

ONGOING COMMITMENT TO  
EXCELLENCE

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INTERIM REPORT 2016 中期報告



# 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**”).

Fortune REIT is primary listed on The Stock Exchange of Hong Kong Limited (the “**SEHK**”) and secondary listed on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). Fortune REIT is 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 1,200 professionals in 18 cities managing total assets of close to S\$30 billion.



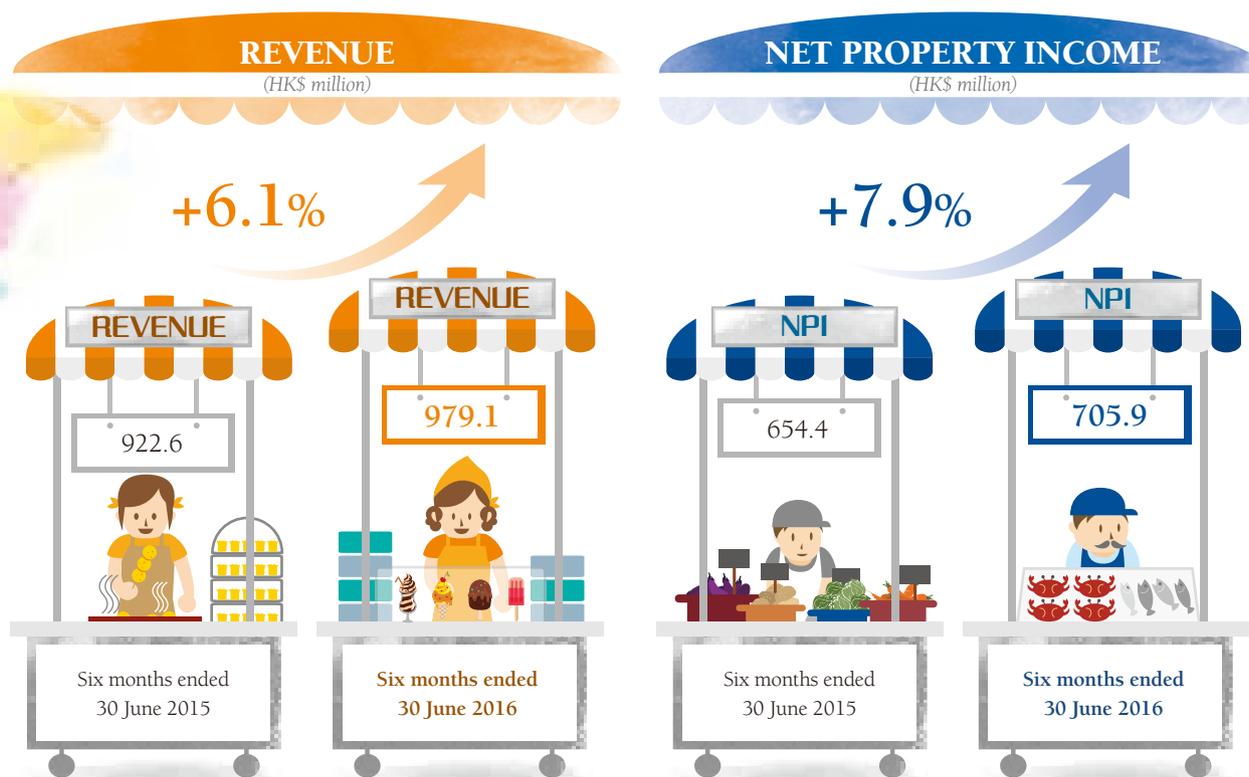
# OUR MISSION

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

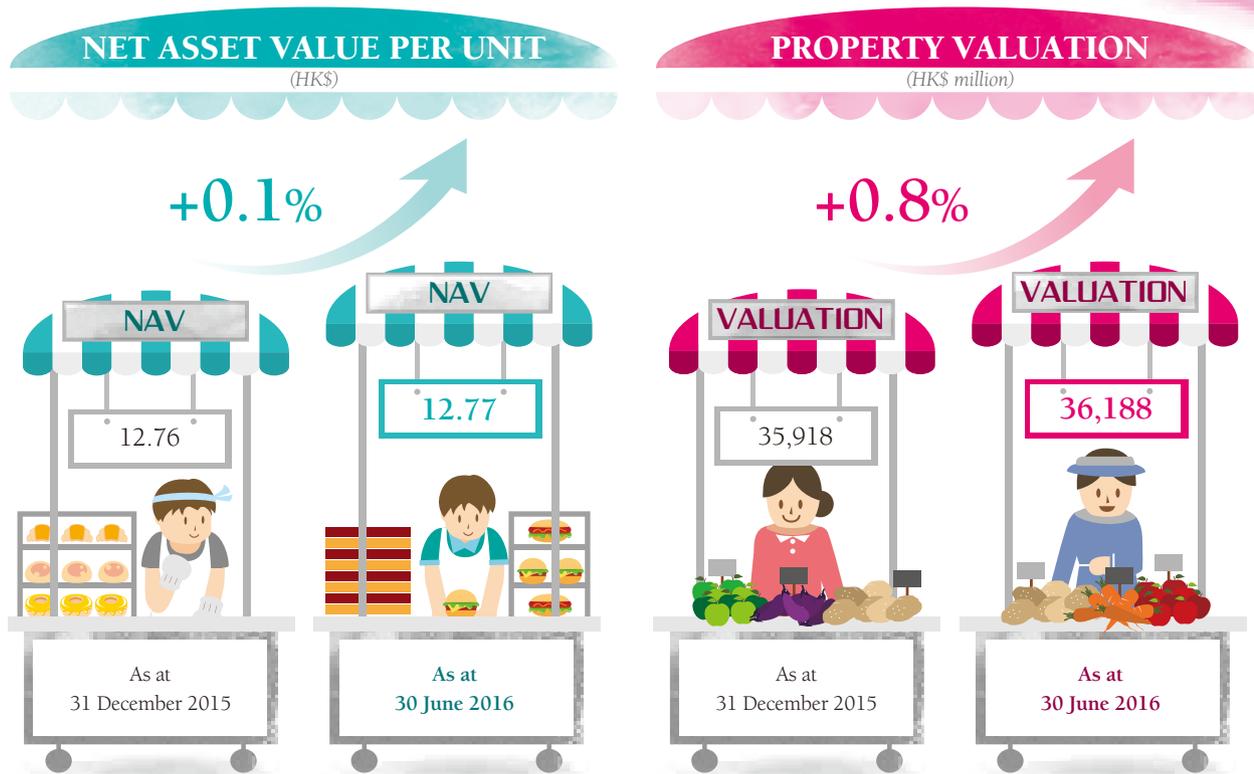
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# FINANCIAL HIGHLIGHTS



	Six months ended 30 June 2016	Six months ended 30 June 2015	% change
Revenue (HK\$ million)	979.1	922.6	+6.1%
Net property income (HK\$ million)	705.9	654.4	+7.9%
Income available for distribution (HK\$ million)	470.0	440.3	+6.7%
Distribution per unit ("DPU") (HK cents)	24.78	23.38	+6.0%
Cost-to-revenue ratio	25.7%	26.9%	-1.2%



	As at 30 June 2016	As at 31 December 2015	% change
Net asset value per unit (HK\$)	12.77	12.76	+0.1%
Property valuation (HK\$ million)	36,188	35,918	+0.8%
Gearing ratio/Aggregate leverage <sup>1</sup>	29.8%	30.1%	-0.3%

Note:

1. Gearing ratio is defined as total borrowings as a percentage of gross assets. Aggregate leverage is defined as the value of total borrowings and deferred payments as a percentage of gross assets. As at 30 June 2016, there was no deferred payment incurred for Fortune REIT.

## THREE GROWTH STRATEGIES



### Yield-Accretive Acquisitions

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Fortune REIT has a strong track record in identifying and executing yield-accretive acquisitions, expanding its asset size from HK\$3.4 billion in 2003 to now HK\$36.2 billion. We strive to achieve further growth through disciplined, focused and consistent investment strategies when opportunities arise.



### Active Leasing Management

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Proactive leasing management is one of our core competencies. Fortune REIT's portfolio of 17 private housing estate retail properties remained steady despite the softening of overall retail sales in Hong Kong. We are dedicated to drive revenue growth by implementing effective leasing and tenant repositioning strategies.



A colorful illustration featuring a large pink piggy bank at the bottom left. A gold coin is shown falling into its slot. Above the piggy bank, a girl in a red dress and hat stands on a gold coin, with another coin falling from her. To her right, a boy in a blue shirt is pushing a large gold coin labeled 'Malls'. In the background, there are stacks of gold coins, a pink bunny balloon, and a large teal shape with a white circle. The scene is set against a backdrop of a city skyline and green foliage.

## Asset Enhancement Initiatives

Asset enhancement initiatives (“AEIs”) has inevitably become an important growth engine for Fortune REIT in recent years. The AEIs have not only created a more comfortable and exciting shopping environment, but have also unlocked value from our properties and brought enhanced returns for our Unitholders.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

For the six months ended 30 June 2016 (the “**Reporting Period**”), Fortune REIT achieved a 6.1% year-on-year growth in revenue to HK\$979.1 million, thanks to the healthy rental reversion across the portfolio, as well as the AELs at Belvedere Square, which were completed in phases during 2015.

Operating expenses (excluding the Manager’s performance fee) was HK\$251.3 million for the Reporting Period with the increase well-contained at 1.3% against the same period last year. As a result, net property income rose by 7.9% year-on-year to HK\$705.9 million with cost-to-revenue ratio improved to 25.7% (first half of 2015: 26.9%).

Borrowing costs was HK\$140.0 million for the Reporting Period, an increase of 8.6% compared with the first half of 2015, mainly attributed to the additional interest rate hedging entered in the third quarter of 2015. The average all-in cost of debt was 2.39%.

Income available for distribution for the Reporting Period amounted to HK\$470.0 million, marking a year-on-year growth of 6.7%. DPU for the Reporting Period was up by 6.0% year-on-year to 24.78 Hong Kong cents. Based on the closing unit price of HK\$9.25 as at 30 June 2016 in Hong Kong, the DPU implied an annualised distribution yield of 5.4%.

The interim DPU of 24.78 Hong Kong cents will be paid on 29 August 2016 to Unitholders registered in the registers of Unitholders of Fortune REIT as at 8 August 2016.



## CAPITAL MANAGEMENT

Fortune REIT's financial position was strengthened during the Reporting Period. In March 2016, HK\$3,154.0 million of the existing facilities, which matured in April 2016, were successfully refinanced with two new 5-year term loan facilities (the "2016 Facilities"). The 2016 Facilities extended Fortune REIT's weighted average term to maturity of debt to 2.6 years with no refinancing needs until 2017.

As at 30 June 2016, Fortune REIT had committed loan facilities in the aggregate total of HK\$11,580 million. It closed the Reporting Period with a gearing ratio and an aggregate leverage of 29.8% (31 December 2015: 30.1%). Fortune REIT's gross liabilities as a percentage of gross assets maintained at 34.6% as at 30 June 2016 (31 December 2015: 34.3%). The net current liabilities as at 30 June 2016 were HK\$4,949.7 million, the majority of which comprised of the loan facilities of HK\$3,958.7 million due in April 2017.

The existing facilities are secured over Fortune REIT's 8 investment properties, which carried an aggregate fair value of HK\$21,998.0 million as at 30 June 2016. The Trustee has provided guarantee for all the facilities.

As at 30 June 2016, the interest cost for approximately 66% (31 December 2015: 68%) of Fortune REIT's outstanding debt was hedged through interest rate swaps and caps. The Manager will continue to closely monitor interest rate movements and regularly review Fortune REIT's hedging profile.

## PORTFOLIO VALUATION

The valuation of Fortune REIT's 17 retail properties was appraised at HK\$36,188.0 million as at 30 June 2016 by Savills Valuation and Professional Services Limited ("Savills"), an independent valuer. This represented an increase of 2.7% and 0.8% respectively from the valuation of HK\$35,238.0 million as at 30 June 2015 and HK\$35,918.0 million as at 31 December 2015. The capitalisation rates adopted for the valuation remain unchanged. The higher valuation resulted in a revaluation gain of HK\$223.4 million for the Reporting Period.



## Management Discussion and Analysis

### PORTFOLIO HIGHLIGHTS

As at 30 June 2016, 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	7,422	98.5%	653
Fortune Kingswood	665,244	6,843	98.0%	622
Ma On Shan Plaza	310,084	5,130	99.9%	290
Metro Town	180,822	3,371	99.7%	74
Fortune Metropolis	332,168	2,410	97.4%	179
Laguna Plaza	163,203	2,258	98.7%	150
Belvedere Square	276,862	2,160	100.0%	329
Waldorf Avenue	80,842	1,594	100.0%	73
Caribbean Square	63,018	986	100.0%	117
Provident Square <sup>1</sup>	180,238	982	54.2%	N.A.
Jubilee Square	170,616	872	99.6%	97
Smartland	123,544	700	99.7%	67
Tsing Yi Square	78,836	616	100.0%	27
Centre de Laguna	43,000	275	100.0%	N.A.
Hampton Loft	74,734	268	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>36,188</b>	<b>96.4%</b>	<b>2,713</b>

Note:

1. Provident Square is undergoing AEIs (see Asset Enhancement Initiatives section below). As at 25 July 2016 (the date of the 2016 interim results of Fortune REIT), the committed occupancy of Provident Square was 81.6%.

### OPERATIONS REVIEW

Fortune REIT's continued success is attributed to its portfolio of quality necessity shopping malls, which mainly cater for the domestic consumption demand in Hong Kong. During the Reporting Period, Fortune REIT's asset portfolio continued to register steady operating performance, once again demonstrating its resilience amid market challenges.

Despite the frictional vacancy at Provident Square due to its AEIs project, portfolio occupancy was maintained at a high level of 96.4% as at 30 June 2016. A rental reversion of 13.3% was recorded for renewals during the first half of 2016. Portfolio passing

rent went up by 7.8% year-on-year to HK\$41.4 per Sq.ft.. Retention rate of tenants in the first half of 2016 was approximately 85%, reflecting the effectiveness of Fortune REIT's proactive leasing management as well as its strong relationship with tenants.

Fortune Malls have a well-diversified trade mix with a strong focus on daily necessities. Tenants in the non-discretionary retail sectors such as food and beverages, supermarkets as well as services and education altogether accounted for approximately 60% of GRA. The resilient nature of these trades has allowed Fortune REIT to perform steadily during economic downtimes in the past.

## ASSET ENHANCEMENT INITIATIVES

For Fortune REIT's malls to deliver sustainable performance, it is important that they continue to meet the needs and aspirations of the communities they operate in. During the Reporting Period, the Manager has commenced its AEIs project at Provident Square, with an aim to strengthen the business environment for tenants and widen the range of offerings to residents and shoppers.

Involving a GRA of 78,280 Sq.ft. at the basement floor, the project includes reconfiguration of a large supermarket space into smaller units to cater for the demand from food and beverage outlets, household products as well as education operators. The atrium will be rejuvenated with new ceiling and skyline features, lightings and floor finishes. Other mall amenities such as kids' toilets and baby nursing room will be added to better serve family shoppers. The AEIs is expected to be completed by the third quarter of 2016.

Looking ahead, the Manager plans to embark on the major AEIs at Fortune Kingswood, with an objective to reposition as a regional shopping and entertainment attraction to a wider spectrum of shoppers from beyond its vicinity.

## OUTLOOK

The Hong Kong economy slowed further in the first quarter of 2016, growing by 0.8% over a year earlier. This compared to the 1.9% growth in the preceding quarter. While the domestic segment exhibited remarkable resilience last year, the prolonged weakness in the external sector, fragile global economic environment and recent asset market consolidation, have all added woes to local consumption demand. Private consumption expenditure slowed visibly from the preceding quarter, growing only mildly by 1.1% year-on-year in the first quarter of 2016. This, together with the continued slowdown in inbound tourism, posed a severe drag on retail sales. For the first five months of 2016, the value of total retail sales in Hong Kong registered a decrease of 10.8% year-on-year. The local labour market, however, has stayed largely stable, notwithstanding the slowdown in the overall economy. The Manager will remain watchful of the rising external risks, including the new wave of uncertainties caused by the United Kingdom's vote to leave the European Union.

Fortune REIT's portfolio of neighborhood malls, focusing on non-discretionary local consumption, coupled with our strong expertise in asset management and a robust capital management approach, has enabled us to achieve sound financial performance and deliver steady returns through different economic cycles. The Manager is fully dedicated in optimizing the portfolio performance meanwhile prudently identifying suitable investment opportunities for Fortune REIT's long-term sustainable growth.

# 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.

Fortune REIT is a real estate investment trust primary listed on the SEHK and secondary listed on the SGX-ST. Fortune REIT and/or the Manager are subject to the applicable laws, rules and regulations in Hong Kong and Singapore (the “**Applicable Rules**”), including the code provisions set out in the Corporate Governance Code (the “**CG Code**”) of the Rules Governing the Listing of Securities on the SEHK (the “**Hong Kong Listing Rules**”) (where applicable) and the Singapore Code of Corporate Governance 2012 (the “**Singapore Code**”).

The Manager confirms 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 CG Code and the Singapore Code which are applicable to Fortune REIT and/or the Manager throughout the Reporting Period.



During the Reporting Period, the Compliance Manual had been amended to reflect the conversion of the listing status of Fortune REIT from primary listing to secondary listing on the Main Board of the SGX-ST on 21 December 2015 and the new requirements pursuant to the Code on Collective Investment Schemes (the “**CIS Code**”) and other regulations applicable to Fortune REIT and/or the Manager in Singapore.

## 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 financial results. The Board also reviews the risks to Fortune REIT’s assets, and acts upon any comments from the auditors of Fortune REIT (the “**Auditors**”). Ad-hoc Board meetings will 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 may also be circulated for approval by the Board.

The Board presently comprises nine members, seven of whom are Non-Executive Directors. Three of the Non-Executive Directors are Independent Non-Executive Directors. The positions of Chairman and Chief Executive Officer are held by two different persons in order to maintain an effective segregation of duties.



## Corporate Governance

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 party” (as defined in the Appendix 6 – Investment: Property Funds of the CIS Code).
- The role of the Disclosures Committee is to assist the Board in reviewing matters relating to the disclosure of information to the 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 the Directors, the Manager and senior executives, officers or other employees of the Manager (collectively, the “**Management Persons**”) on terms no less exacting than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Hong Kong Listing Rules. 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.

## 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 2015 of Fortune REIT, the Manager received notifications regarding the following changes of Directors' information during the Reporting Period:

1. Dr. Chiu Kwok Hung, Justin has been appointed as an Honorary Associate Member of Business at Trent University, Canada with effect from 1 May 2016.
2. Ms. Yeung, Eirene ceased to be a member of the Advisory Group on BBA-JD Programme of The Chinese University of Hong Kong on 3 March 2016 and has been appointed as a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption with effect from 1 January 2016.

## REVIEW OF INTERIM REPORT

The interim report of Fortune REIT for the six months ended 30 June 2016 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 the Connected Party Transaction	Income for the six months ended 30 June 2016 HK\$'000	Rental Deposit Received as at 30 June 2016 HK\$'000
ARA Asset Management (Fortune) Limited	Manager	Leasing transactions	407	211
A.S. Watson Retail (HK) Limited	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transactions	16,777	2,026
BIGBOXX.com Limited	Associated company of a significant holder <sup>1</sup>	Leasing transactions	1,139	–
Cheung Kong Property Development Limited	Associate of a significant holder <sup>1</sup>	Licensing transactions	22,831	–
Citybase Property Management Limited	Associate of a significant holder <sup>1</sup>	Leasing transactions	1,885	1,010
Harbour Plaza Resort City Limited	Associate of a significant holder <sup>1</sup>	Licensing transactions	24	–
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	1,463	–
Hutchison Telephone Company Limited	Associated company of a significant holder <sup>1</sup>	Licensing transactions	4,568	1,621

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Income for the six months ended 30 June 2016 HK\$'000	Rental Deposit Received as at 30 June 2016 HK\$'000
PARKnSHOP (HK) Limited	Associated company of a significant holder <sup>1</sup>	Leasing and licensing transactions	71,680	2,693
Sino China Enterprises Limited	Associate of a significant holder <sup>1</sup>	Licensing transactions	7	4
Towerich Limited	Associate of a significant holder <sup>1</sup>	Licensing transactions	32	18
<b>Total</b>			<b>121,557</b>	<b>7,968</b>

Note:

<sup>1</sup> Significant holder being Focus Eagle Investments Limited ("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 2016 HK\$'000
Citybase Property Management Limited	Associate of a significant holder <sup>1</sup>	Property management and operations	465
E-Park Parking Management Limited	Associate of a significant holder <sup>1</sup>	Carpark lease agency fee	4,023
Goodwell-Fortune Property Services Limited	Associate of a significant holder <sup>1</sup>	Property and lease management fee and marketing service fee	33,766
Goodwell Property Management Limited	Associate of a significant holder <sup>1</sup>	Property management and operations	79
Guardian Property Management Limited	Associated company of principal valuer <sup>2</sup>	Property management and operations	693
Metro Broadcast Corporation Limited	Associated company of a significant holder <sup>1</sup>	Advertising and promotion expenses	328
Whampoa Property Management Limited	Associate of a significant holder <sup>1</sup>	Property management and operations	318
<b>Total</b>			<b>39,672</b>

Notes:

1 Significant holder being Focus Eagle.

2 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 2016 HK\$'000
ARA Asset Management (Fortune) Limited	Manager	Manager's fee	75,807
HSBC Institutional Trust Services (Singapore) Limited	Trustee	Trustee's fee	6,276
Savills	Principal valuer	Valuation fee	193
<b>Total</b>			<b>82,276</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 the Connected Party Transaction	Income for the six months ended 30 June 2016 HK\$'000	Rental Deposit Received as at 30 June 2016 HK\$'000
Hang Seng Bank Limited	Trustee Connected Persons	Leasing and licensing transactions	9,421	5,109
The Hongkong and Shanghai Banking Corporation Limited (“HSBC”)	Trustee Connected Persons	Leasing and licensing transactions	7,261	2,656
HSBC Life (International) Limited	Trustee Connected Persons	Leasing and licensing transactions	32	–
<b>Total</b>			<b>16,714</b>	<b>7,765</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 2016 is 1,893,151,293 units.

## HOLDINGS OF SIGNIFICANT UNITHOLDERS AND OTHER UNITHOLDERS

As at 30 June 2016, 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	21.82%	–	–
Cheung Kong Property Holdings Limited (“CK Property”) <sup>1</sup>	–	–	525,630,684	27.76%
Schroders Plc <sup>2</sup>	–	–	229,271,760	12.11%

## 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 2016:

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	5.95%	–	–

Notes:

- 1 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.
- 2 Schroders Plc was deemed to be interested in 229,271,760 units of which:
  - (a) 87,484,400 units were held by Schroder Investment Management Ltd;
  - (b) 69,606,000 units were held by Schroder Investment Management (Singapore) Ltd;
  - (c) 70,844,000 units were held by Schroder Investment Management (Hong Kong) Ltd;
  - (d) 80,000 units were held by Schroder Channel Island Limited; and
  - (e) 1,257,360 units were held by Schroder & Co (Asia) Limited.
- 3 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 2016, the Manager held 997 units, or approximately 0.0001% 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 2016 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 Group, being the Trustee Connected Persons of Fortune REIT, held 19,457,807 units, or approximately 1.03% of the issued units of Fortune REIT as at 30 June 2016.

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 2016.

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 2016 and 31 December 2015:

- a) Schroders Plc was beneficially interested in 229,271,760 units as at 30 June 2016 and 243,485,158 units as at 31 December 2015;
- b) The Manager was beneficially interested in 997 units as at 30 June 2016 and 7,771,746 units as at 31 December 2015;
- c) HSBC Group was beneficially interest in 19,457,807 units as at 30 June 2016 and 11,931,156 units as at 31 December 2015; and
- d) Mr. Richard Waichi Chan, a director of Focus Eagle and his associate were beneficially interested in 100,000 units as at 30 June 2016 and 31 December 2015.

# OTHER INFORMATION

## EMPLOYEES

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

## NEW UNITS ISSUED

As at 30 June 2016, the total number of issued units of Fortune REIT was 1,893,151,293. As compared with the position as at 31 December 2015, a total of 6,779,251 new units were issued during the Reporting Period in the following manner:

- On 5 January 2016, 3,527,261 new units were issued to the Manager at the price of HK\$7.7000 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's base fee of approximately HK\$27.2 million payable by Fortune REIT for the period from 1 October 2015 to 31 December 2015.
- On 1 April 2016, 3,251,990 new units were issued to the Manager at the price of HK\$8.2610 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's base fee of approximately HK\$26.9 million payable by Fortune REIT for the period from 1 January 2016 to 31 March 2016.

## REPURCHASE, SALE OR REDEMPTION OF UNITS

During the Reporting Period, other than the disposal of 14,550,000 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 2016.

# CORPORATE INFORMATION

## MANAGER

ARA Asset Management (Fortune) Limited

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## 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

YEOH Kar Choo, Sharon

## 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  
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Wanchai, Hong Kong

## SINGAPORE UNIT REGISTRAR

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

## AUDITORS

Deloitte Touche Tohmatsu  
Deloitte & Touche LLP

## STOCK CODES

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# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# Deloitte.

# 德勤

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

## INTRODUCTION

We have reviewed the condensed consolidated financial statements 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 2016 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 condensed consolidated financial statements 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 these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

25 July 2016



# FINANCIAL STATEMENTS

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# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
<b>Revenue</b>	4	<b>979,064</b>	922,592
Property operating expenses	6	(251,263)	(247,926)
<b>Net property income (before manager's performance fee)</b>		<b>727,801</b>	674,666
Manager's performance fee		(21,876)	(20,303)
<b>Net property income</b>		<b>705,925</b>	654,363
Manager's base fee		(53,931)	(51,979)
Foreign currency exchange gain/(loss)		282	(126)
Interest income		1,405	2,406
Trust expenses	7	(9,813)	(32,777)
Change in fair value of investment properties	12	223,368	992,020
Change in fair value of derivative financial instruments		(100,663)	(36,511)
Gain on disposal of a property company	12(ii)	–	218,598
Borrowing costs	8	(139,958)	(128,859)
<b>Profit before taxation and transactions with unitholders</b>	9	<b>626,615</b>	1,617,135
Income tax expense	10	(105,604)	(98,120)
<b>Profit for the period, before transactions with unitholders</b>		<b>521,011</b>	1,519,015
Distributions to unitholders		(470,008)	(440,258)
<b>Profit for the period, after transactions with unitholders</b>		<b>51,003</b>	1,078,757
<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		7,041	11,131
<b>Total comprehensive income for the period</b>		<b>58,044</b>	1,089,888
<b>Income available for distribution to unitholders</b>		<b>470,008</b>	440,258
<b>Basic earnings per unit (HK cents)</b>	11	<b>27.51</b>	80.80

# DISTRIBUTION STATEMENT

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
<b>Profit for the period, before transactions with unitholders</b>		<b>521,011</b>	1,519,015
<b>Adjustments:</b>			
Manager's base fee		53,931	51,979
Acquisition fee		–	19,185
Change in fair value of investment properties		(223,368)	(992,020)
Change in fair value of derivative financial instruments		100,663	36,511
Gain on disposal of a property company		–	(218,598)
Non-tax deductible front end fees		10,676	14,011
Foreign currency exchange (gain)/loss		(282)	126
Other non-tax deductible trust expenses		7,377	10,049
<b>Income available for distribution</b>	(i)	<b>470,008</b>	440,258
<b>Distribution per unit (HK cents)</b>	(ii)	<b>24.78</b>	23.38

*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 2016 is HK\$470.0 million (six months ended 30 June 2015: HK\$440.3 million) and HK\$437.0 million (six months ended 30 June 2015: HK\$410.5 million), respectively. Accordingly, the income available for distribution, based on the Net Tax-Exempt Income, of HK\$470.0 million (six months ended 30 June 2015: HK\$440.3 million) would be distributed to unitholders for the six months ended 30 June 2016.

- (ii) The distribution per unit of 24.78 HK cents for the six months ended 30 June 2016 (six months ended 30 June 2015: 23.38 HK cents) is calculated based on the income available for distribution for the period of HK\$470.0 million (six months ended 30 June 2015: HK\$440.3 million) over 1,896,137,133 units (30 June 2015: 1,882,805,728 units), representing issued units as at 30 June 2016 of 1,893,151,293 units (30 June 2015: 1,879,418,796 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 2016 of 2,985,840 units (second quarter of 2015: 3,386,932 units). The distribution amounting to HK\$470.0 million (six months ended 30 June 2015: HK\$440.3 million) will be paid on 29 August 2016 (six months ended 30 June 2015: 28 August 2015).

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties	12	36,188,000	35,918,000
Derivative financial instruments	13	–	5,884
<b>Total non-current assets</b>		<b>36,188,000</b>	<b>35,923,884</b>
<b>Current assets</b>			
Trade and other receivables	14	69,963	73,441
Bank balances and cash		771,481	710,339
<b>Total current assets</b>		<b>841,444</b>	<b>783,780</b>
<b>Total assets</b>		<b>37,029,444</b>	<b>36,707,664</b>
<b>Non-current liabilities</b>			
Derivative financial instruments	13	145,870	52,837
Borrowings	15	6,463,757	7,228,970
Deferred tax liabilities		410,395	394,867
<b>Total non-current liabilities</b>		<b>7,020,022</b>	<b>7,676,674</b>
<b>Current liabilities</b>			
Trade and other payables	16	713,411	673,984
Borrowings	15	4,496,672	3,780,054
Derivative financial instruments	13	1,177	6,472
Distribution payable		470,008	444,312
Provision for taxation		109,855	19,844
<b>Total current liabilities</b>		<b>5,791,123</b>	<b>4,924,666</b>
<b>Total liabilities, excluding net assets attributable to unitholders</b>		<b>12,811,145</b>	<b>12,601,340</b>
<b>Net assets attributable to unitholders</b>		<b>24,218,299</b>	<b>24,106,324</b>
<b>Units in issue and to be issued ('000)</b>	17	<b>1,896,137</b>	<b>1,889,899</b>
<b>Net asset value per unit attributable to unitholders (HK\$)</b>	18	<b>12.77</b>	<b>12.76</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the six months ended 30 June 2016

	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 2016 (Audited)	7,771,032	(286,279)	(7,041)	16,628,612	24,106,324
<b>OPERATIONS</b>					
Profit for the period, before transactions with unitholders	-	-	-	521,011	521,011
Distribution paid and payable of 24.78 HK cents per unit for the six months ended 30 June 2016	-	-	-	(470,008)	(470,008)
Change in fair value of derivative financial instruments under cash flow hedge	-	-	3,256	-	3,256
Release to profit or loss	-	-	3,785	-	3,785
Total comprehensive income for the period	-	-	7,041	51,003	58,044
<b>UNITHOLDERS' TRANSACTIONS</b>					
Creation of units - Manager's base fee paid/payable in units	53,931	-	-	-	53,931
Increase in net assets resulting from unitholders' transactions	53,931	-	-	-	53,931
<b>Net assets attributable to unitholders as at 30 June 2016 (Unaudited)</b>	<b>7,824,963</b>	<b>(286,279)</b>	<b>-</b>	<b>16,679,615</b>	<b>24,218,299</b>
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>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Net cash from operating activities		737,341	672,730
Net cash used in investing activities:			
Acquisition of property companies, net of cash acquired	12(i)	–	(1,783,205)
Upgrading of investment properties		(46,632)	(52,215)
Proceeds from disposal of a property company	12(ii)	–	640,508
Other investing cash flows		1,360	2,450
		(45,272)	(1,192,462)
Net cash (used in)/from financing activities:			
Drawdown of borrowings		364,052	1,865,060
Repayment of borrowings		(400,000)	(678,000)
Distribution paid		(444,514)	(390,267)
Payment of debt front end fee		(32,000)	(18,438)
Borrowing costs paid		(118,465)	(110,865)
		(630,927)	667,490
Net increase in cash and cash equivalents		61,142	147,758
Cash and cash equivalents at beginning of the period		710,339	688,407
<b>Cash and cash equivalents at end of the period, represented by bank balances and cash</b>		<b>771,481</b>	<b>836,165</b>
<b>Represented by:</b>			
Cash at bank and in hand		535,981	836,165
Fixed deposits with original maturity date less than 3 months		235,500	–
		<b>771,481</b>	<b>836,165</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

## 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 is primary listed on The Stock Exchange of Hong Kong Limited (“**SEHK**”) and secondary listed on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

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 2015 except as described below.

In the current period, the Group has applied the following new and revised 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 2016:

Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRS 11 IFRS 14	Accounting for Acquisitions of Interests in Joint Operations Regulatory Deferral Accounts
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements

The application of the new and revised 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.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

### 3 PRINCIPAL ACCOUNTING POLICIES (Continued)

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

Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
IFRS 9	Financial Instruments <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>2</sup>
IFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to IFRS 15	Clarifications to IFRS 15 Revenue from Contracts with Customers <sup>1</sup>
IFRS 16	Leases <sup>3</sup>
Amendments to IAS 7	Disclosure Initiative <sup>4</sup>
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>4</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017

#### 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 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.

### 3 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### IFRS 9 Financial Instruments (Continued)

Key requirements of IFRS 9:

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

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

### 4 REVENUE

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Base rental	712,428	667,385
Charge-out collections	171,310	166,776
Other rental	95,005	87,125
Other income	321	1,306
	<b>979,064</b>	922,592

### 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 2015: 17) properties as at 30 June 2016 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	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Building management expenses	102,154	101,455
Utilities	25,777	26,778
Government rents and rates	51,579	41,024
Property manager fee	22,794	20,739
Carpark operating expenses	12,944	12,446
Advertising and promotion	11,579	12,498
Legal and other professional fees	6,393	7,230
Leasing commission and marketing services fee	11,329	12,723
Others	6,714	13,033
	<b>251,263</b>	247,926

## 7 TRUST EXPENSES

	Six months ended 30 June	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Trustee's fee	6,276	6,003
Acquisition fee	–	19,185
Expenses for acquisition	–	4,046
Other charges	3,537	3,543
	<b>9,813</b>	32,777

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

**8 BORROWING COSTS**

	<b>Six months ended 30 June</b>	
	<b>2016</b> <b>HK\$'000</b> <b>(Unaudited)</b>	<b>2015</b> <b>HK\$'000</b> <b>(Unaudited)</b>
Interest expense on		
– term loans	81,232	74,835
– revolving loans	5,658	10,955
Equalisation of interest expense through interest rate swaps and caps	34,588	23,825
Commitment fee	1,084	719
Front end fees		
– amortisation	17,197	17,081
– written off upon early repayment of term loans	199	1,444
	<b>139,958</b>	<b>128,859</b>

**9 PROFIT BEFORE TAXATION AND TRANSACTIONS WITH UNITHOLDERS**

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

	<b>Six months ended 30 June</b>	
	<b>2016</b> <b>HK\$'000</b> <b>(Unaudited)</b>	<b>2015</b> <b>HK\$'000</b> <b>(Unaudited)</b>
Fees to external auditor	1,559	1,604
Fees to internal auditor	170	165
Valuation fees (paid to principal valuer)	193	304

## 10 INCOME TAX EXPENSE

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Current tax:		
– Hong Kong	90,076	82,231
– Singapore	–	50
	<b>90,076</b>	82,281
Deferred taxation	<b>15,528</b>	15,839
	<b>105,604</b>	98,120

Fortune REIT's subsidiaries in Hong Kong are subject to Hong Kong Profits Tax at 16.5% (six months ended 30 June 2015: 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 2015: 17%) for the period. No provision for Singapore income tax has been made as Fortune REIT had no assessable profit for the six months ended 30 June 2016.

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.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

### 11 EARNINGS PER UNIT

Basic earnings per unit is calculated by dividing the profit for the period, before transactions with unitholders of HK\$521.0 million (six months ended 30 June 2015: HK\$1,519.0 million) by the weighted average of 1,893,604,897 units (six months ended 30 June 2015: 1,880,036,064 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 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
<b>Fair Value</b>		
At beginning of the period/year	35,918,000	32,720,000
During the period/year:		
Acquisition of investment properties (Note (i))	–	1,912,254
Capital expenditure incurred in upgrading investment properties	46,632	97,765
Disposal of an investment property (Note (ii))	–	(438,489)
Change in fair value of investment properties	223,368	1,626,470
At end of the period/year	36,188,000	35,918,000

## 12 INVESTMENT PROPERTIES (Continued)

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 less 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(iii) and utilisation of the revolving credit facility of the existing facilities.*

- (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. The disposal resulted in a gain of approximately HK\$218.6 million.*

- (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 2016 and 31 December 2015, independent valuations were undertaken by Savills Valuation and Professional Services Limited ("Savills"). The firm is independent qualified professional valuer not related to the Group and has appropriate professional qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation of the properties was principally arrived at using the basis of capitalisation of the net income. In the valuation, the market rentals of all lettable units of the properties are assessed and capitalised at market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The market yield which is the capitalisation rate adopted is made by reference to the yields derived from analysing the sales transactions of similar commercial properties in Hong Kong and adjusted to take account of the valuer's knowledge of the market expectation from property investors to reflect factors specific to the Group's investment properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.*

*The adopted capitalisation rate in the valuation range from 4.3% – 5.0% (2015: 4.3% – 5.0%). 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. A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.*

- (iv) As at 30 June 2016, properties with total fair value of HK\$21,998.0 million (31 December 2015: HK\$33,445.6 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 2016

## 13 DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Derivative financial instruments are analysed as:		
Derivatives under hedge accounting:		
Cash flow hedges – interest rate swaps	–	(3,256)
Derivatives not under hedge accounting:		
Interest rate swaps and caps	(147,047)	(50,169)
	(147,047)	(53,425)
Reflected on condensed consolidated statement of financial position based on remaining contractual maturity as:		
Non-current assets	–	5,884
Non-current liabilities	(145,870)	(52,837)
Current liabilities	(1,177)	(6,472)
	(147,047)	(53,425)

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

## 13 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

### Derivatives under hedge accounting:

Contracts with notional amount of HK\$708.2 million (31 December 2015: HK\$708.2 million) were highly effective and matured in April 2016. These contracts had fixed interest payments at 2.017% (31 December 2015: 2.017%) per annum for the six months ended 30 June 2016 and had floating interest receipts at three months Hong Kong Inter-bank Offered Rate (“HIBOR”) with HIBOR being repriced every three months.

The change in fair value of the derivative financial instruments, amounting to a gain of HK\$3.3 million (six months ended 30 June 2015: HK\$4.2 million) is recognised in other comprehensive income for the six months ended 30 June 2016.

### Derivatives not under hedge accounting:

Contracts not under hedge accounting with total notional amount of HK\$7,299.2 million (31 December 2015: HK\$6,797.8 million) as at 30 June 2016 will mature from March 2017 to April 2021 (31 December 2015: April 2016 to April 2020). These contracts have fixed interest payments at rates ranging from 0.21% to 1.85% (31 December 2015: 0.21% to 2.00%) per annum and have floating interest receipts at one or three months HIBOR or at three months HIBOR minus 1.50% if HIBOR is within a pre-determined range (if applicable) with HIBOR being repriced every three months.

The change in fair value of the derivative financial instruments not under hedge accounting amounting to a loss of HK\$96.9 million (six months ended 30 June 2015: HK\$29.6 million), is recognised in the profit or loss for the six months ended 30 June 2016. In addition, as certain interest rate swap contracts previously designated under hedge accounting were no longer highly effective since prior years, the respective cumulative losses from inception of the hedge until then that was previously recognised in hedging reserve remains in equity and is released to profit or loss over the periods during which the interest payment in relation to the interest rate swap contracts affects the profit or loss. During the period, release of such cumulative losses from the hedging reserve amounted to HK\$3.8 million (six months ended 30 June 2015: HK\$6.9 million). Accordingly, the total change in fair value of derivative financial instruments recognised in profit or loss was a net loss of HK\$100.7 million (six months ended 30 June 2015: HK\$36.5 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 2016

## 14 TRADE AND OTHER RECEIVABLES

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
(a) Trade receivables:		
Outside parties	32,208	35,417
Related parties (Note 22)	3,840	3,836
	<b>36,048</b>	39,253
(b) Other receivables and prepayments:		
Security deposits	28,101	28,078
Other receivables	5,008	4,288
Prepayments	806	1,822
	<b>33,915</b>	34,188
	<b>69,963</b>	73,441

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 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
0–30 days	35,742	38,954
31–90 days	284	251
Over 90 days	22	48
	<b>36,048</b>	39,253

## 15 BORROWINGS

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
Secured term loans	7,661,360	7,845,351
Unsecured term loans	2,818,700	1,618,700
Secured revolving loans	550,000	1,470,000
Unsecured revolving loans	–	130,000
	<b>11,030,060</b>	11,064,051
Less: unamortised front end fees	<b>(69,631)</b>	(55,027)
	<b>10,960,429</b>	11,009,024
Carrying amount repayable:		
On demand or within one year	4,496,672	3,780,054
More than one year, but not more than two years	–	3,940,320
More than two years, but not more than five years	6,463,757	3,288,650
	<b>10,960,429</b>	11,009,024
Less: Amount due within one year shown under current liabilities	<b>(4,496,672)</b>	(3,780,054)
	<b>6,463,757</b>	7,228,970

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

### 15 BORROWINGS (Continued)

- (i) 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 2016 was HK\$5,025.0 million (31 December 2015: 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. The 2013 Facilities bear interest at HIBOR plus a margin ranging from 1.30% to 1.70% per annum.
- (ii) In relation to the term loan of HK\$1,100.0 million and revolving credit facility of HK\$700.0 million under the facility agreement dated 8 April 2014 for a term of 5 years (the “**2014 Facilities**”), the amounts outstanding under the 2014 Facilities drawn down by a subsidiary as at 30 June 2016 was HK\$1,650.0 million (31 December 2015: HK\$1,600.0 million). The 2014 Facilities are secured by, inter alia, a mortgage over certain investment properties. The 2014 Facilities bear interest at HIBOR plus a margin of 1.40% per annum.
- (iii) 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 2016 was HK\$1,155.1 million (31 December 2015: HK\$1,285.1 million). Term loan of HK\$1,155.1 million under the 2015 Facilities are secured by, inter alia, a mortgage over one of the investment properties. 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).
- (iv) In relation to the secured term loan of HK\$2,000.0 million and unsecured term loan of HK\$1,200.0 million under the facility agreements dated 22 December 2015 for a term of 5 years (the “**2016 Facilities**”), the amounts outstanding under the 2016 Facilities drawn down by a subsidiary as at 30 June 2016 was HK\$3,200.0 million (31 December 2015: nil). Secured term loan facility under the 2016 Facilities are secured by, inter alia, a mortgage over one of the investment properties. The 2016 Facilities was drawn down in March 2016 to refinance the outstanding amount of the facilities maturing in April 2016 whereby the lender of the 2016 Facilities directly transferred funds to the counterparty bank to settle the amount outstanding, as well as for other general corporate purpose.
- (v) The Trustee (in its capacity as Trustee of Fortune REIT) has provided guarantee for all the above facilities.

## 15 BORROWINGS (Continued)

- (vi) During the reporting period, the Group has paid front end fees of HK\$32.0 million (six months ended 30 June 2015: HK\$18.4 million) to the banks to secure the loan facilities. The front end fees are amortised over the respective loan periods. The movements in the front end fees and accumulated amortisation are as follow:

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
At beginning of the period/year	139,245	127,825
Addition	32,000	18,438
Reversal during the period/year	(34,782)	(7,018)
At end of the period/year	136,463	139,245
Movement in accumulated amortisation:		
At beginning of the period/year	(84,218)	(55,982)
Amortised during the period/year	(17,197)	(33,810)
Reversal during the period/year	34,583	5,574
At end of the period/year	(66,832)	(84,218)
Net book values	69,631	55,027

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

## 16 TRADE AND OTHER PAYABLES

	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
(a) Trade payables:		
Tenants' deposits		
– Outside parties	469,255	453,704
– Related parties (Note 22)	15,733	13,907
Rental received in advance		
– Outside parties	26,609	22,110
	<b>511,597</b>	489,721
(b) Other payables:		
Trustee's fee	2,109	2,081
Other expenses		
– Outside parties	117,725	106,142
– Related parties (Note 22)	50,774	62,103
– Manager (Note 22)	21,876	6,949
Interest payable	5,560	3,420
Others	3,770	3,568
	<b>201,814</b>	184,263
	<b>713,411</b>	673,984

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\$300.5 million (31 December 2015: HK\$299.6 million) as at 30 June 2016.

## 17 UNITS IN ISSUE AND TO BE ISSUED

	Number of units '000	HK\$'000
Balance 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 30 September 2015	10,082	78,625
Balance in issue as at 31 December 2015	1,886,372	7,743,872
Issue of new units during the period: As payment of Manager's base fee for the period from 1 October to 31 December 2015 (Note (i))	3,527	27,160
Balance as at 31 December 2015	1,889,899	7,771,032
Issue of new units during the period: As payment of Manager's base fee for the period from 1 January to 31 March 2016	3,252	26,865
Balance in issue as at 30 June 2016	1,893,151	7,797,897
New units to be issued: As payment of Manager's base fee for the period from 1 April to 30 June 2016 (Note (i))	2,986	27,066
Balance as at 30 June 2016	1,896,137	7,824,963

*Note:*

- (i) *Manager's base fee payable to the Manager is in the form of units. On 4 July 2016, Fortune REIT issued 2,985,840 units at an issue price of HK\$9.065 per unit to the Manager as base fee for the period from 1 April 2016 to 30 June 2016. On 5 January 2016, Fortune REIT issued 3,527,261 units at an issue price of HK\$7.700 to the Manager as base fee for the period from 1 October 2015 to 31 December 2015.*

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

### 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\$24,218.3 million (31 December 2015: HK\$24,106.3 million) and the total number of 1,896,137,133 units (31 December 2015: 1,889,899,303 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 2016, the Group's net current liabilities, defined as current assets less current liabilities, amounted to HK\$4,949.7 million (31 December 2015: HK\$4,140.9 million).

### 20 TOTAL ASSETS LESS CURRENT LIABILITIES

As at 30 June 2016, the Group's total assets less current liabilities amounted to HK\$31,238.3 million (31 December 2015: HK\$31,783.0 million).

### 21 CAPITAL COMMITMENTS

As at 30 June 2016, the Group had capital commitments in respect of investment properties which were authorised but not contracted for of HK\$538.9 million (31 December 2015: HK\$349.6 million) and contracted but not provided for of HK\$91.8 million (31 December 2015: HK\$78.8 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	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
<b>Rent and rental related income from</b>			
ARA Asset Management (Fortune) Limited	(e)	407	307
A.S. Waston Retail (HK) Limited	(c)	16,777	16,721
BIGBOXX.com Limited	(c)	1,139	1,123
Cheung Kong Property Development Limited	(b)	22,831	22,279
Cheung Kong (Holdings) Limited	(c)	–	52
Citybase Property Management Limited	(b)	1,885	1,536
Hang Seng Bank Limited	(d)	9,421	8,145
Harbour Plaza Resort City Limited	(b)	24	–
HSBC Life (International) Limited	(d)	32	–
Hutchison Global Communications Limited	(c)	744	744
Hutchison International Limited	(c)	1,463	1,357
Hutchison Telephone Company Limited	(c)	4,568	4,070
Metro Broadcast Corporation Limited	(c)	–	34
PARKnSHOP (HK) Limited	(c)	71,680	78,197
Sino China Enterprises Limited	(b)	7	–
The Hongkong and Shanghai Banking Corporation Limited (“HSBC”)	(d)	7,261	6,818
Towerich Limited	(b)	32	14

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

## 22 CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

	Notes	Six months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
<b>Carpark lease agency fee for the operations of the Group's carpark</b>			
Cayley Property Management Ltd	(b)	–	64
E-Park Parking Management Limited	(b)	4,023	3,513
<b>Property management fee</b>			
Cayley Property Management Ltd	(b)	–	157
Citybase Property Management Limited	(b)	465	476
Goodwell-Fortune Property Services Limited	(b)	22,446	19,570
Goodwell Property Management Limited	(b)	79	79
Guardian Property Management Limited	(f)	693	749
Savills Property Management Limited	(f)	–	400
Whampoa Property Management Limited	(b)	318	325
<b>Leasing commission and marketing services fee</b>			
Goodwell-Fortune Property Services Limited	(b)	11,320	12,299
Savills (Hong Kong) Limited	(f)	–	99
<b>Advertising and promotion expenses</b>			
Metro Broadcast Corporation Limited	(c)	328	316

## 22 CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

		<b>Six months ended 30 June</b>	
	Notes	<b>2016</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2015 HK\$'000 (Unaudited)
<b>Trustee's fee</b>			
HSBC Institutional Trust Services (Singapore) Limited		6,276	6,003
<b>Manager's acquisition fee and divestment fee</b>			
ARA Asset Management (Fortune) Limited	(e)	–	22,425
<b>Manager's base fee</b>			
ARA Asset Management (Fortune) Limited	(e)	53,931	51,979
<b>Manager's performance fee</b>			
ARA Asset Management (Fortune) Limited	(e)	21,876	20,303
<b>Valuation and other fees</b>			
Savills	(g)	193	304

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

**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 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
<b>Trade receivables with connected and related companies are as follows:</b>			
A.S. Watson Retail (HK) Limited	(c)	4	3
Cheung Kong Property Development Limited	(b)	3,627	3,608
Hutchison Telephone Company Limited	(c)	1	3
PARKnSHOP (HK) Limited	(c)	208	222
		<b>3,840</b>	<b>3,836</b>
<b>Other payables with connected and related companies are as follows:</b>			
ARA Asset Management (Fortune) Limited	(e)	21,876	6,949
Citybase Property Management Limited	(b)	16,147	24,102
Citytruth Property Management Limited	(b)	–	41
E-Park Parking Management Limited	(b)	1,226	1,320
Goodwell-Fortune Property Services Limited	(b)	12,638	13,267
Goodwell Property Management Limited	(b)	17,010	20,314
Whampoa Property Management Limited	(b)	3,753	3,059
		<b>50,774</b>	<b>62,103</b>
		<b>72,650</b>	<b>69,052</b>

## 22 CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

	Notes	30 June 2016 HK\$'000 (Unaudited)	31 December 2015 HK\$'000 (Audited)
<b>Deposits placed with the Group for the lease of the Group's properties</b>			
ARA Asset Mangement (Fortune) Limited	(e)	211	211
A.S. Watson Retail (HK) Limited	(c)	2,026	979
Citybase Property Management Limited	(b)	1,010	1,000
Hang Seng Bank Limited	(d)	5,109	4,534
HSBC	(d)	2,656	2,650
Hutchison Global Communications Limited	(c)	385	385
Hutchison Telephone Company Limited	(c)	1,621	1,549
PARKnSHOP (HK) Limited	(c)	2,693	2,578
Sino China Enterprises Limited	(b)	4	4
Towerich Limited	(b)	18	17
		<b>15,733</b>	<b>13,907</b>

## 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 units of Fortune REIT as at 30 June 2016.
- (b) These companies are subsidiaries of Cheung Kong Property Holdings Limited ("CK Property") and CK Property is the holding company of the Significant Holder.
- (c) These companies are associated companies (as defined in the REIT code) of the Significant Holder.
- (d) These companies are fellow subsidiaries of the Trustee.
- (e) This company is the Manager of Fortune REIT.
- (f) These companies are fellow subsidiaries of Savills.
- (g) Savills is the principal valuer of investment properties for the six months ended 30 June 2016.

In addition, the Trustee (in its capacity as trustee of Fortune REIT) has provided guarantees for all loan facilities granted to the Group.

# PERFORMANCE TABLE

For the six months ended 30 June 2016

	<b>30 June 2016 (Unaudited)</b>	31 December 2015 (Audited)
Net asset attributable to Unitholders (HK\$'000)	<b>24,218,299</b>	24,106,324
Net asset value per unit (HK\$)	<b>12.77</b>	12.76
The highest traded price during the period/year (HK\$)	<b>9.32</b>	9.05
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>7.30</b>	7.25
The highest discount of the traded price to net asset value	<b>42.83%</b>	43.18%
The net yield per unit <sup>2</sup>	<b>5.4%</b>	5.9%

*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 2016 is an annualized yield based on the distribution per unit for the six months ended 30 June 2016 over the last trade price for the period.*

*The net yield per unit for the year ended 31 December 2015 is based on the distribution per unit for the year ended 31 December 2015 over the last trade price for the period.*

# PORTFOLIO MAP & SUMMARY

## 物業組合分佈及 總覽



## PORTFOLIO SUMMARY 物業總覽

As at 30 June 2016, 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2016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	7,422	98.5%	653
2	Fortune Kingswood	置富嘉湖	665,244	6,843	98.0%	622
3	Ma On Shan Plaza	馬鞍山廣場	310,084	5,130	99.9%	290
4	Metro Town	都會駅	180,822	3,371	99.7%	74
5	Fortune Metropolis	置富都會	332,168	2,410	97.4%	179
6	Laguna Plaza	麗港城商場	163,203	2,258	98.7%	150
7	Belvedere Square	麗城薈	276,862	2,160	100.0%	329
8	Waldorf Avenue	華都大道	80,842	1,594	100.0%	73
9	Caribbean Square	映灣薈	63,018	986	100.0%	117
10	Provident Square	和富薈	180,238	982	54.2%	N.A.
11	Jubilee Square	銀禧薈	170,616	872	99.6%	97
12	Smartland	荃薈	123,544	700	99.7%	67
13	Tsing Yi Square	青怡薈	78,836	616	100.0%	27
14	Centre de Laguna	城中薈	43,000	275	100.0%	N.A.
15	Hampton Loft	凱帆薈	74,734	268	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.
	Total / Overall Average	合計／總平均值	3,182,120	36,188	96.4%	2,713



新界  
NEW TERRITORIES

九龍  
KOWLOON

香港島  
HONG KONG

大嶼山  
LANTAU  
ISLAND

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3

11

1

8

16

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