

FORTUNE
置富產業信託 **REIT**

**Shaping Resilience
Optimising Potential**
強韌應變 潛力盡顯





❖ About the Manager ❖

Fortune REIT is managed by ARA Asset Management (Fortune) Limited (the “**Manager**”), the manager of Fortune REIT. The Manager is a wholly-owned subsidiary of ARA Asset Management Limited, a leading APAC real assets fund manager with a global reach.

❖ ABOUT FORTUNE REIT ❖

Established in 2003, Fortune Real Estate Investment Trust (“**Fortune REIT**”) is a real estate investment trust constituted by a trust deed (the “**Trust Deed**”) (as amended, supplemented or otherwise modified from time to time). It is the first REIT to hold Hong Kong assets and is currently listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**SEHK**”).

Fortune REIT holds a portfolio of 16 retail properties in Hong Kong, comprising approximately 3.0 million square feet (“**Sq.ft.**”) of retail space and 2,713 car parking lots.

❖ 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)

904.4

Six months ended
30 June 2021

951.8

Six months ended
30 June 2020



Net Property Income

(HK\$ million)

674.1

Six months ended
30 June 2021

718.2

Six months ended
30 June 2020



	Six months ended 30 June 2021	Six months ended 30 June 2020	% change
Revenue (HK\$ million)	904.4	951.8	-5.0%
Net property income (HK\$ million)	674.1	718.2	-6.1%
Income available for distribution (HK\$ million)	490.8	489.7	+0.2%
Distribution to unitholders (HK\$ million)	490.8	440.7	+11.4%
Distribution per unit ("DPU") (HK cents)	24.96	22.60	+10.4%

Net Asset Value Per Unit

(HK\$)

14.45

As at
30 June 2021

14.62

As at
31 December 2020



Property Valuation

(HK\$ million)

38,840

As at
30 June 2021

39,075

As at
31 December 2020



	As at 30 June 2021	As at 31 December 2020	% change
Net asset value per unit (HK\$)	14.45	14.62	-1.2%
Property valuation (HK\$ million)	38,840	39,075	-0.6%
Gearing ratio ⁽¹⁾	22.5%	22.4%	+0.1%
Cost-to-revenue ratio	23.2%	22.2%	+1.0%

Note:

- Gearing ratio is defined as total borrowings as a percentage of gross assets.

Three Growth Strategies

Yield-accretive acquisition

Since its establishment in 2003, Fortune REIT's portfolio has grown over 11 times to currently HK\$38,840 million. With the gearing at 22.5%, Fortune REIT has ample debt headroom for future expansion.

Active leasing management

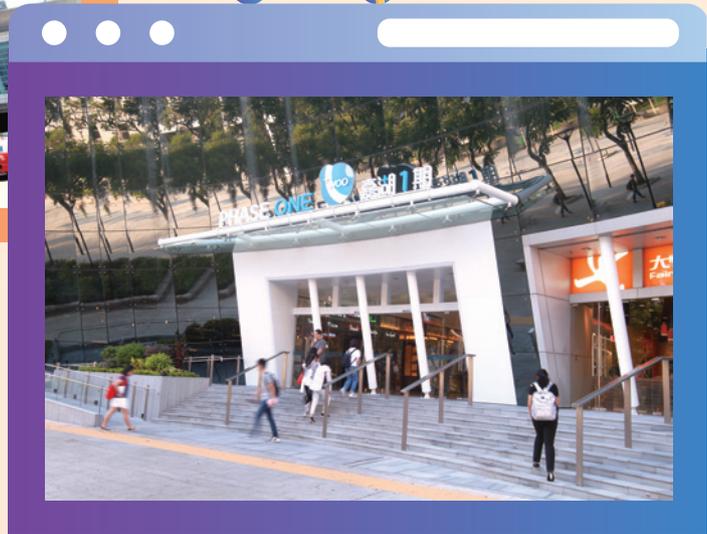
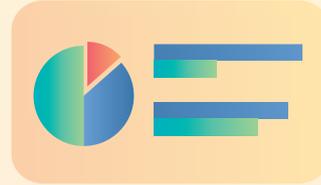
During the Reporting Period, 480,000 Sq.ft. (representing 16% of total portfolio area) were committed for renewals or new lettings, reflecting Fortune Malls continued to be the preferred business choice for tenants. Tenant retention recorded a healthy 74%¹ for the portfolio.

Asset enhancement initiatives ("AEIs")

To optimize the value of assets, Fortune REIT constantly strengthens its portfolio through AEIs. With a budgeted capex of HK\$320 million, the two AEIs currently underway at +WOO and Fortune Metropolis are expected to stimulate further growth for Fortune REIT.

Note:

1. Excluding +WOO, which is undergoing AEIs.



Management Discussion and Analysis

Financial Review

Fortune REIT recorded a revenue of HK\$904.4 million (first half of 2020: HK\$951.8 million) for the six months ended 30 June 2021 (the “**Reporting Period**”), down by 5.0% year-on-year attributable to negative rental reversions and certain rental concession granted to tenants but partly offset by a higher car park income.

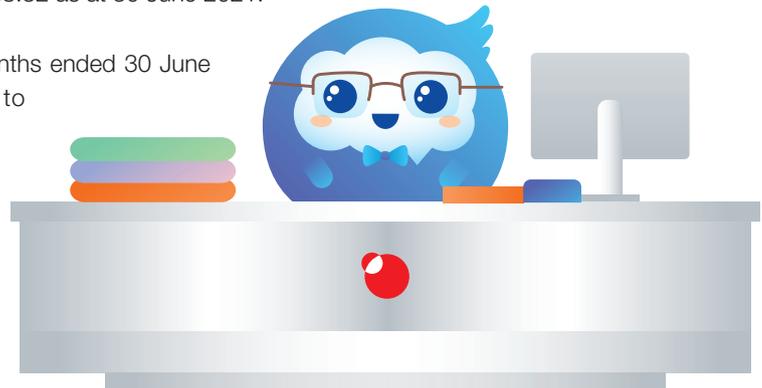
Total property operating expenses (excluding the Manager’s performance fee) decreased by 0.9% year-on-year to HK\$209.5 million (first half of 2020: HK\$211.4 million). As leasing activities picked up while we continued our effort in driving tenant sales via various marketing campaigns, higher leasing commissions and advertising and promotion expenses were recorded for the Reporting Period. However, an overall saving was resulted for property operating expenses thanks to our cost-efficient building management as well as a lower allowance in credit losses.

As a result, net property income decreased by 6.1% year-on-year to HK\$674.1 million (first half of 2020: HK\$718.2 million), while cost-to-revenue ratio was 23.2% (first half of 2020: 22.2%) for the Reporting Period.

Finance costs (excluding change in fair value of derivative financial instruments) decreased by 30.9% year-on-year to HK\$96.5 million (first half of 2020: HK\$139.7 million), attributable to lower HIBOR during the Reporting Period. Effective borrowing cost for the Reporting Year was 2.20% (first half of 2020: 3.20%).

Income available for distribution for the Reporting Period was HK\$490.8 million (first half of 2020: HK\$489.7 million), representing a year-on-year increase of 0.2%. With a 100% distribution payout ratio for the Reporting Period (first half of 2020: 90%), DPU increased by 10.4% year-on-year to 24.96 HK cents (first half of 2020: 22.60 HK cents), representing a yield of 6.0% based on the closing unit price of HK\$8.32 as at 30 June 2021.

The interim DPU of 24.96 HK cents for the six months ended 30 June 2021 will be paid on 17 September 2021 to Unitholders on the register of Unitholders of Fortune REIT as at 24 August 2021.



Capital Management

In June 2021, Fortune REIT secured new loans amounting to HK\$3,800 million (the “**New Facilities**”) for the purpose of refinancing and other general corporate use. The New Facilities are for a term of five years and consist of (i) a HK\$2,000 million term loan; (ii) a HK\$300 million revolving loan; and (iii) a HK\$1,500 million sustainability-linked revolving loan. The refinancing is going to extend the average maturity of the loan portfolio to 3.8 years and by entering into a second ESG-linked loan, Fortune REIT reaffirms commitment to its stakeholders that it will continue to integrate sustainability best practices into its daily operations.

As at 30 June 2021, Fortune REIT’s total committed loan facilities (excluding the New Facilities) amounted to HK\$9,200 million (31 December 2020: HK\$9,200 million). Gearing ratio slightly increased to 22.5% (31 December 2020: 22.4%), mainly due to lower property valuations. Gross liability as a percentage of its gross assets increased to 27.4% as at 30 June 2021 (31 December 2020: 27.2%).

Fortune REIT currently possesses sufficient financial resources to satisfy its financial commitment and working capital requirements. As at 30 June 2021, available liquidity stood at HK\$919.4 million (31 December 2020: HK\$877.2 million), comprising committed but undrawn facilities of HK\$700.0 million (31 December 2020: HK\$700.0 million) and bank deposits of HK\$219.4 million (31 December 2020: HK\$177.2 million).

As at 30 June 2021, interest cost for approximately 51% (31 December 2020: 50%) of Fortune REIT’s outstanding debts was hedged through interest rate swaps.

Net asset value per unit amounted to HK\$14.45 as at 30 June 2021, down 1.2% from HK\$14.62 at the end of 2020.



Management Discussion and Analysis

Portfolio Valuation

Fortune REIT's portfolio of 16 retail properties was appraised at HK\$38,840 million as at 30 June 2021, down by 0.6% from the valuation as at 31 December 2020. This drop was attributable to a lower rental projection adopted on the back of a soft retail environment. Jones Lang LaSalle Limited, the principal valuer, has adopted the valuation methodology of an income capitalisation approach and cross-referenced with direct comparison approach. The average capitalisation rate remained the same at 4.3%. The lower valuation has resulted in a revaluation loss of HK\$257.9 million for the Reporting Period.

Business Review

During the first half of 2021, signs of stabilization were observed for the retail market in Hong Kong as social distancing restrictions were gradually relaxed. Supported by local consumption, the total retail sales value for the first half of 2021 increased by 8.4% year-on-year, partly helped by a lower base in 2020, albeit it was still some 20% off from the pre-pandemic level in 2019, as inbound tourism remained frozen due to travel restrictions globally.

Portfolio occupancy remained stable during the Reporting Period and stood at 95.8% as at 30 June 2021. With the AEl's at +WOO Phase 2 commencing in June 2021, its occupancy was 92.1% as at 30 June 2021 and is expected to dip further as the project advances. Leasing progress stayed healthy with space of 480,000 Sq.ft., representing 16% of total portfolio area were committed for renewals or new lettings. New rents were still under pressure and negative reversions were recorded during the Reporting Period. We maintained our focus in retaining quality tenants and tenant retention recorded a healthy 74% for the portfolio, excluding +WOO. Rental collection rate remained high at over 99%.

The pace of recovery has been uneven across different business sectors. Non-discretionary sectors such as supermarkets, convenience stores and grocery stores as well as household and health products continued their steady performance while retail tenants continued to suffer from weak demand in general. Government-mandated measures such as restricted dining hours and reduced seating capacity were still in place throughout the Reporting Period affecting the food and beverage sector in Hong Kong. Nevertheless, with COVID-19 infections subsiding towards the end of the Reporting Period and social distancing restrictions gradually relaxed, traffic at Fortune Malls has been steadily picking up. Daily average footfall recorded a 11% year-on-year increase for the 3 months from March to May 2021 and reached a new 12-month peak in June 2021. Car park revenue recorded a year-on-year increase of 11.2% for the Reporting Period, attributable mainly to a surge in hourly car park income.

During the Reporting Period, we continued our commitment in driving tenants' sales and have rolled out various marketing campaigns such as gift redemptions, top spender competitions and shopping coupons reward to stimulate spending at Fortune Malls. The launch of Fortune Malls mobile APP and its Fortune+ loyalty programme since June 2020 have played a pivotal role in pushing out the promotion offers in an efficient manner.

Two AElS Projects Underway to Position for Growth

Two AElS projects at +WOO and Fortune Metropolis are currently underway to better position Fortune Malls for the next phase of growth.

The AElS at +WOO Phase 2 has commenced in June 2021 as scheduled. With a budgeted capex of HK\$300 million, the project is to be bigger in scale compared to +WOO Phase 1 which has achieved a successful 10% return on investment when it was completed in 2019. The project will be divided into three stages with the first stage to be completed in the first half of 2022. Vacation of affected tenants will be carefully timed to minimise the impact of rental downtime throughout the project. The expanding residential catchment in Tin Shui Wai continues to support the business of +WOO and we are positive that this leading shopping mall in Tin Shui Wai is in a good position to capture the opportunities when the retail market recovers.

As one of the key attractions of Fortune Metropolis over the past decade, the 15,000 Sq.ft. food court has closed down in July 2021 for a full revamp. With an estimated capex of HK\$16 million, we are looking to bring in new food concepts, brighten up the seating area and digitalise the food ordering system to capture more business potential from the new MTR Tuen Ma Line as Hung Hom becomes a busier interchange station.

Outlook

The Hong Kong economy saw a visible recovery in the first half of 2021, where GDP grew by 8.0% and 7.5% year-on-year in the first and second quarter respectively, ending the year-on-year contraction trend over the six preceding quarters. The labour market also improved further with the unemployment rate easing to 5.5% for the three months ending June 2021 from its 17-year peak of 7.2% for the three months ending February 2021. With the continued roll-out of the vaccination programme in Hong Kong and government's HK\$5,000 Consumption Voucher Scheme, it is hopeful that local consumption and the leasing market will find further support. The still-evolving global pandemic situation, however, remains a key source of risk to the recovery.

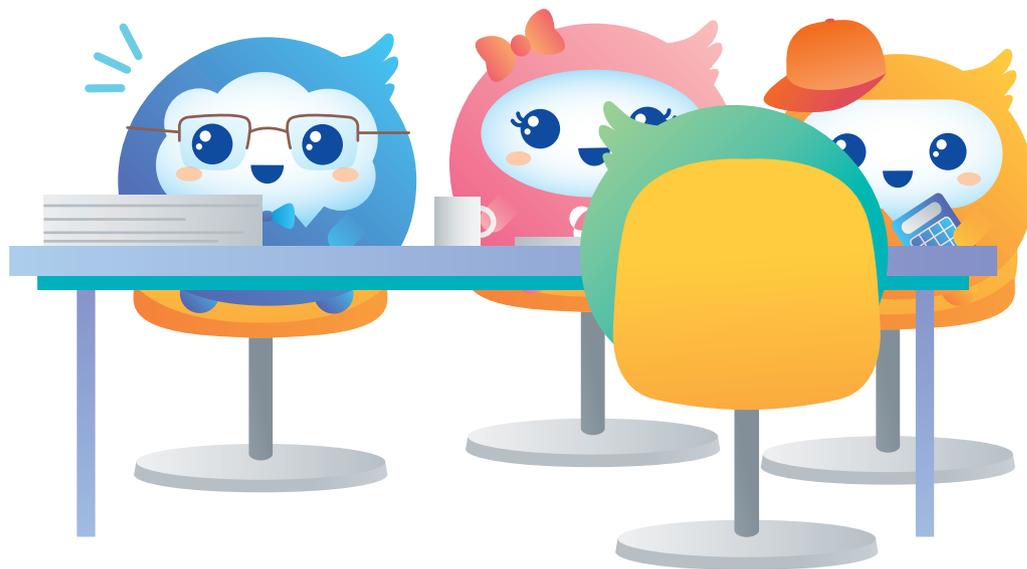
Although the pandemic has brought disruption to Fortune REIT's business, we have responded to the challenges proactively. Our marketing budget has more than doubled from the pre-pandemic period with marketing efforts all geared towards helping our tenants' business. We closely communicated with our tenants as our most valuable business partners and continued to support them during difficult times. The two AElS at +WOO and Fortune Metropolis are currently underway and they are expected to stimulate further growth for Fortune REIT. We remain focused on safeguarding the long-term value for Unitholders through proactive asset management, effective cost control, robust balance sheet management and prudent acquisitions.

Corporate Governance

With the objective 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 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, for compliance with the applicable Hong Kong regulations and legislation.

Fortune REIT is a real estate investment trust listed on the SEHK. Fortune REIT and/or the Manager are subject to the applicable laws, rules and regulations in Hong Kong, 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 “**Listing Rules**”).

The Manager confirms that Fortune REIT and the Manager have in material terms complied with the provisions of the Compliance Manual and have adhered to the principles and guidelines set out in the CG Code which are applicable to Fortune REIT and/or the Manager throughout the Reporting Period.



During the Reporting Period, the Trust Deed has been amended on 31 March 2021 and 31 May 2021 to reflect the amendments to the Code on Real Estate Investment Trusts (the “**REIT Code**”) gazetted and announced by the Securities and Futures Commission of Hong Kong on 4 December 2020 (the “**REIT Code Amendments**”), including: (i) investments by REITs in minority-owned properties; (ii) the requirements applicable to non-core investments of Fortune REIT; (iii) connected party transactions and notifiable transactions of Fortune REIT; (iv) the change in the borrowing limit; (v) miscellaneous REIT Code Amendments; (vi) the publication and distribution deadlines for annual reports and interim reports and the deadline for holding annual general meetings, and other miscellaneous amendments; and (vii) the change in the property development cap from 10% to up to 25% of the gross asset value of deposited property.

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, environment, social and governance, 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 regularly 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 auditor of Fortune REIT (the “**Auditor**”). 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.

As at 30 June 2021, the Board comprised nine members, eight of whom are Non-Executive Directors (“**NEDs**”). Four of the NEDs are INEDs. 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, maintain and review the effectiveness of the financial reporting systems, internal controls and risk management systems and the internal audit function, 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 actions are taken. The Audit Committee also, among other things, monitors the procedures established to regulate transactions with “connected person” as defined in the REIT 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 Substantial Unitholders

The Manager has adopted the Code Governing Dealings in Units by Directors or the Manager (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 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.

Changes of Directors' Information

Subsequent to publication of the Annual Report 2020 of Fortune REIT, the Manager received notifications regarding the following changes of Directors' information during the Reporting Period:

- Dr. Chiu Kwok Hung, Justin has been awarded as Senior Departmental Fellow of the Department of Land Economy at University of Cambridge, the United Kingdom for a period of three years until 30 March 2024;
- Mr. Lim Hwee Chiang ceased to be the Chairman of Minterest Group Advisory Board; and
- Ms. Koh Poh Wah has been appointed as independent non-executive director and member of the Audit Committee of HK Electric Investments Manager Limited, in its capacity as the trustee-manager of HK Electric Investments and HK Electric Investments Limited (Stock Code: 2638, which is listed on the SEHK) and independent non-executive director and member of the Audit Committee of Power Assets Holdings Limited (Stock Code: 00006, which is listed on the SEHK) effective 13 May 2021.

Review of Interim Report

The interim report of Fortune REIT for the Reporting Period has been reviewed by the Audit Committee and the Disclosures Committee of the Manager. The interim financial statements have also been reviewed by the Auditor, 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 tables 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 2021 HK\$'000	Rental deposit received as at 30 June 2021 HK\$'000
ARA Asset Management (Fortune) Limited	Manager	Leasing and licensing transactions	2,602	1,463
Cheung Kong Property Development Limited	Associate of a substantial holder ¹	Leasing and licensing transactions	14,354	97
Citybase Property Management Limited	Associate of a substantial holder ¹	Leasing transactions	1,146	638
Towerich Limited	Associate of a substantial holder ¹	Licensing transactions	36	20
Total			18,138	2,218

Note:

- The substantial holder being Focus Eagle Investments Limited (“**Focus Eagle**”).

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 2021 HK\$'000
Citybase Property Management Ltd	Associate of a substantial holder ¹	Property management and operations	523
E-Park Parking Management Limited	Associate of a substantial holder ¹	Carpark lease agency fee	4,000
Goodwell-Fortune Property Services Limited	Associate of a substantial holder ¹	Property and lease management fee and marketing service fee	34,385
Goodwell Property Management Limited	Associate of a substantial holder ¹	Property management and operations	100
Total			39,008

Note:

- The substantial holder being Focus Eagle.

Connected Party Transactions

Connected Party Transactions – Others

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

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Expenses for the six months ended 30 June 2021 HK\$'000
ARA Asset Management (Fortune) Limited	Manager	Manager's fee	78,804
HSBC Institutional Trust Services (Asia) Limited	Trustee	Trustee's fee	5,807
Total			84,611

Connected Party Transactions with the Trustee Connected Persons

Leasing/licensing transactions

The following table sets forth information on the leasing/licensing transactions between Fortune REIT and the Trustee (and its directors, senior executives, officers, controlling entities, holding companies, subsidiaries and associated companies all within the meaning of the REIT Code) and the HSBC Group¹ (collectively, the “**Trustee Connected Persons**”) during the Reporting Period:

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Income for the six months ended 30 June 2021 HK\$'000	Rental deposit received as at 30 June 2021 HK\$'000
Hang Seng Bank Limited	Trustee Connected Persons	Leasing and licensing transactions	10,216	5,510
The Hongkong and Shanghai Banking Corporation Limited (“ HSBC ”)	Trustee Connected Persons	Leasing and licensing transactions	4,905	2,106
Total			15,121	7,616

Note:

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

Provision of Ordinary Banking and Financial Services

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

Disclosure of Interests

Unit Capital

The total number of issued units as at 30 June 2021 is 1,962,764,632 units.

Holdings of Substantial Unitholders

As at 30 June 2021, each of the following persons was considered a “substantial holder”, 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 ¹	413,074,684	21.05%	–	–
CK Asset Holdings Limited (“ CK Asset ”) ¹	–	–	525,630,684	26.78%

Note:

1. CK Asset 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. Focus Eagle and Ballston Profits Limited were indirect wholly-owned subsidiaries of CK Asset.

Interests of the Manager

As at 30 June 2021, the Manager held 6,734,632 units, or approximately 0.34% of the issued units of Fortune REIT.

Interests of the Directors

Details of the unitholding interests of the Directors of Fortune REIT as at 30 June 2021 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
Director				
Lim Hwee Chiang ¹	1,000,000	0.05%	2,100,000	0.11%

Note:

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.

Disclosure of Interests

Holdings of the Other Connected Persons

HSBC Group, being the Trustee Connected Persons of Fortune REIT, did not hold any beneficial interest in any unit of Fortune REIT as at 30 June 2021.

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 2021.

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 paragraph 8.2(a) of the REIT Code, by reference to comparison of their respective beneficial interests as at 30 June 2021 and 31 December 2020:

- (a) The Manager was beneficially interested in 6,734,632 units as at 30 June 2021 and 20,405,025 units as at 31 December 2020; and
- (b) HSBC Group did not hold any beneficial interest in any units as at 30 June 2021 and was beneficially interested in 386,300 units as at 31 December 2020.

Other Information

Employees

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

New Units Issued

As at 30 June 2021, the total number of issued units of Fortune REIT was 1,962,764,632. As compared with the position as at 31 December 2020, a total of 7,947,607 new units were issued during the Reporting Period in the following manner:

- On 8 January 2021, 4,069,851 new units were issued to the Manager at the price of HK\$7.26 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's base fee of approximately HK\$29.5 million payable by Fortune REIT for the period from 1 October 2020 to 31 December 2020.
- On 13 April 2021, 3,877,756 new units were issued to the Manager at the price of HK\$7.454 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's base fee of approximately HK\$28.9 million payable by Fortune REIT for the period from 1 January 2021 to 31 March 2021.

Repurchase, Sale or Redemption of Units

During the Reporting Period, other than the disposal of 21,618,000 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 2021.

Corporate Information

Manager

ARA Asset Management (Fortune) Limited

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Singapore 038985
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Fax: +65 6835 9672

Directors of the Manager

CHUI Sing Loi (alias TSUI Sing Loi), *Chairman and Independent Non-Executive Director*
CHIU Kwok Hung, Justin, *Non-Executive Director*
LIM Hwee Chiang, *Non-Executive Director*
YEUNG, Eirene, *Non-Executive Director*
MA Lai Chee, Gerald, *Non-Executive Director*
CHIU Yu, Justina, *Chief Executive Officer and Executive Director*
CHENG Ai Phing, *Independent Non-Executive Director*
YEO Annie (alias YEO May Ann), *Independent Non-Executive Director*
KOH Poh Wah, *Independent Non-Executive Director*

Company Secretary of the Manager

YEOH Kar Choo, Sharon
CHIANG Wai Ming

Trustee

HSBC Institutional Trust Services (Asia) Limited

Stock Code

778

Legal Adviser of the Manager

Baker McKenzie

Unit Registrar

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

Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Website and Email

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www.fortunemalls.com.hk
enquiries@fortunereit.com

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

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

Introduction

We have reviewed the condensed consolidated financial statements of Fortune Real Estate Investment Trust (“**Fortune REIT**”) and its subsidiaries set out on pages 26 to 51, which comprise the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to unitholders, statement of cash flows and distribution statement for the six-month period then ended, and certain explanatory notes. The 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 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” issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, 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.

Report on Review of Condensed Consolidated Financial Statements

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

6 August 2021

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Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	4	904,398	951,822
Property operating expenses	6	(209,463)	(211,412)
Net property income before manager's performance fee		694,935	740,410
Manager's performance fee		(20,849)	(22,215)
Net property income		674,086	718,195
Manager's base fee		(57,955)	(62,189)
Foreign currency exchange gain, net		-	18
Interest income		31	98
Trust expenses	7	(7,834)	(8,441)
Change in fair value of investment properties	12	(257,938)	(2,516,123)
Finance costs	8	(42,981)	(292,290)
Profit/(loss) before taxation and transactions with unitholders	9	307,409	(2,160,732)
Income tax expense	10	(102,923)	(106,715)
Profit/(loss) for the period, before transactions with unitholders		204,486	(2,267,447)
Distributions to unitholders		(490,847)	(440,745)
Net comprehensive expense for the period		(286,361)	(2,708,192)
Basic earnings/(loss) per unit (HK cents)	11	10.42	(116.49)

Distribution Statement

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021	2020
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Profit/(loss) for the period, before transactions with unitholders		204,486	(2,267,447)
Adjustments:			
Manager's base fee		57,955	62,189
Change in fair value of investment properties	12	257,938	2,516,123
Change in fair value of derivative financial instruments	8	(53,551)	152,549
Non-cash finance costs		8,923	12,082
Deferred tax	10	15,096	14,221
Income available for distribution (note (i))		490,847	489,717
Percentage of distribution to unitholders		100%	90%
Distribution to unitholders (note (ii))		490,847	440,745
Distribution per unit (HK cents) (note (iii))		24.96	22.60

Notes:

- (i) The distribution policy of Fortune REIT is to distribute not less than 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 trust deed dated on 4 July 2003 (as amended, supplemented, or otherwise modified from time to time) (the "Trust Deed").
- (ii) Distribution amount to unitholders of HK\$490.8 million for the six months ended 30 June 2021 (six months ended 30 June 2020: HK\$440.7 million), represented a payout ratio of 100% (six months ended 30 June 2020: 90%) of Fortune REIT's income available for distribution of HK\$490.8 million for the six months ended 30 June 2021 (six months ended 30 June 2020: HK\$489.7 million).
- (iii) The distribution per unit of 24.96 HK cents for the six months ended 30 June 2021 is calculated based on the interim distribution to unitholders amount of HK\$490.8 million over 1,966,220,930 units, represented issued units as at 30 June 2021 of 1,962,764,632 units plus the number of units issued after the distribution period to the Manager as settlement of the Manager's base fee for its services in the second quarter of 2021 of 3,456,298 units. 2021 interim distribution will be paid on 17 September 2021.

The distribution per unit of 22.60 HK cents for the six months ended 30 June 2020 is calculated based on the interim distribution to unitholders amount of HK\$440.7 million over 1,950,177,768 units, represented issued units as at 30 June 2020 of 1,945,863,309 units plus the number of units issued after the distribution period to the Manager as settlement of the Manager's base fee for its services in the second quarter of 2020 of 4,314,459 units. 2020 interim distribution was paid on 18 September 2020.

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	<i>Notes</i>	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current asset			
Investment properties	12	38,840,000	39,075,000
Current assets			
Trade and other receivables	14	80,774	84,094
Bank balances		219,358	177,167
Total current assets		300,132	261,261
Total assets		39,140,132	39,336,261
Non-current liabilities			
Derivative financial instruments	13	133,304	180,256
Borrowings	15	3,971,505	5,164,705
Deferred tax liabilities		545,866	530,770
Total non-current liabilities		4,650,675	5,875,731
Current liabilities			
Trade and other payables	16	728,971	717,317
Derivative financial instruments	13	–	6,599
Borrowings	15	4,797,067	3,594,667
Distribution payable		490,847	481,996
Provision for taxation		69,476	28,449
Total current liabilities		6,086,361	4,829,028
Total liabilities, excluding net assets attributable to unitholders		10,737,036	10,704,759
Net assets attributable to unitholders		28,403,096	28,631,502
Units in issue and to be issued ('000)	17	1,966,221	1,958,887
Net asset value per unit attributable to unitholders (HK\$)	18	14.45	14.62

Condensed Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the six months ended 30 June 2021

	Units in issue and to be issued HK\$'000	Unit issue costs HK\$'000	Retained profits HK\$'000	Total HK\$'000
Net assets attributable to unitholders as at 1 January 2021 (Audited)	8,363,445	(286,279)	20,554,336	28,631,502
OPERATIONS				
Profit for the period, before transactions with unitholders	–	–	204,486	204,486
Distribution paid and payable of 24.96 HK cents per unit for the six months ended 30 June 2021	–	–	(490,847)	(490,847)
Net comprehensive expense for the period	–	–	(286,361)	(286,361)
UNITHOLDERS' TRANSACTIONS				
Creation of units – Manager's base fee paid/payable in units	57,955	–	–	57,955
Increase in net assets resulting from unitholders' transactions	57,955	–	–	57,955
Net assets attributable to unitholders as at 30 June 2021 (Unaudited)	8,421,400	(286,279)	20,267,975	28,403,096

Condensed Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the six months ended 30 June 2021

	Units in issue and to be issued HK\$'000	Unit issue costs HK\$'000	Retained profits HK\$'000	Total HK\$'000
Net assets attributable to unitholders as at 1 January 2020 (Audited)	8,241,215	(286,279)	24,669,184	32,624,120
OPERATIONS				
Loss for the period, before transactions with unitholders	–	–	(2,267,447)	(2,267,447)
Distribution paid and payable of 22.60 HK cents per unit for the six months ended 30 June 2020	–	–	(440,745)	(440,745)
Net comprehensive expense for the period	–	–	(2,708,192)	(2,708,192)
UNITHOLDERS' TRANSACTIONS				
Creation of units				
– Manager's base fee paid/payable in units	62,189	–	–	62,189
Increase in net assets resulting from unitholders' transactions	62,189	–	–	62,189
Net assets attributable to unitholders as at 30 June 2020 (Unaudited)	8,303,404	(286,279)	21,960,992	29,978,117

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Net cash from operating activities	633,852	450,031
Net cash used in investing activities:		
Upgrading of investment properties	(22,938)	(23,123)
Interest received	31	98
	(22,907)	(23,025)
Net cash used in financing activities:		
Drawdown of borrowings	600,000	979,000
Repayment of borrowings	(600,000)	(700,000)
Distribution paid	(481,145)	(488,191)
Finance costs paid	(87,609)	(127,659)
	(568,754)	(336,850)
Net increase in cash and cash equivalents	42,191	90,156
Cash and cash equivalents at beginning of the period	177,167	136,375
Cash and cash equivalents at end of the period, represented by bank balances	219,358	226,531

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

1 General

Fortune Real Estate Investment Trust (“**Fortune REIT**”) is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and listed on The Stock Exchange of Hong Kong Limited (“**SEHK**”). Fortune REIT is governed by the Code on Real Estate Investment Trusts (the “**REIT Code**”) issued by the Securities and Futures Commission of Hong Kong (the “**SFC**”) and the Trust Deed made between ARA Asset Management (Fortune) Limited (the “**Manager**”) and HSBC Institutional Trust Services (Asia) Limited (the “**Trustee**”).

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 also 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” issued by International Accounting Standards Board (“**IASB**”) as well as the relevant disclosure requirements set out in Appendix C of the REIT Code issued by the SFC.

The Manager is of the opinion that, taking into account the headroom of the fair value of investment properties for obtaining additional banking facilities, internal financial resources of the Group and presently available undrawn banking facilities, 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 on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by IASB, for the first time, which are pertinent to the Group and are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phrase 2

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

4 Revenue

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue arising from operating lease:		
Fixed	724,934	777,113
Variable	2,029	1,542
Charge-out collections	121,345	122,718
Car park revenue	55,528	49,935
Other income	562	514
	904,398	951,822

Notes:

- (i) Operating lease payments mainly include base rental, licence fees and contingent rentals. Leases are negotiated for terms ranging primary from two to three years with monthly fixed rental except for contingent rentals that are variable based on the percentage of sales.
- (ii) Charge-out collections and car park revenue are revenue from contracts with customers, which consist of payments in respect of the operation of the properties in Hong Kong which are payable by the tenants, licensees and customers, are recognised over time as income when the services and facilities are provided. The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has right to invoice corresponding directly with the value to the customer of the Group's performance completed to date. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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 16 (31 December 2020: 16) properties as at 30 June 2021 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 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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Advertising and promotion	14,504	10,131
Building management expenses	105,453	110,498
Car park operating expenses	15,035	15,378
Government rents and rates	6,526	5,048
Leasing commission and marketing services fee	13,625	8,614
Legal and other professional fees	3,821	4,370
Property management fee	21,826	23,403
Utilities	18,921	19,240
Others	9,752	14,730
	209,463	211,412

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

7 Trust Expenses

	Six months ended 30 June	
	2021	2020
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Trustee's fee	5,807	6,377
Other charges	2,027	2,064
	7,834	8,441

8 Finance Costs

	Six months ended 30 June	
	2021	2020
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Interest expenses on bank borrowings	54,632	127,704
Amortisation of front-end fees	9,200	9,011
Commitment fee	733	243
Interest rate swaps expense realised	31,967	2,783
	96,532	139,741
Change in fair value of derivative financial instruments	(53,551)	152,549
	42,981	292,290

9 Profit/(Loss) before Taxation and Transactions with Unitholders

Profit/(loss) before taxation and transactions with unitholders is arrived at after charging:

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Fees to external auditor		
– Audit services	804	804
– Non-audit services	660	660
Fees to internal auditor	175	175
Allowance for credit losses	1,658	6,163
Valuation fees (paid to principal valuer)	154	154

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

10 Income Tax Expense

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax	87,827	92,494
Deferred taxation	15,096	14,221
	102,923	106,715

Fortune REIT's subsidiaries in Hong Kong are subject to Hong Kong Profits Tax at 16.5% (six months ended 30 June 2020: 16.5%) for the period.

Deferred tax is provided on temporary differences in relation to accelerated tax depreciation 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/(Loss) per Unit

Basic earnings per unit is calculated by dividing the profit for the six months ended 30 June 2021, before transactions with unitholders of HK\$204.5 million by the weighted average of 1,963,281,159 units outstanding during the period.

Basic loss per unit is calculated by dividing the loss for the six months ended 30 June 2020, before transactions with unitholders of HK\$2,267.4 million by the weighted average of 1,946,510,986 units outstanding during the period.

No diluted earnings/(loss) 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

	Fair Value HK\$'000 (Unaudited)
As at 1 January 2021	39,075,000
During the period:	
Capital expenditure incurred in upgrading investment properties	22,938
Change in fair value of investment properties	(257,938)
As at 30 June 2021	38,840,000

Notes:

- (i) In estimating the fair value of investment properties, it is the Group's policy to engage an independent qualified external valuer to perform the valuation. The Manager works closely with the valuer to establish appropriate inputs to the valuation model.

On 30 June 2021 and 31 December 2020, independent valuations were undertaken by Jones Lang LaSalle Limited ("Jones Lang"). This firm is an independent qualified external 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 fair value of investment properties falls under Level 3 of the fair value hierarchy. There were no transfers into or out of Level 3 during the period. The valuation of the properties is principally arrived at using income capitalisation approach which is a method of valuation whereby the existing net rental incomes (i.e. exclusive of rates, government rent, management fees and air-conditioning charges) of all lettable units of each property are capitalised for the respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at their respective market rents as at the valuation date. 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 similar 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 rates in the valuation range from 4.0% – 4.8% (31 December 2020: 4.0% – 4.8%). The capitalisation rate is one of the key parameters in the valuation method of income capitalisation and it involves the exercise of professional judgment in relation to the adjustments made by the valuer. A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.

- (ii) None of the investment properties as at 30 June 2021 and 31 December 2020 was pledged to secure banking facilities granted to the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

13 Derivative Financial Instruments

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Derivative financial instruments are analysed as:		
Derivatives not under hedge accounting:		
Interest rate swaps	(133,304)	(186,855)
Reflected on condensed consolidated statement of financial position based on remaining contractual maturity as:		
Current liabilities	-	(6,599)
Non-current liabilities	(133,304)	(180,256)
	(133,304)	(186,855)

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.

13 Derivative Financial Instruments (Continued)

Derivatives not under hedge accounting:

Contracts not under hedge accounting with total notional amount of HK\$4,500.0 million (31 December 2020: HK\$4,408.2 million) as at 30 June 2021 will mature from March 2024 to August 2027 (31 December 2020: April 2021 to August 2027). These contracts have fixed interest payments at rates ranging from 0.90% to 2.245% (31 December 2020: 1.535% to 2.245%) per annum and have floating interest receipts at one or three months Hong Kong Inter-bank Offered Rate (“**HIBOR**”).

The change in fair value of the derivative financial instruments not under hedge accounting amounting to a gain of HK\$53.6 million (six months ended 30 June 2020: a loss of HK\$152.5 million), is recognised in the profit or loss for the six months ended 30 June 2021.

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. There were no transfers between Level 1 or 2 during the period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

14 Trade and Other Receivables

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade receivables	57,713	58,612
Less: Allowance for credit losses	(7,654)	(5,996)
	50,059	52,616
Other receivables and prepayments:		
– Security deposits	25,674	25,666
– Other receivables	2,578	1,986
– Prepayments	2,463	3,826
	30,715	31,478
	80,774	84,094

The following is an analysis of trade receivables (net of allowance for credit losses) by age, presented based on the invoice date.

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
0 – 30 days	44,267	44,386
31 – 90 days	5,792	8,230
	50,059	52,616

14 Trade and Other Receivables (Continued)

There is no credit period given on billing for rental of properties. No interest is charged on the trade receivables for the first 10 days from the date of the invoice. The gross carrying amount of trade receivables include accrued rentals in respect of rent free periods amounted to HK\$40.6 million (31 December 2020: HK\$33.2 million).

As at 30 June 2021, included in the Group's trade receivables balance are debtors with aggregate gross carrying amount of HK\$17.1 million (31 December 2020: HK\$25.4 million) which are past due as at the reporting date. Included in the past due balances, an aggregate carrying amount of HK\$7.7 million (31 December 2020: HK\$6.0 million) has been past due 90 days or more and considered as default for which allowance for credit losses has been made.

In determining the recoverability of a trade receivable, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The exposure of credit risk is limited due to deposits received from tenants. Allowance for credit losses has been recognised on any individual balance that is in excess of the relevant tenant's deposits.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

15 Borrowings

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Unsecured term loans	8,500,000	8,500,000
Unsecured revolving loans	300,000	300,000
	8,800,000	8,800,000
Less: unamortised front-end fees	(31,428)	(40,628)
	8,768,572	8,759,372
Carrying amount repayable:		
Within one year	4,797,067	3,594,667
More than one year, but not more than two years	–	1,197,200
More than two years, but not more than five years	3,971,505	3,967,505
	8,768,572	8,759,372
Less: Amount due within one year shown under current liabilities	(4,797,067)	(3,594,667)
	3,971,505	5,164,705

On 28 June 2021, Fortune REIT, through its wholly owned subsidiary, entered into (i) a HK\$1,500 million 5-year revolving credit facility agreement and (ii) a HK\$2,300 million 5-year term loan facility and revolving credit facility agreement (the “**New Facilities**”). The New Facilities are used to refinance the outstanding amount of a term loan amounted to HK\$3,300 million due in August 2021 as well as for other general corporate purpose. The New Facilities remain undrawn as at 30 June 2021.

As at 30 June 2021, total committed loan facilities (excluding the New Facilities) amounted to HK\$9,200 million (31 December 2020: HK\$9,200 million), bear interest at HIBOR plus a margin ranging from 0.98% to 1.25% (31 December 2020: HIBOR plus a margin ranging from 0.98% to 1.30%) per annum.

In addition, the Trustee (in its capacity as Trustee of Fortune REIT) has provided guarantee for all the loan facilities.

16 Trade and Other Payables

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade payables		
Tenants' deposits	476,993	477,712
Rental received in advance	40,933	50,602
	517,926	528,314
Other payables		
Trustee's fee	958	996
Manager's performance fees	6,718	6,108
Operating expenses	188,186	167,504
Interest payable	9,105	9,382
Others	6,078	5,013
	211,045	189,003
	728,971	717,317

Trade and other payables comprise deposits refundable to tenants upon termination or cancellation of operating lease arrangements. The tenants' deposits are refundable to tenants within 30 days upon the termination of the tenancy agreement. Included in rental received in advance are contract liabilities amounting HK\$6.8 million (31 December 2020: HK\$6.8 million) related to the non-reserved carpark and charge-out collections.

The tenants' deposits to be settled after twelve months from the end of the reporting period based on lease term amounted to HK\$259.1 million (31 December 2020: HK\$263.4 million) as at 30 June 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

17 Units in Issue and to be Issued

	Number of units '000	HK\$'000
Balance as at 1 January 2020	1,941,116	8,241,215
Issue of new units during the year:		
As payment of Manager's base fee for the period from 1 January to 30 September 2020	13,701	92,683
Balance in issue as at 31 December 2020	1,954,817	8,333,898
Issue of new units during the year:		
As payment of Manager's base fee for the period from 1 October to 31 December 2020 (note)	4,070	29,547
Balance as at 31 December 2020	1,958,887	8,363,445
Issue of new units during the period:		
As payment of Manager's base fee for the period from 1 January to 31 March 2021	3,878	28,905
Balance in issue as at 30 June 2021	1,962,765	8,392,350
New units to be issued:		
As payment of Manager's base fee for the period from 1 April to 30 June 2021 (note)	3,456	29,050
Balance as at 30 June 2021	1,966,221	8,421,400

Note: Manager's base fee payable to the Manager is in the form of units. On 6 July 2021, Fortune REIT issued 3,456,298 units at an issue price of HK\$8.405 per unit to the Manager as base fee for the period from 1 April 2021 to 30 June 2021. On 8 January 2021, Fortune REIT issued 4,069,851 units at an issue price of HK\$7.26 per unit to the Manager as base fee for the period from 1 October 2020 to 31 December 2020.

18 Net Asset Value per Unit Attributable to Unitholders

Net asset value per unit as at 30 June 2021 is calculated based on the net assets attributable to unitholders of the Group of HK\$28,403.1 million (31 December 2020: HK\$28,631.5 million) and the total number of 1,966,220,930 units (31 December 2020: 1,958,886,876 units) in issue and 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 2021, the Group's net current liabilities, defined as current liabilities less current assets, amounted to HK\$5,786.2 million (31 December 2020: HK\$4,567.8 million).

20 Total Assets Less Current Liabilities

As at 30 June 2021, the Group's total assets less current liabilities amounted to HK\$33,053.8 million (31 December 2020: HK\$34,507.2 million).

21 Capital Commitments

As at 30 June 2021, the Group had capital commitments for upgrading investment properties which were contracted but not provided for of HK\$321.7 million (31 December 2020: HK\$60.2 million).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

22 Connected and Related Party Transactions

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

	<i>Notes</i>	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Rent and rental related income from			
ARA Asset Management (Fortune) Limited	(a)	2,602	2,562
Cheung Kong Property Development Limited	(b)	14,354	13,629
Citybase Property Management Limited	(b)	1,146	1,146
Hang Seng Bank Limited	(c)	10,216	10,766
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	(c)	4,905	5,038
Towerich Limited	(b)	36	36
Carpark lease agency fee for the operations of the Group's carpark			
E-Park Parking Management Limited	(b)	4,000	4,661

22 Connected and Related Party Transactions (Continued)

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Property management fee and project management fee			
Citybase Property Management Limited	(b)	523	538
Goodwell-Fortune Property Services Limited	(b)	21,826	23,403
Goodwell Property Management Limited	(b)	100	100
Leasing commission and marketing services fee			
Goodwell-Fortune Property Services Limited	(b)	12,559	8,573
Trustee's fee			
HSBC Institutional Trust Services (Asia) Limited	(d)	5,807	6,377
Manager's base fee			
ARA Asset Management (Fortune) Limited	(a)	57,955	62,189
Manager's performance fee			
ARA Asset Management (Fortune) Limited	(a)	20,849	22,215

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

22 Connected and Related Party Transactions (Continued)

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

	<i>Notes</i>	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade receivables with connected and related companies are as follows:			
Cheung Kong Property Development Limited	<i>(b)</i>	720	—
Other payables with connected and related companies are as follows:			
ARA Asset Management (Fortune) Limited	<i>(a)</i>	6,718	6,107
HSBC Institutional Trust Services (Asia) Limited	<i>(d)</i>	958	996
Citybase Property Management Limited	<i>(b)</i>	28,099	20,872
E-Park Parking Management Limited	<i>(b)</i>	2,363	1,616
Goodwell-Fortune Property Services Limited	<i>(b)</i>	20,462	15,217
Goodwell Property Management Limited	<i>(b)</i>	19,609	15,197
		70,533	52,902
		78,209	60,005
Deposits placed with the Group for the lease of the Group's properties			
ARA Asset Management (Fortune) Limited	<i>(a)</i>	1,463	1,463
Cheung Kong Property Development Limited	<i>(b)</i>	97	97
Citybase Property Management Limited	<i>(b)</i>	638	638
Hang Seng Bank Limited	<i>(c)</i>	5,510	5,878
HSBC	<i>(c)</i>	2,106	2,106
Towerich Limited	<i>(b)</i>	20	20
		9,834	10,202

22 Connected and Related Party Transactions (Continued)

Notes:

- (a) This company is the Manager of Fortune REIT.
- (b) Substantial holder of Fortune REIT (as defined in the REIT Code) being Focus Eagle Investments Limited ("**Focus Eagle**") (the "**Substantial Holder**"), which holds more than 10% of the units of Fortune REIT as at 30 June 2021. Prior to the amendment of the REIT Code on 4 December 2020, Focus Eagle was defined as significant holder of Fortune REIT. These companies are subsidiaries of CK Asset Holdings Limited ("**CK Asset**") and CK Asset is the holding company of Focus Eagle.
- (c) These companies are fellow subsidiaries of the Trustee.
- (d) This company is the Trustee of Fortune REIT.

In addition, the Trustee (in its capacity as trustee of Fortune REIT) has provided guarantees for all loan facilities granted to the Group as at 30 June 2021 and 31 December 2020.

Performance Table

	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Net assets attributable to unitholders (HK\$'000)	28,403,096	28,631,502
Net asset value per unit (HK\$)	14.45	14.62
The highest traded price during the period/year (HK\$)	8.59	9.40
The highest premium of the trade price to net asset value ¹	N.A.	N.A.
The lowest traded price during the period/year (HK\$)	6.93	6.20
The highest discount of the trade price to net asset value	52.0%	57.6%
The net yield per unit ²	6.0%	6.4%

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 2021 is an annualized yield based on the distribution per unit for the six months ended 30 June 2021 over the last trade price for the period.

The net yield per unit for the year ended 31 December 2020 is based on the distribution per unit for the year ended 31 December 2020 over the last trade price for the period.



* Tsuen Wan Line 荃灣綫



* Kwun Tong Line 觀塘綫



* Tuen Ma Line 屯馬綫



* Tseung Kwan O Line
將軍澳綫



* East Rail Line 東鐵綫



* Tung Chung Line 東涌綫



Portfolio Map & Summary 物業組合分佈及總覽

Portfolio Summary 物業總覽

As at 30 June 2021, Fortune REIT owns a geographically diverse portfolio of 16 retail malls and properties in Hong Kong, comprising approximately 3.0 million Sq.ft. of retail space and 2,713 car parking lots.

於2021年6月30日，置富產業信託的物業組合由16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300萬平方呎的零售樓面及2,713個車位。

Property	物業	Gross Rentable Area (Sq.ft.) 可出租總面積 (平方呎)	Valuation (HK\$ million) 估值 (百萬港元)	Occupancy 出租率	No. of Car Parking Lots 車位數目	
1	Fortune City One	置富第一城	414,469	8,087	97.5%	653
2	+WOO	+WOO嘉湖	665,244	7,720	92.1%	622
3	Ma On Shan Plaza	馬鞍山廣場	310,084	5,622	98.7%	290
4	Metro Town	都會駅	180,822	3,585	99.7%	74
5	Fortune Metropolis	置富都會	332,168	2,469	87.1%	179
6	Belvedere Square	麗城薈	276,862	2,514	95.9%	329
7	Laguna Plaza	麗港城商場	163,203	2,455	100%	150
8	Waldorf Avenue	華都大道	80,842	1,738	100%	73
9	Caribbean Square	映灣薈	63,018	1,150	100%	117
10	Jubilee Square	銀禧薈	170,616	926	98.1%	97
11	Smartland	荃薈	123,544	795	98.4%	67
12	Tsing Yi Square	青怡薈	78,836	790	100%	27
13	Centre de Laguna	城中薈	43,000	330	100%	N.A
14	Hampton Loft	凱帆薈	74,734	316	100%	35
15	Lido Avenue	麗都大道	9,836	209	100%	N.A
16	Rhine Avenue	海韻大道	14,604	134	100%	N.A
Total/Overall Average 合計／總平均值		3,001,882	38,840	95.8%	2,713	



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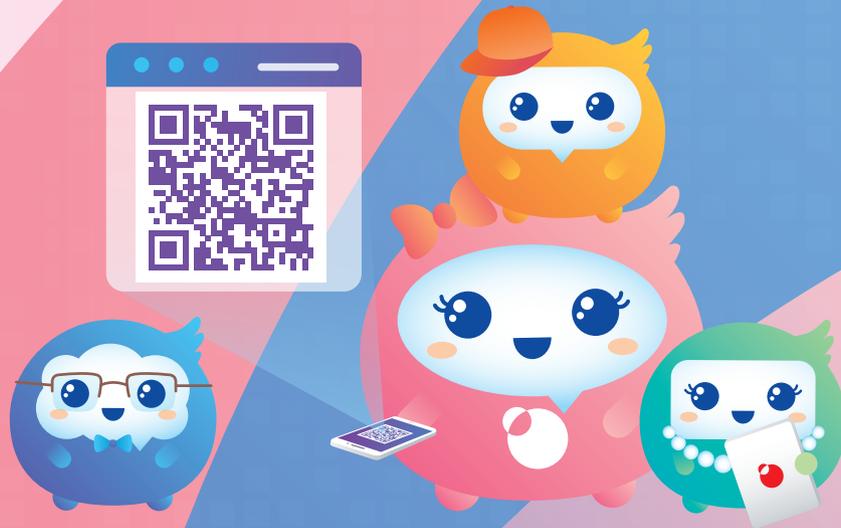
Designed And Produced By: EDICO Financial Press Services Limited

Manager 管理人

ARA

ARA Asset Management (Fortune) Limited

置富資產管理有限公司



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