee</b>			
Cayley Property Management Ltd	(e)	157	302
Citybase Property Management Limited	(b)	476	476
Goodwell-Fortune Property Services Limited	(b)	19,570	18,196
Goodwell Property Management Limited	(b)	79	71
Guardian Property Management Limited	(i)	749	–
Savills Property Management Limited	(i)	400	–
Whampoa Property Management Limited	(e)	325	321
<b>Leasing commission and marketing services fee</b>			
Goodwell-Fortune Property Services Limited	(b)	12,299	10,228
Savills (Hong Kong) Limited	(i)	99	–
<b>Advertising and promotion expenses</b>			
Metro Broadcast Corporation Limited	(d)	316	218
<b>Trustee's fee</b>			
HSBC Institutional Trust Services (Singapore) Limited		6,003	5,136
<b>Manager's acquisition fee and divestment fee</b>			
ARA Asset Management (Fortune) Limited	(h)	22,425	–
<b>Manager's base fee</b>			
ARA Asset Management (Fortune) Limited	(h)	51,979	44,799
<b>Manager's performance fee</b>			
ARA Asset Management (Fortune) Limited	(h)	20,303	18,072
<b>Valuation and other fees</b>			
Jones Lang LaSalle	(j)	–	308
Savills	(k)	304	–



## 22 Connected and Related Party Transactions (Continued)

The following are the balances with connected and related parties at the end of the reporting period:

	Notes	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
<b>Trade receivables with connected and related companies are as follows:</b>			
A.S. Watson Retail (HK) Limited	(d)	27	19
Cheung Kong Property Development Limited	(b)	4,744	2,483
HSBC	(g)	2	–
Hutchison Telephone Company Limited	(d)	41	–
PARKnSHOP (HK) Limited	(d)	1	76
		<b>4,815</b>	2,578
<b>Other payables with connected and related companies are as follows:</b>			
ARA Asset Management (Fortune) Limited	(h)	6,785	6,011
Cayley Property Management Limited	(e)	1,508	2,509
Citybase Property Management Limited	(b)	23,163	24,046
E-Park Parking Management Limited	(b)	1,170	1,059
Goodwell-Fortune Property Services Limited	(b)	19,297	13,103
Goodwell Property Management Limited	(b)	28,249	23,507
PARKnSHOP (HK) Limited	(d)	59	–
Whampoa Property Management Limited	(e)	3,825	3,949
		<b>77,271</b>	68,173
		<b>84,056</b>	74,184

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

### 22 Connected and Related Party Transactions (Continued)

	Notes	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
<b>Deposits placed with the Group for the lease of the Group's properties</b>			
ARA Asset Management (Fortune) Limited	(h)	163	161
A.S. Watson Retail (HK) Limited	(d)	1,231	751
Citybase Property Management Limited	(b)	1,000	982
Hang Seng Bank Limited	(g)	4,524	4,139
HSBC	(g)	2,650	2,356
Hutchison Global Communications Limited	(d)	385	370
Hutchison Telephone Company Limited	(d)	1,482	1,470
PARKnSHOP (HK) Limited	(d)	7,446	255
Towerich Limited	(b)	16	16
		<b>18,897</b>	10,500

Notes:

- (a) Significant holder of Fortune REIT (as defined in the REIT Code) being Focus Eagle Investments Limited (the "**Significant Holder**"), which holds approximately 21% of the outstanding units of Fortune REIT as at 30 June 2015.
- (b) As disclosed in the listing document of Cheung Kong Property Holdings Limited ("**CK Property**") published on 8 May 2015, Cheung Kong (Holdings) Limited ("**Cheung Kong**") and its subsidiaries have undergone a series of reorganisation (the "**Reorganisation**"), which was completed on 3 June 2015. Before the completion of the Reorganisation, these companies were subsidiaries of Cheung Kong and after the completion of the Reorganisation, they became subsidiaries of CK Property and CK Property is the holding company of the Significant Holder.



## 22 Connected and Related Party Transactions (Continued)

Notes: (Continued)

- (c) Before the completion of the Reorganisation, Cheung Kong was the holding company of the Significant Holder and after the completion of the Reorganisation, Cheung Kong became an associated company (as defined in the REIT Code) of the Significant Holder.
- (d) These companies are associated companies (as defined in the REIT Code) of the Significant Holder.
- (e) Before the completion of the Reorganisation, these companies were subsidiaries of Hutchison Whampoa Limited, which were associated companies (as defined in the REIT Code) of the Significant Holder. After the completion of the Reorganisation, these companies became subsidiaries of CK Property.
- (f) This company was a subsidiary of Cheung Kong for the six months ended 30 June 2014.
- (g) These companies are fellow subsidiaries of the Trustee.
- (h) This company is the Manager of Fortune REIT.
- (i) These companies are fellow subsidiaries of Savills.
- (j) Jones Lang LaSalle was the principal valuer of investment properties for the year ended 31 December 2014.
- (k) Savills is the principal valuer of investment properties for the six months ended 30 June 2015.

In addition, the Trustee (in its capacity as trustee of Fortune REIT) has provided guarantees for the 2011 Facilities, 2013 Facilities, 2014 Facilities and the 2015 Facilities.

## Performance Table

	<b>30 June 2015 (Unaudited)</b>	<b>31 December 2014 (Audited)</b>
Net asset attributable to Unitholders (HK\$'000)	<b>23,517,404</b>	22,375,537
Net asset value per unit (HK\$)	<b>12.49</b>	11.93
The highest traded price during the period/year (HK\$)	<b>9.05</b>	7.84
The highest premium of the traded price to net asset value <sup>1</sup>	<b>N.A.</b>	N.A.
The lowest traded price during the period/year (HK\$)	<b>7.65</b>	5.60
The highest discount of the traded price to net asset value	<b>38.75%</b>	53.06%
The net yield per unit <sup>2</sup>	<b>6.00%</b>	5.34%

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 2015 is an annualized yield based on the distribution per unit of 23.38 HK cents for the six months ended 30 June 2015 and the average of the two closing unit prices of HK\$7.78 in Singapore and HK\$7.81 in Hong Kong as at 30 June 2015.  
The net yield per unit for the year ended 31 December 2014 is based on the distribution per unit of 41.68 HK cents for the year ended 31 December 2014 and the average of the two closing unit prices of HK\$7.76 in Singapore and HK\$7.84 in Hong Kong as at 31 December 2014.



# PORTFOLIO MAP & SUMMARY

物業組合分佈及總覽

# Portfolio Summary 物業總覽



新界  
New Territories



九龍  
Kowloon



大嶼山  
Lantau  
Island



香港島  
Hong Kong

As at 30 June 2015, Fortune REIT owns a geographically diverse portfolio of 17 retail malls and properties in Hong Kong, comprising approximately 3.18 million sq.ft. of retail space and 2,713 car parking lots.

於2015年6月30日，置富產業信託的物業組合由17個分佈於香港多個區域的零售商場及物業組成，其中包括約318萬平方呎的零售樓面及2,713個車位。

Property	物業	Gross Rentable Area 可出租總面積 (Sq. ft.) (平方呎)	Valuation 估值 (HK\$ million) (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	7,348	99.6%	653
2	Fortune Kingswood	置富嘉湖	665,244	6,783	99.9%	622
3	Ma On Shan Plaza	馬鞍山廣場	310,084	5,057	99.3%	290
4	Metro Town	都會駅	180,822	3,131	99.9%	74
5	Fortune Metropolis	置富都會	332,168	2,369	98.1%	179
6	Laguna Plaza	麗港城商場	163,203	2,100	97.2%	150
7	Belvedere Square	麗城薈	276,862	1,978	81.5%	329
8	Waldorf Avenue	華都大道	80,842	1,594	100.0%	73
9	Caribbean Square	映灣薈	63,018	963	100.0%	117
10	Provident Square	和富薈	180,238	945	90.5%	N.A.
11	Jubilee Square	銀禧薈	170,616	867	99.3%	97
12	Smartland	荃薈	123,544	676	99.8%	67
13	Tsing Yi Square	青怡薈	78,836	591	100.0%	27
14	Centre de Laguna	城中薈	43,000	270	99.4%	N.A.
15	Hampton Loft	凱帆薈	74,734	265	100.0%	35
16	Lido Avenue	麗都大道	9,836	186	100.0%	N.A.
17	Rhine Avenue	海韻大道	14,604	115	100.0%	N.A.
<b>Total / Overall Average</b>		<b>合計／總平均值</b>	<b>3,182,120</b>	<b>35,238</b>	<b>97.3%</b>	<b>2,713</b>

Manager 管理人

**ARA**

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



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