

**STRENGTH
IN EXCELLENCE**

Annual Report 2023



FORTUNE
置富產業信託 **REIT**

Stock Code: 778

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 assets in Hong Kong and is currently listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**SEHK**").

Fortune REIT holds a portfolio of 17 retail properties, with 16 private housing estate retail properties in Hong Kong and 1 neighbourhood mall in Singapore, comprising approximately 3 million square feet ("**Sq.ft.**") of retail space and 2,793 car parking spaces.

About the Manager

Fortune REIT is managed by ARA Asset Management (Fortune) Limited, a part of the ESR Group (the "**ESR**"). ESR is APAC's leading real asset manager powered by the New Economy and one of the largest listed real estate investment managers. With approximately US\$81 billion in fee-related assets under management, ESR's fully integrated fund management and development platform extends across key APAC markets, including Greater China, Japan, South Korea, Australia, Singapore, India, New Zealand, and Southeast Asia, with a presence in Europe and the U.S.. ESR provides a diverse range of real asset investment solutions and New Economy real estate development opportunities across the private funds business, which allow capital partners and customers to capitalise on the most significant secular trends in APAC. ESR's purpose — Space and Investment Solutions for a Sustainable Future — drives it to manage sustainably and impactfully, and ESR considers the environment and the communities in which it operates as key stakeholders of its business. Listed on the Main Board of The Stock Exchange of Hong Kong, ESR is a constituent of the FTSE Global Equity Index Series (Large Cap), Hang Seng Composite Index and MSCI Hong Kong Index. More information can be found at www.esr.com.

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.



Contents

2	2023 Corporate Milestones
4	Financial Highlights
5	3 Growth Strategies
6	Chairman's Report
10	Management Discussion and Analysis
14	Portfolio Key Statistics
18	AEIs Showcase
20	Advertising and Promotions
22	Our Brand
24	Fortune REIT's Portfolio
34	Achievements and Awards
38	ESG Review
42	Board of Directors and Senior Management
48	Corporate Governance Report
78	Connected Party Transactions
82	Valuation Report
105	Report of the Trustee
106	Independent Auditor's Report
111	Financial Statements
152	Other Information

2023 Corporate Milestones

March 2

Announced financial results for the full year 2022. Total revenue and net property income reached HK\$1,764.4 million and HK\$1,290.2 million respectively.



April 21

A final DPU of 21.1 Hong Kong cents for the year ended 31 December 2022 was paid.

May 31

The 2023 annual general meeting was held in Hong Kong, with directors' participation physically and via conference call. All resolutions were duly passed.



July

Fortune REIT is the first REIT in Hong Kong to receive SBTi's approval of near-term 1.5 degree aligned science-based target, marking another key milestone on our sustainability journey.



August 8

Announced financial results for the six months ended 30 June 2023, with total revenue of HK\$908.7 million.

September

Secured its fifth green financing, a five-year HK\$1.8 billion sustainability-linked syndicated loan.

September 22

An interim DPU of 22.36 Hong Kong cents for the six months ended 30 June 2023 was paid.

October 26



Fortune REIT has once again earned the highest five-star rating in the 2023 Global Real Estate Sustainability Benchmark.

MAR

APR

MAY

JUN

JUL

AUG

SEP

OCT

NOV

August

Fortune Malls • Caring and Supporting Communities

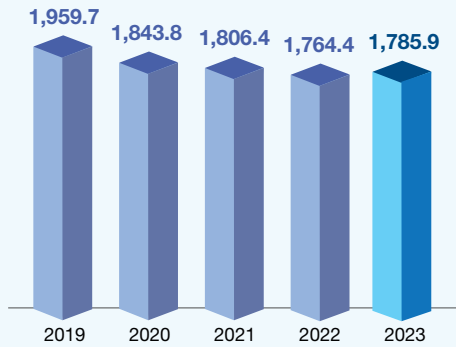
Dr. Justin Chiu, Founding Chairman and Non Executive Director, celebrates the 20th Anniversary of Fortune REIT with the team. Series of exciting activities under the theme of "Fortune Malls • Caring and Supporting Communities for Two Decades" were launched in Fortune Malls to spread positive energy in the communities.



Financial Highlights

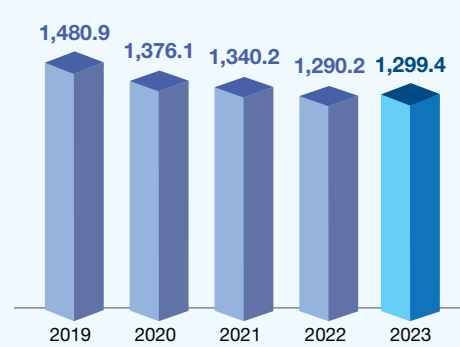
Gross Revenue

(HK\$ million)



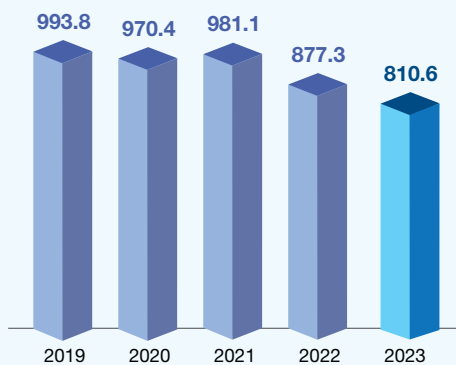
Net Property Income

(HK\$ million)



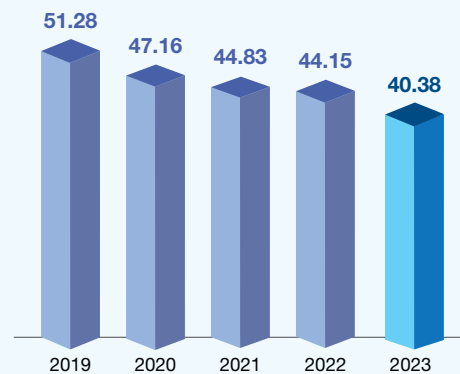
Income Available for Distribution

(HK\$ million)



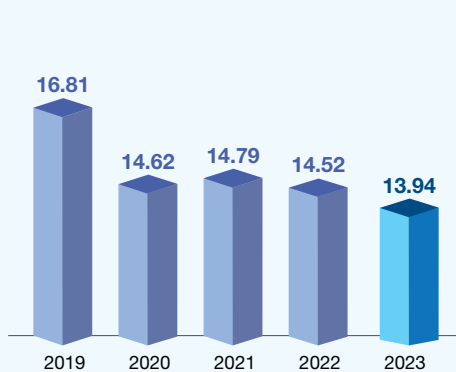
Distribution Per Unit

(HK cents)



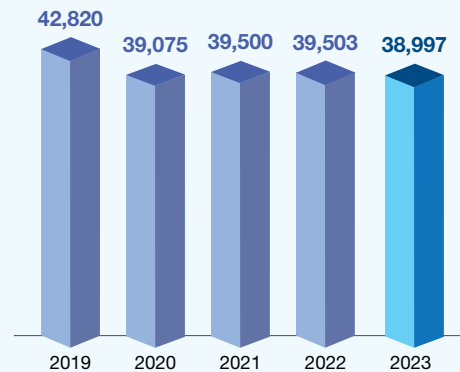
Net Asset Value Per Unit

(HK\$)



Property Valuation

(HK\$ million)



3 GROWTH STRATEGIES



1) ACTIVE LEASING MANAGEMENT

Our proactive asset management approach has enabled Fortune REIT to maintain a high occupancy and retain a good portion of tenants. We concluded FY2023 with a tenant retention of 83% and portfolio occupancy of 94.4%.



2) ASSET ENHANCEMENT INITIATIVES

Fortune REIT continued to pursue core strategy of unlocking value of our portfolio. In 2023, the HK\$300 million AEs at our flagship mall, +WOO, continued to progress well and is scheduled to complete by mid-2024, laying a solid foundation for future growth.



3) YIELD-ACCRETIVE ACQUISITIONS

Since its establishment in 2003, Fortune REIT has successfully grown its portfolio by 11 times to approximately HK\$39 billion through organic growth and acquisitions, consistently delivering stable returns to our Unitholders. Fortune REIT currently possesses a strong balance sheet to withstand the market challenges and will continue to enhance the long-term value for Unitholders through seeking acquisitions in a prudent manner.

Chairman's Report

Dear Unitholders,

On behalf of the board (the “**Board**”) of directors (the “**Director(s)**”), I am pleased to present the annual report of Fortune REIT for the financial year ended 31 December 2023 (“**FY2023**” or the “**Reporting Year**”) and its outlook for 2024.

The year 2023 marked the 20th anniversary of Fortune REIT. Since our listing in 2003, Fortune REIT's assets under management have grown 11 times from HK\$3.3 billion to HK\$39.0 billion. The portfolio has also expanded beyond Hong Kong with the latest addition in Singapore.

Hong Kong's economy saw improved vitality in 2023 as we finally emerged from the shadow of the pandemic and reconnected with the world with the border fully reopened. The number of tourists visiting Hong Kong increased by more than 55 times year-on-year to approximately 34 million in 2023. Private consumption expenditure, supported by rising household income and a low unemployment rate, rose 7.3% over 2022. The revival of inbound tourism and local consumption were the key drivers of a 3.2% year-on-year GDP growth in 2023. However, high interest rates and geopolitical tensions have fueled uncertainty in the global economy. China's slower economic growth and a strong US dollar have also limited a full economic recovery in Hong Kong.

FY2023 RESULTS OVERVIEW

As Hong Kong's retail market is on its road to recovery, Fortune REIT delivered a satisfactory operating performance, with full-year revenue and net property income returning to growth for the first time since the pandemic. In 2023, total revenue increased by 1.2% to HK\$1,785.9 million and net property income increased by 0.7% to HK\$1,299.4 million. Amid a challenging macroeconomic environment where the cost of capital has surged significantly, our prudent hedging strategy has worked well to ensure the stability of interest cost on more than 60% of our loan. Nevertheless, finance costs inevitably surged by 45.3%, resulting in a decrease in income available for distribution by 7.6% to HK\$810.6 million. In line with our commitment to Unitholders, the Board has decided to maintain a dividend payout ratio of 100%, equivalent to a distribution per unit (“**DPU**”) of 40.38 HK cents for 2023. This represents a distribution yield of 8.1% based on the closing price of HK\$4.96 on 29 December 2023.

Our balance sheet remained robust. Portfolio valuation was stable at HK\$38,997 million while the gearing ratio was at a healthy level of 24.6%.

RESILIENCE SUPPORTED BY PROACTIVE LEASING MANAGEMENT

On the operating front, the portfolio remained resilient as occupancy improved to 94.4% as at 31 December 2023, with a high retention rate of 83%. Although overall rental reversion ended in negative territory, positive performance was seen in sectors such as food and beverage, services and fashion and shoes. We continue to see good demand for new space in the food and beverage sector. Although rental reductions at kindergartens and real estate agents caused a significant drag on our rental performance, we took this as an opportunity to refresh our portfolio and enhance the shopping experience. In particular, the reconfiguration of a previously vacant kindergarten space into restaurants and retail outlets at Metro Town in the first quarter of 2023 has improved shopper traffic and generated a satisfactory 11% return on investment.

ASSET ENHANCEMENT INITIATIVES TO UNLOCK VALUE

Fortune REIT's core competency in assets enhancement initiatives (the “**AEIs**”) enables us to future-proof our neighborhood malls, unlocking their full potential and driving organic growth. In 2023, we made good progress on the AEIs at +WOO, with stage 2 of the project completed on schedule in the third quarter of 2023. The refurbished zones, which are designed to enhance the mall's layout and spaces, improve circulation and provide a more engaging customer experience with smart amenities, have been successful in attracting more footfall and securing new tenants from a wide range of sectors.

SUSTAINABILITY AT FORTUNE

Sustainability is embedded in Fortune REIT's business operations and culture and remains a key focus of the Board. As we continue to move forward on our decarbonization journey, we were proud to be the first REIT in Hong Kong to receive Science Based Targets initiative's (SBTi) approval for near-term greenhouse gas emission reduction target, and we have set new long-term environmental performance targets for 2030. In 2023, we continued to pursue excellence in sustainability and made progress on a number of fronts. As part of our commitment to promote renewable energy and green mobility, we have taken initiatives to introduce electric vehicle charging facilities to our malls and equip more properties with solar panels. We have also intensified our efforts to “green” our properties and upgrade our green building certifications. With the new sustainability-linked facility with an aggregate amount of HK\$1,800.0 million (the “**2023 Sustainability-Linked**

Facility) secured in 2023, we have increased the proportion of green financing to 62%. Fortune REIT also leverages on innovation and technology to improve operational efficiency and reduce costs. Since we rolled out the smart building management system two years ago, it now covers up to 85% of the total area under our management. The data analytics have been particularly useful in optimizing our lighting and air conditioning, resulting directly in energy savings.

As a responsible landlord, we are committed to contributing to the local communities in which we operate. To coincide with Fortune REIT's 20th anniversary, a large-scale campaign "**Fortune Malls – Caring and Supporting the Community for Two Decades**" was held from July to August 2023. In addition to strengthening our ties with the community, we aim to further inspire and promote shared value among our staff, tenants and the communities, thereby creating positive impact together.

OUTLOOK FOR 2024

As we enter 2024, we face macroeconomic uncertainty amidst inflation, elevated interest rates, slower economic growth in major economies and ongoing geopolitical tensions. These factors may impact tenants' business as well as Fortune REIT's operating and finance costs. Despite the near-term challenges, we remain cautiously optimistic about the long-term prospects of neighborhood shopping malls in Hong Kong as the economy continues to recover and we continue to enhance our properties and services to cater to the evolving market demands. We are excited about the opportunities in 2024 as we are poised to complete our largest ever AEs at our flagship mall +WOO, while looking to embark on another major renovation at Fortune Metropolis, both of which are expected to lay a solid foundation for Fortune REIT to achieve a stable and sustained return over time.

APPRECIATION

Finally, on behalf of the Board, I would like to express our sincere gratitude to all unitholders, tenants, business partners, customers and trustee for their unwavering trust and support, and to all employees for their dedication and tireless efforts.

CHUI SING LOI (ALIAS TSUI SING LOI)

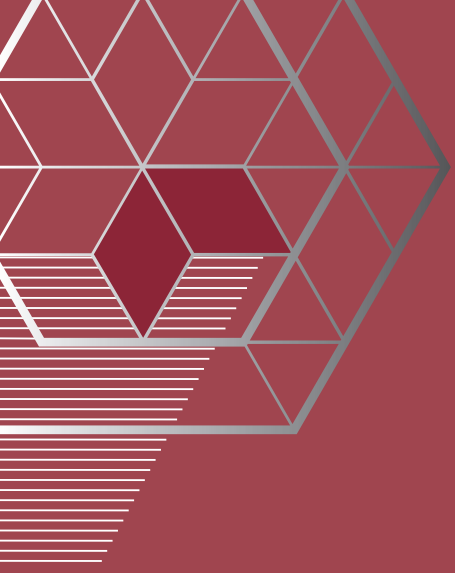
Chairman

ARA Asset Management (Fortune) Limited
As Manager of Fortune REIT

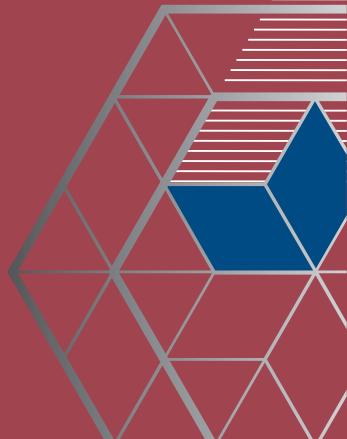


CHUI SING LOI (ALIAS TSUI SING LOI)

Chairman



**Excellence
creates value**



Fortune Metropolis



Management Discussion and Analysis

FINANCIAL REVIEW

Emerging from the COVID-19 pandemic, 2023 marked the re-opening of Hong Kong and its gradual return to normalcy and growth.

Fortune REIT's gross revenue increased by 1.2% year-on-year to HK\$1,785.9 million for the year ended 31 December 2023 (2022: HK\$1,764.4 million), with all revenue streams including base rent, turnover rent, car park income and charge-out income, recording growth. The higher revenue was also partly attributable to the absence of rental rebates in the Reporting Year, while rental concessions were offered to assist tenants during the fifth wave of the COVID-19 pandemic in 2022.

Total property operating expenses (excluding the Manager's performance fee) increased by 2.8% year-on-year to HK\$446.2 million (2022: HK\$434.2 million). The increase was mainly attributable to higher building management expenses, utilities costs and government rents and rates. However, the increase was partially offset by savings in leasing commissions as well as advertising and promotion expenses. Accordingly, net property income for the Reporting Year increased by 0.7% year-on-year to HK\$1,299.4 million (2022: HK\$1,290.2 million) and the cost-to-revenue ratio was 25.0% (2022: 24.6%).

Despite more than 60% of our loans were hedged to fixed rates, finance costs increased significantly as interest rates continued its steep ascent in 2023. In addition, debt levels increased as new financing was obtained to fund the Singapore acquisition in September 2022 and for funding AEs. As a result, finance costs (excluding changes in fair value of derivative financial instruments) increased by 45.3% year-on-year to HK\$351.1 million (2022: HK\$241.6 million). The effective borrowing cost for the Reporting Year was 3.6% (2022: 2.7%).

Income available for distribution for the Reporting Year amounted to HK\$810.6 million (2022: HK\$877.3 million). With a distribution payout ratio of 100% for the Reporting Year (2022: 100%), the full year DPU was 40.38 HK cents (2022: 44.15 HK cents), representing a 8.5% decline year-on-year. Based on the closing unit price of HK\$4.96 as at 29 December 2023, the 2023 full year DPU implied a distribution yield of 8.1%.

The final DPU of 18.02 HK cents for the year ended 31 December 2023 will be paid on 19 April 2024 to Unitholders whose names appear on the register of Unitholders of Fortune REIT as at 26 March 2024.

100%

Payout Ratio

40.38
HK Cents

**Distribution
Per Unit**

8.1%

Distribution Yield



Capital Management

Fortune REIT's balance sheet remains sound and robust. As at 31 December 2023, the gearing ratio was maintained at a healthy level of 24.6% (2022: 23.9%), while gross liability as a percentage of gross assets was 28.9% (2022: 28.3%). Approximately 62% of total debt has been hedged to fixed rates, partially mitigating the impact of rising interest rates.

As at 31 December 2023, total loan facilities drawn down amounted to HK\$9,715.9 million (2022: HK\$9,636.7 million). During the Reporting Year, Fortune REIT secured the 2023 Sustainability-Linked Facility for the refinancing of the HK\$1,500.0 million loan due in October 2023 and for general corporate purposes. Fortune REIT has no refinancing needs until late 2025.

Fortune REIT possesses sufficient financial resources to meet its financial commitments and working capital requirements. As at 31 December 2023, Fortune REIT's available liquidity amounted to HK\$858.4 million (2022: HK\$447.3 million), comprising committed but undrawn bank facilities of HK\$751.7 million (2022: HK\$240.4 million) and bank deposits of HK\$106.7 million (2022: HK\$206.9 million). In addition, as at 31 December 2023, an aggregated uncommitted revolving loan facilities of HK\$220.0 million remained undrawn.

Net asset value per unit amounted to HK\$13.94 as at 31 December 2023 (2022: HK\$14.52).

Portfolio Valuation

As at 31 December 2023, the total value of Fortune REIT's investment properties remained stable at HK\$38,997 million (2022: HK\$39,503 million), reflecting the steady rental performance of the portfolio. The average capitalization rate of the Hong Kong assets remained unchanged at 4.3%.

Colliers International (Hong Kong) Limited, the principal valuer, has adopted the income capitalization approach to the valuation methodology, which is cross-referenced with a direct comparison approach.

BUSINESS REVIEW

Hong Kong's retail market has not fully recovered to pre-pandemic levels as the recovery has been softer than anticipated. While total retail sales in 2023 increased by 16.2% year-on-year, its level in the fourth quarter of 2023 was still 15.8% lower than the same period in 2018. In particular, sales of discretionary items (department stores' commodities and jewellery, watches and clocks, and valuable gifts) in 2023 still fell short of 2018 level by an average of 31% as the weak Renminbi undermined the purchasing power of Mainland visitors in Hong Kong. The recovery in inbound visitors has been less than ideal as the number of inbound visitors in the fourth quarter of 2023 has only returned to 57.8% of the same period in 2018. On the other hand, the spending leakage as a result of northbound travel to the nearby Mainland cities also poses a threat to the local retail market.

Fortune REIT's portfolio of neighborhood malls is strategically focused on essential trades and has consistently proven its resilience across economic cycles. Approximately 71% of our tenants are convenience and non-discretionary retailers or operators.

With the gradual recovery of the retail market in Hong Kong, Fortune Malls have seen an encouraging pick-up in leasing inquiries and momentum. In 2023, we signed up leases, including new lettings and renewals, for a total area of 963,200 sq.ft., accounting for 31.8% of our total portfolio area. The tenant retention rate was 83% as Fortune Malls remained tenants' preferred business locations. Despite the ongoing major AEs at our largest property, +WOO, the overall occupancy rate of our portfolio remained healthy and improved to 94.4% as at 31 December 2023 (2022: 93.9%).

In 2023, rental reversion for sectors such as food and beverage, services, and fashion and shoes were generally positive. However, the overall rental reversion for the portfolio ended in negative territory as the rental of kindergartens remained under pressure while real estate agents demanded substantial rent reductions. The ongoing slump of the property market, as characterized by lower property pricing and sluggish transaction volumes, has in turn weakened the rental affordability of real estate agents. As a result, the sector's contribution to total rental declined significantly to 8.0% as at the end of 2023 from 12.4% a year earlier. Although it may not be likely to see a swift rebound for rents in kindergartens and real estate agents, opportunities lie for us to replace them with tenants that provide more attractive offerings.

Management Discussion and Analysis

Customer Engagement Strengthened by Targeted Marketing and Loyalty Program

Fortune Malls launched a number of targeted marketing initiatives, both online and offline, to bring more experiential offerings to customers and increase their loyalty and stickiness. Marketing campaigns such as “Arrival of Fumeancats Meow (黃阿瑪喵運駕到)”, “Bling Snow Christmas Kingdom (Bling雪聖誕王國)”, “Fortune Happy Tour Around Hong Kong (「置」Happy 遊香港)”, “Shop and Win Reward (購物獎上獎)” and “Foodie Dinosaur’s Fantasy Food Tour (吃貨恐龍奇幻美食の旅)” have been successful in driving more foot traffic to our malls, as we witnessed a 11.0% and 12.9% year-on-year growth in footfall and hourly car park income, respectively, in 2023.

The Fortune Malls APP remains an efficient and cost-effective tool for us to engage and connect with our active members. The APP has been continuously upgraded and updated since its launch in 2020. Specifically, the Fortune Malls e-Voucher program on the APP has attracted considerable interest, with over 200 tenants enrolling as they saw the benefits of repeat business. The e-Voucher program has become one of the most attractive rewards on the APP, which in turn has led to more active members and success of the APP loyalty program.

Proactive Asset and Trade Mix Enhancement to Sharpen Our Competitive Edge

Fortune REIT has been successful in delivering a resilient portfolio performance as we always proactively look to future-proof our assets. AEs, as one of our core competencies, help us to unlock the value of aging properties and improve property yields.

In 2023, the HK\$300 million AEs at our flagship mall, +WOO, carried out in three stages, continued to progress well and the last stage is scheduled to complete by mid-2024. Commenced in mid-2021, the project has completed its first two stages and the refurbished zones have boosted footfall and attracted new tenants from a wide range of sectors, including food and beverage, sports and wellness and leisure and entertainment.

We also successfully completed AEs at Metro Town and made important progress on an upcoming project in 2024. In January 2023, we took the opportunity to reconfigure a vacant 8,500 sq.ft. kindergarten unit, along with two adjacent shops, into three brand new stores at Metro Town, offering our customers a greater selection of food and beverage and homeware. The AEs have resulted in increased foot traffic and generated a satisfactory 11% return on investment. Meanwhile, AEs are expected to commence at Fortune Metropolis in the fourth quarter of 2024 over three stages, with a capital expenditure budget of approximately HK\$200 million.

Besides upgrading building facilities and reconfiguring spaces, we are also constantly enhancing shoppers’ experience by introducing new brands and services. Ensuring that our trade mix remains relevant to evolving consumer tastes is more important than ever, as Hong Kong residents are increasingly attracted to the shopping and dining options in the nearby Mainland cities while on the other hand, Mainland visitors are now looking for more immersive travel experiences in Hong Kong.

Food and beverage, which accounts for approximately 29% of our total rental revenue, is one of the biggest draws for Fortune Malls, and is always an important part of our leasing strategy to bring in diverse food and beverage offerings to delight our customers. In 2023, Fortune Malls welcomed the first entry of some very popular restaurants such as Sushiro, Yakiniku Like, Wagyu More and Mizi. We have also added an experiential element to Fortune Malls by expanding our lifestyle offerings. In this regard, we welcomed MG Motors (Hong Kong) as our first new energy vehicle (“NEV”) tenant, which opened a showroom at Fortune Metropolis in December 2023 after organizing more than 20 pop-up car shows at Fortune City One, Fortune Metropolis, +WOO and Laguna Plaza throughout the Reporting Year. In future, as more Chinese dining and NEV brands enter and expand their businesses in Hong Kong, they could bring potential new demand for mall leasing that Fortune Malls can tap into.



Progressing on Our Green Journey

In 2021, Fortune REIT became the first REIT in Hong Kong to achieve the highest five-star rating in the Global Real Estate Sustainability Benchmark (GRESB) and has maintained the highest rating for three consecutive years. In 2023, Fortune REIT again became the first REIT in Hong Kong to set science-based targets for the reduction in greenhouse gas emissions and has set new long-term 2035 environmental performance targets. During the Reporting Year, Fortune REIT continued to make steady progress on the identified sustainability priorities to strengthen its competitiveness and stay ahead of the industry.

With the addition of the 2023 Sustainability-Linked Facility, Fortune REIT's sustainability-linked loans amounted to HK\$6,087.7 million, representing 62% of total loans as at 31 December 2023. While all of our Hong Kong assets have already been certified as green buildings in 2022, we raised the bar and achieved a comprehensive rating upgrade from the Building Environmental Assessment Method Plus in 2023. Notably, all 16 malls in Hong Kong received the highest rating of Excellent in the Selective Scheme (Management Aspect), while two flagship malls, namely Ma On Shan Plaza and Fortune Metropolis, qualified for the highest rating of Platinum in the Comprehensive Scheme.

Progress was also made in supporting green mobility and providing green energy. We have installed electric vehicle charging points at three Fortune Malls during the Reporting Year, and the number of charging stations is set to double in 2024. Besides, as we continued to expand the installation of solar panels, the coverage has increased to five Fortune Malls with over 1,000 solar panels.

Fortune Malls — Caring and Supporting the Community for Two Decades

Fortune REIT celebrated the 20th anniversary of its listing in August 2023. A large-scale community campaign, namely "Fortune Malls — Caring and Supporting the Community for Two Decades" was curated to promote greater inclusiveness and a sense of belonging with Fortune Malls' stakeholders in the community. The campaign has reaffirmed our commitment to give back to the society while also delivering economic benefits to our malls as the promotional activities brought in more footfall and business.

More details on Fortune REIT's sustainability strategy, stakeholders relations and ESG performance will be discussed in our upcoming 2023 ESG Report.

OUTLOOK

In 2023, Hong Kong's GDP grew by 3.2% year-on-year, driven largely by the recovery of inbound tourism and private consumption. Ongoing headwinds from weak global demand for goods and tightened monetary conditions have limited the full rebound after the reopening. Hong Kong's economy is expected to remain positive in 2024, albeit at a slower pace, supported by resilient consumption as well as government's continued economic stimulus. Globally, with 2024 being the biggest election year in history, the drag of political uncertainty worldwide on economy remains and may persist throughout the year.

While the Hong Kong retail market continues to recover, inflationary pressure on operating expenses and high interest rates may continue to impact our tenants' business as well as Fortune REIT's performance in the near term. To forge ahead, the Manager remains committed to drive operational efficiency via cost optimization measures, strengthen portfolio competitiveness via AELs, while remain agile to the dynamic operating landscape.

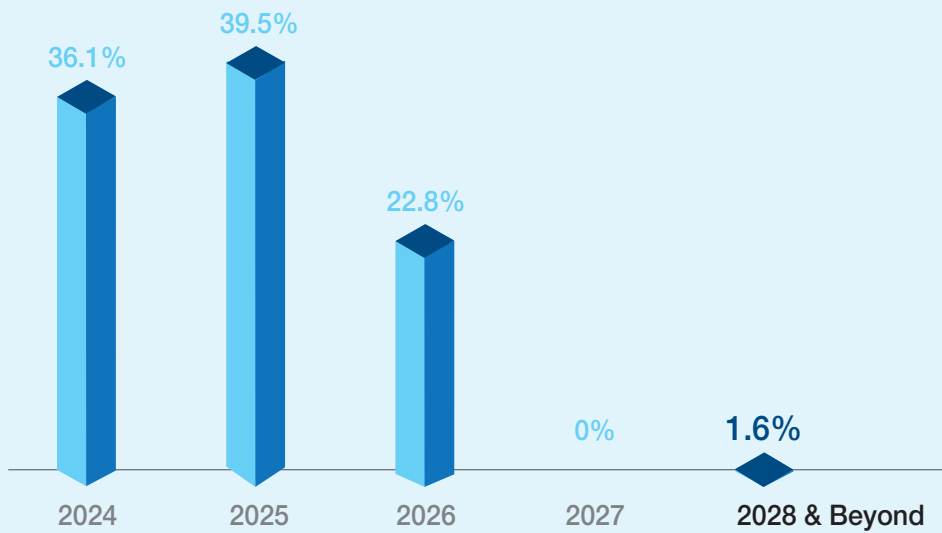
Fortune REIT's solid financial position, as evidenced by its stable cost-to-revenue ratio and healthy gearing ratio, will continue to underpin its long-term resilience.



Portfolio Key Statistics

As at 31 December 2023

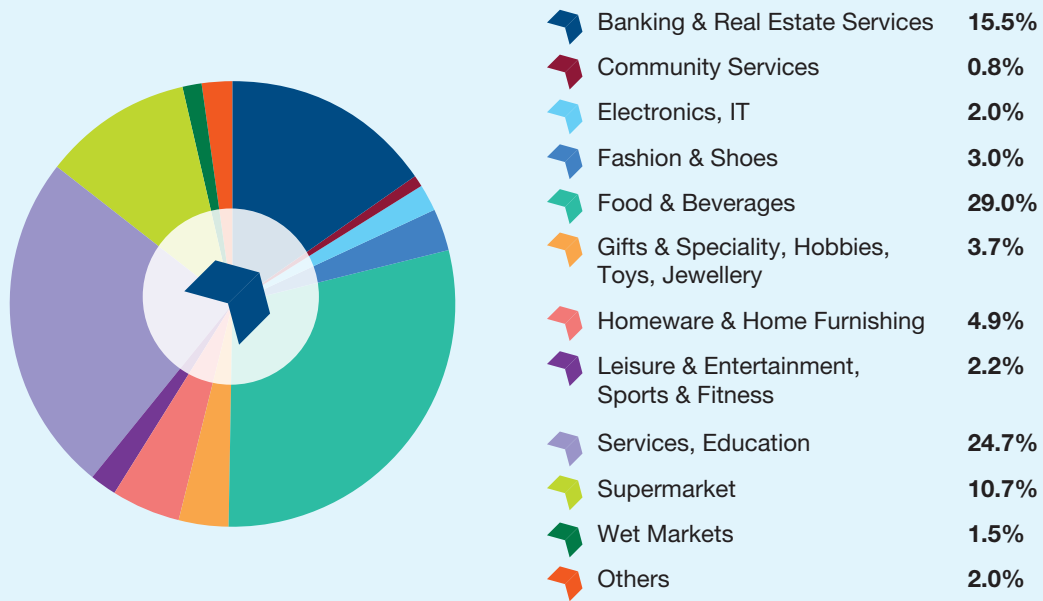
PORTFOLIO LEASE EXPIRY PROFILE¹



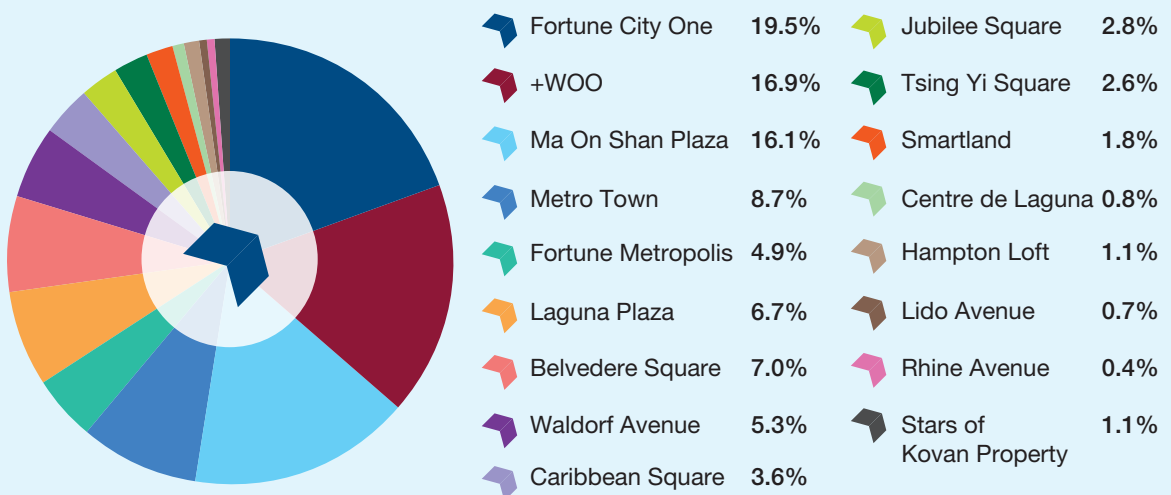
BREAKDOWN OF PORTFOLIO PROPERTY OPERATING EXPENSES²



PORTFOLIO TENANT TRADE MIX ANALYSIS¹

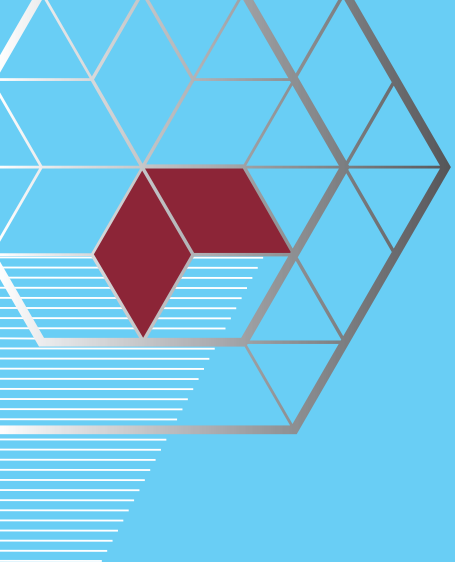


PORTFOLIO ANALYSIS BY NET PROPERTY INCOME²



Notes:

1. Based on gross rental for the month of December 2023. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.
2. For the financial year ended 31 December 2023.



**Excellence
brings success**



+WOO

AEIs Showcase



+WOO

Eying the expanding residential catchment in Tin Shui Wai, +WOO Phase 2 has embarked on HK\$300 million worth of AEIs to refresh offerings and enrich experiences. The project commenced in July 2021 and is now targeted to be completed in 2024. A significant portion of the revamped space has already been unveiled.

Featuring several new escalators, a reconfigured atrium, and new inclusive facilities, the new zone has already attracted increased footfall and introduced new food and beverage offerings. Additionally, we have transformed an unused outdoor space into +WOO Playground, a new attraction that draws additional traffic to the second floor and revitalizes the adjacent area.



Enhanced atrium's spatial layout along our mascots, Woolu & Woola.



New escalators have been installed to improve the circulation of footfall.



Outdoor space is transformed into +WOO Playground.



New tenants were introduced to +WOO after the AElS, offering a diverse tenant mix to satisfy the changing needs of shoppers and residents.

Advertising and Promotions

During the reporting year, an important milestone was reached as Fortune REIT celebrated its 20th anniversary in August. We leveraged this momentous occasion to intensify our advertising and promotion through digital channels like Facebook and Instagram. Additionally, we planned a series of captivating in-mall events and vibrant decorations to engage our customers. This multifaceted approach resulted in positive outcomes, spreading joy throughout our community, amplifying brand visibility, and driving increased footfall to our malls.



1

CEO Justina Chiu together with popular girls group, Lolly Talk officiated the opening ceremony of “Fortune Malls 20th Anniversary Birthday Party”



2

A smile collection event under “Happy Tour Around Hong Kong” campaign was held at Fortune City One to engage the community





3 Festive Campaigns with celebrities and adorable characters

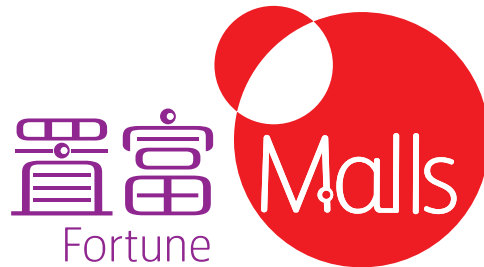


4 Open day promotion for education tenants to recruit new students



5 Redemption of popular gifts have driven tenants' sales

Our Brand



THE FORTUNE MALLS LOGO

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

FORTUNE IN YOUR EVERYDAY LIFE

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

AN ADDED DIMENSION TO DAILY SHOPPING

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

FLAGSHIP MALLS



PORTFOLIO MALLS



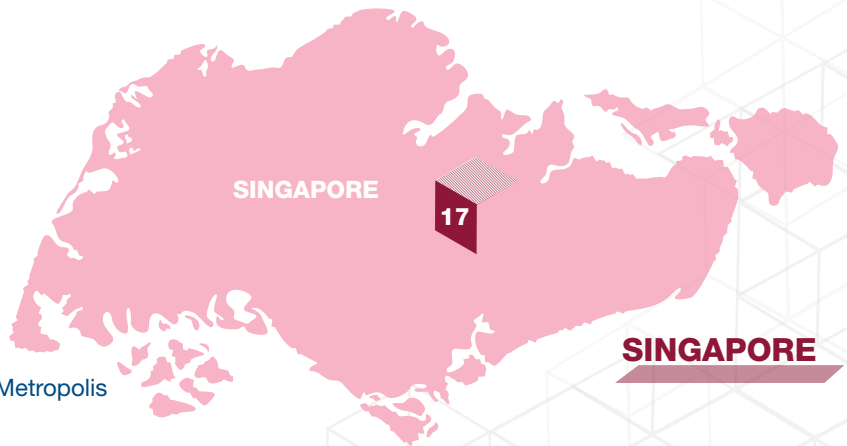
Fortune REIT's Portfolio

Portfolio at A Glance

Fortune REIT currently holds a portfolio of 16 private housing estate retail properties in Hong Kong and 1 neighbourhood mall in Singapore, comprising of 3.0 million sq.ft. of retail space and 2,793 car parking spaces.

As at 31 December 2023	Location	Gross Rentable Area (Sq.ft.)	Occupancy	Number of Car Parking Lots	Valuation (HK\$ million)	Purchase Price (HK\$ million)	
HONG KONG PORTFOLIO							
1	Fortune City One	Shatin	414,469	97.8%	653	7,974	2,559
2	+WOO	Tin Shui Wai	665,244	91.8%	622	7,638	5,849
3	Ma On Shan Plaza	Shatin	310,084	98.7%	290	5,593	934
4	Metro Town	Tseung Kwan O	180,822	100%	74	3,549	1,452
5	Belvedere Square	Tsuen Wan	276,862	92.6%	329	2,462	1,250
6	Laguna Plaza	Kwun Tong	163,203	98.3%	150	2,383	1,919
7	Fortune Metropolis	Hung Hom	332,168	86.9%	179	2,373	1,464
8	Waldorf Avenue	Tuen Mun	80,842	100%	73	1,735	400
9	Caribbean Square	Tung Chung	63,018	98.2%	117	1,204	428
10	Jubilee Square	Shatin	170,616	97.4%	97	932	218
11	Tsing Yi Square	Tsing Yi	78,836	97.1%	27	830	230
12	Smartland	Tsuen Wan	123,544	81.1%	67	789	258
13	Hampton Loft	West Kowloon	74,734	100%	35	326	159
14	Centre de Laguna	Kwun Tong	43,000	93.8%	N.A.	315	135
15	Lido Avenue	Tsuen Wan	9,836	100%	N.A.	206	75
16	Rhine Avenue	Tsuen Wan	14,604	100%	N.A.	130	40
SINGAPORE PORTFOLIO							
17	Stars of Kovan Property	Singapore	22,638	100%	80	558	505
Total/Overall Average			3,024,520	94.4%	2,793	38,997	17,875

HONG KONG



SINGAPORE

- 1** Fortune City One
- 2** +WOO
- 3** Ma On Shan Plaza
- 4** Metro Town
- 5** Belvedere Square
- 6** Laguna Plaza
- 7** Fortune Metropolis
- 8** Waldorf Avenue
- 9** Caribbean Square
- 10** Jubilee Square
- 11** Tsing Yi Square
- 12** Smartland
- 13** Hampton Loft
- 14** Centre de Laguna
- 15** Lido Avenue
- 16** Rhine Avenue
- 17** Stars of Kovan Property

1 Fortune City One 置富第一城

Fortune City One

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

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





Mall Features

- ◆ 414,469 Sq.ft. Total GRA
- ◆ 27,532 Sq.ft. Wet Market
- ◆ Fortune City One Piazza
- ◆ City One MTR Station
- ◆ Completed in 1981–1989
- ◆ 653 Parking Lots

2 +WOO



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





➤ Mall Features

- ◆ 665,244 Sq.ft. Total GRA
- ◆ Near Wetland Park
- ◆ Completed in 1999
- ◆ Adjoining 2 Hotel Towers
- ◆ 4-house Cineplex

- ◆ Tin Shui Wai MTR Station
- ◆ Located at the largest private housing estate in Hong Kong
- ◆ 622 Parking Lots
- ◆ Over 40 Loading/Unloading Bays

3 Ma On Shan Plaza

馬鞍山廣場
Ma On Shan Plaza

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

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





➤ Mall Features

310,084 Sq.ft. Total GRA

Adjoining Ma On Shan Park

Completed in 1994

Ma On Shan MTR Station

Hong Kong's Only Indoor

Merry-go-round

290 Parking Lots

Fortune REIT's Portfolio

4 Metro Town



5 Belvedere Square



6 Laguna Plaza



7 Fortune Metropolis



8 Waldorf Avenue



9 Caribbean Square



10 Jubilee Square



11 Tsing Yi Square



12 Smartland



13 Hampton Loft



14 Centre de Laguna



15 Lido Avenue



16 Rhine Avenue



17 Stars of Kovan Property



Achievements and Awards

In our pursuit of excellence, Fortune REIT consistently strives to elevate our operational standards and enhance stakeholder engagement. In the year 2023, the Manager's unwavering dedication to corporate governance, corporate communications, and corporate sustainability garnered recognition and a multitude of esteemed awards.



Corporate Communication

HKIRA 9th Investor Relations Awards

- Best IR by CEO — CEO, Justina Chiu
- Best IR by CFO — CFO, Yuki Ng
- Best IR by IRO — Deputy CEO, Jenny Hung
- Best IR Company
- Best IR Team

- Hong Kong Investor Relations Association -

2023 Best Annual Report Awards

- Excellence Report Award
- Hong Kong Management Association -

2023 Hong Kong ESG Reporting Awards

- Excellence in Real Estate
- Hong Kong ESG Reporting Awards Limited and Global Real Estate Sustainability Benchmark -

HKIRA IR Pledge

- Hong Kong Investor Relations Association -

Digital EX Awards

- Finalist For Top Ten Malls — Fortune Metropolis
 - Best O + O Strategy — Happy Tour Around HK Campaign
- Metro Broadcast -

Corporate Governance

Outstanding Listed Company Award 2023

- The Hong Kong Institute of Financial Analysts and Professional Commentators Limited -

Corporate Sustainability

2023 Global Real Estate Sustainability Benchmark

- 5 Star Rating
- Ranked 1st in Eastern Asia Retail — Listed category

Hang Seng Corporate Sustainability Benchmark Index

- A constituent for consecutive 7 years

ESG Leading Enterprise Awards 2023

- Bloomberg Businessweek/Chinese Edition and Deloitte -

Hong Kong Sustainability Awards 2023

- Hong Kong Sustainability Award — Merit
- Hong Kong Management Association -

Bloomberg Leading Environmental Initiative Awards

- Bloomberg Businessweek -

Greater Bay Area ESG Achievement Award 2023

- Grand Award
- Outstanding Green Sustainable Award
- Outstanding Social Sustainable Award
- Outstanding Corporate Governance Award

- Metro Broadcast and Hong Kong Quality Assurance Agency -

Hong Kong Green and Sustainability Contribution Awards 2023

- Outstanding Award for ESG Disclosure Contribution
 - Outstanding Award for Climate Disclosure Contribution
- Hong Kong Quality Assurance Agency -

Hong Kong Green & Sustainable Finance Awards 2023

- Outstanding Award for Green and Sustainable Loan Issuer (REIT Industry) — Visionary Sustainability-linked Loan Performance Metrics

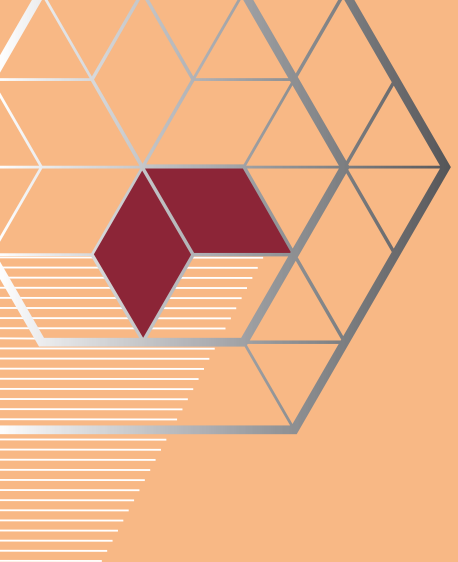
- Hong Kong Quality Assurance Agency -

CarbonCare® Star Label & ESG Label Level 4

- CarbonCare InnoLab -

10 Years Plus Caring Company Logo

- Hong Kong Council of Social Service -



Excellence leads
the future



Farm@Fortune

ESG Review



1ST REIT IN HONG KONG TO ATTAIN THE HIGHEST 5-STAR RATING FOR GRESB



OUR FOOTPRINT

To minimise Fortune REIT's environmental footprint



Energy Efficiency

-10%

(2023 Target reduce 5% against a 2018 baseline)



Waste Reduction

-5%

(2023 Target reduce 1% against a 2018 baseline)



Water Saving

-24%

(2023 Target reduce 1% against a 2018 baseline)



Climate change

-33%

(2023 Target reduce 3% against a 2018 baseline)



All 16 Fortune Malls in Hong Kong have green building certification in Management



Installed over 1,000 pieces of solar panels at five Fortune Malls



Expanded EV charger coverage to three Fortune Malls



Standard tenancy agreements include green lease clauses



Installed building management and building optimization system which covers 85% of total GFA



62% of loans are sustainability-linked



OUR COMMUNITY

To deliver value to the community and address their needs



Giving Back

(Corporate Social Responsibility)



A record 25 CSR events held with approximately 790 hours clocked



Building an Inclusive Community



Offered in-kind venue support for social enterprises and NGOs



Stakeholder Engagement



Engaged with our stakeholders via the annual stakeholder survey, CSR events and various other means, including Farm@Fortune





1ST REIT IN HONG KONG TO SET SCIENCE-BASED TARGETS FOR REDUCTION IN GHG EMISSIONS



OUR CONDUCT

To set a solid foundation for our business success



Business integrity and sustainability governance



Contractor Environmental Regulation, Contractor Safety Regulation and the Supplier's Code of Conduct in place



Provided ESG training for internal and external stakeholders



Management of sustainability-related risks



Zero incidence of non-compliance



Improved ESG disclosure with 2023 ESG report prepared in accordance with TCFD reporting principles and ISSB Standards



OUR PEOPLE

To provide our employees a constructive and balanced working environment



Employee Health and Wellbeing



Zero work-related injuries or fatalities for employees of the Manager for the past three years and zero lost days



An average of 3.5 hours per employee on health and wellbeing workshops



DEI training was provided, employee satisfaction survey included DEI factors; 100% employee participation for the employee satisfaction survey



Training and Development



Average 20.5 training hours per permanent employee



100% employees trained on sustainability, compliance and cybersecurity topics



OUR SPACE

To enhance our shoppers' experience with advanced technologies and pleasant shopping environment



Customer Health and Safety



Obtained Indoor Air Quality (IAQ) certification for 11 malls



+WOO is the first mall in Hong Kong to attain BEAM PLUS Interiors certification for renovation — Gold rating



Innovation integration



Fortune Malls App underwent further development



Cleaning and disinfection robots were deployed at four Fortune Malls

ESG Review

Creating value for our stakeholders and promoting long-term sustainable growth lie within the core of Fortune REIT's business vision. With sustainability being a core value and embedded within our DNA, we are making conscientious efforts to grow as a responsible REIT manager and to further our strive to be a good corporate citizen. Our efforts in sustainability were recognised with Fortune REIT collecting numerous accolades during the Reporting Year from local and global prestigious organizations.

Fortune REIT's Sustainability Committee is responsible for executing the Sustainability Strategy and managing sustainability performance, with oversight from the Board of the Manager. The Manager actively engaged with the significant stakeholders of Fortune REIT to identify material ESG risks during the Reporting Year and the material risks have been integrated into the existing risk management system with relevant mitigation measures put in place to effectively manage the risks. The sustainability risks identified drive our sustainability strategy and enables the Manager to allocate resources and implement initiatives to deliver value to our stakeholders.

SUSTAINABILITY GOVERNANCE

A robust governance structure paves a solid foundation for Fortune REIT to deliver value to our stakeholders and drive long-term sustainable growth. We have identified ESG risks that are material to Fortune REIT's business and have executed measures to mitigate these risks. The ESG risks identified substantially aligns with the results of the stakeholders' materiality assessment conducted during the Reporting Year. There was no incidence of non-compliance of the relevant laws and regulations that have a significant impact on Fortune REIT during the Reporting Year.

For further details of Fortune REIT's sustainability progress for the Reporting Year, please refer to our Environmental, Social and Governance Report 2023.



VALUE CREATION



Board of Directors and Senior Management

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



CHUI SING LOI
(alias Tsui Sing Lo)



CHIU KWOK HUNG, JUSTIN



LIM HWEE CHIANG



YEUNG, EIRENE



MA LAI CHEE, GERALD



CHIU YU, JUSTINA



CHENG AI PHING



YEO ANNIE
(alias Yeo May Ann)



KOH POH WAH

BOARD OF DIRECTORS

Chui Sing Loi (alias Tsui Sing Loi)

**Chairman and Independent
Non-Executive Director**

Mr. Chui, aged 75, has been appointed as an Independent Non-Executive Director, the Chairman of the Board and a member of the Audit Committee of the Manager from 1 January 2017 and the Chairman of the Nomination Committee of the Manager from 27 May 2022. Before joining the Manager, Mr. Chui was an engineer and a civil servant involved in the development of Singapore Changi Airport from the start to its opening in 1981. He headed the Mechanical and Electrical Branch of Changi Airport Development Division of the Public Works Department and took part in the setting up of Indeco Engineers Pte. Ltd. ("IEPL"), a government-owned company for the management of the new airport's engineering facilities. He was subsequently released from the civil service to take up the position of Deputy General Manager of IEPL, and later its General Manager. Within a few years, IEPL had expanded to include facilities management of Singapore's largest two hospitals; and the supply and installation of building services systems to Singapore's mass rapid transit stations and to China World Trade Centre in Beijing.

Mr. Chui was a Project Manager to head its multi-disciplinary project management team of Suntec City Development Pte. Ltd. from June 1992 to December 1997 which directly managed the development of Suntec City, the largest commercial development in Singapore at that time.

Mr. Chui was involved in project and facilities management in the development projects such as Thomson 800, Costa Del Sol, Cairnhill Crest, One Raffles Quay and Marina Bay Financial Centre. One Raffles Quay and Marina Bay Financial Centre are mega developments comprising prime offices, retail spaces, and luxurious apartments in Singapore's new business district.

Mr. Chui has extensive professional experience in property development, investment and facility management. He was awarded the Public Service Medal (Bronze) for his efforts in the development of Singapore Changi Airport.

Mr. Chui holds a Bachelor degree of Science (Engineering) from The University of Hong Kong.

Chiu Kwok Hung, Justin

Non-Executive Director

Dr. Chiu, aged 73, has been the Chairman and a Director of the Manager since the Manager's incorporation in 2003. He stepped down as the Chairman of the Manager on 1 January 2017 and remains as a Non-Executive Director of the Manager and has been appointed as a member of the Nomination Committee of the Manager from 27 May 2022. Dr. Chiu is also the Chairman of ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT, listed on the Main Board of the SEHK) and a Non-executive Director of ESR Group Limited (formerly known as ESR Cayman Limited, listed on the Main Board of the SEHK), which indirectly owns 100% of the Manager. Dr. Chiu is also an Independent Non-executive Director of Star Shine Holdings Group Limited (formerly known as Deyun Holding Ltd., listed on the Main Board of the SEHK).

Dr. Chiu is a Fellow of The Royal Institution of Chartered Surveyors, a Member of the Advisory Board and a Fellow of The Hong Kong Institute of Directors, a Fellow of Hong Kong Institute of Real Estate Administrators, a Member of the Board of Governors of Hong Kong Baptist University Foundation, an Honorary Associate Member of Business of Trent University, Canada and a member of the Singapore Management University's International Advisory Council in China. Dr. Chiu is the Chairman of the Advisory Committee and an Adjunct Professor of the School of Business of Hong Kong Baptist University and a Senior Departmental Fellow of the Department of Land Economy at University of Cambridge, the United Kingdom. Dr. Chiu was previously an Honorary Professor of School of Pharmaceutical Sciences of Sun Yat-sen University and a member of the Standing Committee of the 12th Shanghai Committee of the Chinese People's Political Consultative Conference of the People's Republic of China.

Dr. Chiu has more than 40 years of international experience in real estate in Hong Kong and overseas and is one of the most respected professionals in the property industry in Asia. Dr. Chiu joined the CK Group in 1997, and is an Executive Director and an Executive Committee member of CK Asset Holdings Limited ("CK Asset"), a company listed on the Main Board of the SEHK, heading the real estate sales, marketing and property management teams. Prior to joining the CK Group, Dr. Chiu was with Sino Land Company Limited from 1994 to 1997 and Hang Lung Development Company, Limited (now known as Hang Lung Group Limited) from 1979 to 1994 where he was responsible for the leasing and property management in both companies. Both Sino Land Company Limited and Hang Lung Group Limited are listed on the Main Board of the SEHK.

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

Board of Directors and Senior Management

Lim Hwee Chiang

Non-Executive Director

Mr. Lim, aged 67, has been a Director of the Manager since the Manager's incorporation in 2003. He is the Chairman of JL Family Office. He is also the Senior Advisor and Non-executive Director of ESR Group Limited (listed on the Stock Exchange of Hong Kong Limited). He serves as a Non-executive Director of Hui Xian Asset Management Limited (the manager of Huixian REIT listed on The Stock Exchange of Hong Kong Limited), ARA Trust Management (Suntec) Limited (the manager of Singapore-listed Suntec REIT) and ARA Asset Management (Prosperity) Limited (the manager of Hong Kong-listed Prosperity REIT).

Mr. Lim is Chairman of the Asia Pacific Real Estate Association ("APREA"), and the Consultative Committee to the Department of Real Estate, National University of Singapore. He is also a Patron of the Securities Investors Association of Singapore ("SIAS") and a Council Member of Singapore Chinese Chamber of Commerce and Industry.

Mr. Lim co-founded ARA Asset Management Limited in 2002 and was its Group CEO for 18 years and Deputy Chairman from February 2021 to January 2022.

Mr. Lim has over 41 years of experience in the real estate industry and has received many notable corporate awards. These include the PERE Global Awards 2020 and 2016 Industry Figure of the Year: Asia, Ernst & Young Entrepreneur of the Year Singapore 2012 and the Outstanding CEO of the Year 2011 at the Singapore Business Awards 2012. Mr. Lim, along with the Board of Directors of ARA, was a recipient of the prestigious Best Managed Board (Gold) Award at the Singapore Corporate Awards 2012. In 2017, he was conferred the Public Service Medal (PBM) by the President of Singapore in recognition of his contributions to the community.

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

Yeung, Eirene

Non-Executive Director

Ms. Yeung, aged 63, has been a Director of the Manager since 2003. She is a member of the Disclosures Committee of the Manager. Ms. Yeung is also an Executive Committee member, the Company Secretary, General Manager of Company Secretarial Department and a member of the Sustainability Committee of CK Asset. She is also the Company Secretary and Alternate Director to the Group Managing Director of CK Infrastructure Holdings Limited ("**CK Infrastructure**") and the Company Secretary of CK Life Sciences Int'l., (Holdings) Inc. ("**CK Life Sciences**").

Ms. Yeung joined the CK Group in 1994. She advises the Board on corporate strategy and investments, and heads the corporate legal and secretarial team that oversees transactions, listing, regulatory and origination compliance, and advises and drives mergers and acquisitions, overseas property investments, securities placement, private equity and fund investment, bond and note issue and other financing and corporate exercises. CK Asset, CK Infrastructure and CK Life Sciences are listed on the Main Board of the SEHK.

Ms. Yeung has been a solicitor of the High Court of the Hong Kong Special Administrative Region ("**HKSAR**") since 1986 and a non-practising solicitor of the Senior Courts of England and Wales since 1990.

Ms. Yeung is a member of the Main Board and GEM Listing Review Committees of the SEHK, Deputy Chairperson of the General Committee of The Chamber of Hong Kong Listed Companies.

Ms. Yeung is a fellow member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. She holds a Master of Science degree in Finance, a Master's degree in Business Administration from The Chinese University of Hong Kong, and a Bachelor's degree in Laws from The University of Hong Kong.

Ma Lai Chee, Gerald

Non-Executive Director

Mr. Ma, aged 56, has been appointed as a Director and a member of the Designated Committee of the Manager since June 2015 and was an Alternate Director to a Director of the Manager, Mr. Ip Tak Chuen, Edmond, from April 2008 to May 2015. Mr. Ma joined the CK Group in 1996 and is currently an Executive Committee member & General Manager, Corporate Business Development Department of CK Asset. He also serves as a Non-Executive Director and a member of the Designated (Finance) Committee of ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT). Mr. Ma is an Alternate Director to Mr. Lai Kai Ming, Dominic, Non-Executive Director of Hutchison Telecommunications Hong Kong Holdings Limited (“HTHKH”). CK Asset, Prosperity REIT and HTHKH are listed on the Main Board of the SEHK.

Mr. Ma has over 30 years of management experience in different industries. He is a member of the Faculty Advisory Board of the Sauder School of Business of the University of British Columbia, Canada. He holds a Bachelor of Commerce degree in Finance and a Master of Arts degree in Global Business Management.

Chiu Yu, Justina

Chief Executive Officer and Executive Director

Ms. Chiu, aged 43, has been appointed the Chief Executive Officer of the Manager since February 2015 and an Executive Director of the Manager since 2010. She was employed by the Manager from 2008.

She is also a Responsible Officer and the Chairman of each of the Disclosures Committee, the Designated Committee and the Sustainability Committee of the Manager. She is responsible for the overall performance and direction of Fortune REIT. Prior to her current appointments, she was the Deputy Chief Executive Officer of the Manager responsible for day-to-day management of Fortune REIT from 2010 to 1 February 2015 and the Chief Operating Officer of the Manager overseeing strategic planning, investment, asset management and investor relations from 2009 to 2010.

Ms. Chiu holds a Master of Science degree in Real Estate Economics and Finance, a Bachelor of Science degree in Accounting and Finance, a Postgraduate Certificate in Laws and a Postgraduate Diploma in Law. She is also a solicitor of the High Court of the HKSAR, a CFA Charterholder, a member of the American Institute of Certified Public Accountants and a fellow member of the Royal Institute of Chartered Surveyors. Ms. Chiu is the daughter of Dr. Chiu Kwok Hung, Justin, a Non-Executive Director of the Manager.

Board of Directors and Senior Management

Cheng Ai Phing

Independent Non-Executive Director

Ms. Cheng, aged 66, has been appointed as an Independent Non-Executive Director, the Chairman of the Audit Committee, a member of the Disclosures Committee and Designated Committee of the Manager from 1 January 2017. She is also an Independent Director of Citibank Singapore Limited, Chairman of its Audit Committee and a member of its Risk & Management Committee. In addition, Ms. Cheng is a member of the NTUC Education and Training Fund Board of Trustees. Ms. Cheng was previously an independent Director of Prime US REIT Management Pte. Ltd, the Manager of Prime US REIT listed in Singapore and an External Member of The Asian Infrastructure Investment Bank Audit & Risk Committee.

Ms. Cheng was a Senior Partner in Assurance at a Big Four International Accounting Firm for 36 years before her retirement. During her career with the Firm, she was the Firm's Country Leader for Global Financial Services, Real Estates, Public Sector and Banking and Complex Financial Instruments and served large listed and non-listed domestic and international clients in those industries. Ms. Cheng was also the Chairman of the Firm's Governance Committee for several years up to her retirement. She is a Fellow Chartered Accountant of The Institute of Singapore Chartered Accountants ("**ISCA**") and a Fellow of CPA Australia.

Ms. Cheng currently sits on various governmental bodies and professional associations in Singapore, including being a member of the SGX Disciplinary Committee and Appeal Committee, and ISCA Financial Reporting Core Sub Committee. Ms. Cheng holds a Bachelor of Accountancy degree from the University of Singapore.

Yeo Annie (alias Yeo May Ann)

Independent Non-Executive Director

Ms. Yeo, aged 77, has been appointed as an Independent Non-Executive Director, a member of the Audit Committee of the Manager from 1 February 2017 and a member of the Nomination Committee of the Manager from 27 May 2022.

Ms. Yeo was previously engaged as a consultant from 2009 to 2011 for Joonghak PFV in respect of its mixed office/commercial property development in Seoul, Korea, and the director and chief executive officer of Property Enterprises Development Pte. Ltd. and its associated companies from 1995 to 2005. Ms. Yeo was also a director of Hunwin Enterprises (S) Pte. Ltd., a supplier of hotel amenities in Asia, from 1983 to 2015.

Ms. Yeo currently holds various positions with governmental and religious bodies in Singapore. She is the treasurer of the Women Executive Committee of the People's Association, Cairnhill Community Club and a member of the Finance Ministry of the Covenant Community Methodist Church.

Ms. Yeo has extensive professional experience in property development and investment management.

Ms. Yeo holds a Bachelor degree of Economics (Honours) from the National University of Singapore and had completed the Advanced Management Programme at the Harvard Graduate School of Business.

Koh Poh Wah

Independent Non-Executive Director

Ms. Koh, aged 67, has been appointed as Independent Non-Executive Director of the Manager from 1 August 2017. She is also a member of the Audit Committee of the Manager since 2 May 2018 and a member of the Nomination Committee of the Manager since 27 May 2022. Ms. Koh is also an Independent non-executive director and member of the Audit Committee of HK Electric Investments Limited (listed on the SEHK) and HK Electric Investments Manager Limited as well as an Independent non-executive director, Chairman of the Remuneration Committee and member of the Audit Committee of Power Assets Holdings Ltd (listed on the SEHK). She has more than 30 years of working experience in the areas of operations management, technology, financial and business re-engineering areas.

Ms. Koh was previously the Regional Accountant (Alpha Asia Pacific) of Alpha International, a non-profit organisation, from 2012 to 2015, where she took full responsibility for the finance functions for Alpha Asia Pacific region, Alpha Singapore and AAP Publishing Pte. Ltd. Prior to Alpha International, she was a Director with Future Positive Pte. Ltd. working extensively on Information Technology/Business Re-engineering consultancy areas. Ms. Koh also spent 15 years in American International Assurance Co. Ltd. from 1986 to 2000, with her last position as Vice President — Quality Support & Operations Management. Prior to this role, Ms. Koh held various executive positions in Singapore Bus Service Co. Ltd., Singapore Computer Systems Co. Ltd. and Malvern & Co. Chartered Accountants (UK).

Ms. Koh holds a Master of Science in Management Science and Operational Research, a Bachelor of Arts Degree (Honours) in Accounting and a Diploma from Institute for the Management of Information Systems (previously known as Institute of Data Processing Management, UK). Ms. Koh is also a Fellow of Life Management Institute and an Associate of Customer Service for the Life Management Organization, USA.

SENIOR MANAGEMENT

Chiu Yu, Justina

Chief Executive Officer

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

Hung Yuen Chun

Deputy Chief Executive Officer

Ms. Hung joined the Manager in 2006. She is the Deputy Chief Executive Officer and a Responsible Officer of the Manager. Ms. Hung is responsible for communicating and liaising with Unitholders and investors of Fortune REIT.

Ms. Hung is also responsible for identifying and evaluating potential acquisitions or divestments which are consistent with the Manager's investment strategy.

Ms. Hung has more than 20 years of experience in the real estate industry with exposure to the Hong Kong and PRC markets. Prior to joining the Manager, Ms. Hung worked for CK Group for six years. Ms. Hung holds a Bachelor of Science degree in Surveying (First Class Honours) from the University of Hong Kong. She is a qualified General Practice Surveyor and an associate member of the Hong Kong Institute of Surveyors.

Corporate Governance Report

With the objective of establishing and maintaining high standards of corporate governance, the Board has established a corporate governance framework with internal controls, systems, policies and procedures in place to promote the operation of Fortune REIT in an accountable and transparent manner and with built-in checks and balances to ensure compliance with relevant regulations.

REGULATORY FRAMEWORK AND CORPORATE GOVERNANCE

Fortune REIT is a real estate investment trust listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “SEHK”). Fortune REIT and/or the Manager are subject to the applicable laws, rules and regulations in Hong Kong (the “Applicable Rules”), including the mandatory disclosure requirements and code provisions set out in the Corporate Governance Code (the “Corporate Governance Code”) contained in Appendix C1 (formerly Appendix 14) to the Rules Governing the Listing of Securities on the SEHK (the “Listing Rules”). 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 Rules.

Sound and effective governance practices form the foundation of the operations of Fortune REIT and is critical to success of the organisation. Underpinned by the vision, mission and values, the Board resolves to continue adhering to the highest standards of corporate governance, business ethics, and corporate social responsibility, thus ensuring solid foundation is in place for creating long-term sustainable returns for Fortune REIT and its stakeholders.

Vision

The Board’s vision to be the best-of-class REIT manager, offering bespoke solutions and enduring value to investors and partners of Fortune REIT.

Mission

Fortune REIT’s mission 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.

Values

1. Excellence

We strive for excellence in every aspect of our business. We maintain high standards of performance and accountability, and we seek to learn, explore and improve continuously.

2. Inclusion

We embrace diversity, equity and inclusion in the workplace. We believe trust and mutual respect among colleagues, partners and stakeholders are cornerstones of growth and success.

3. Entrepreneurship

Our entrepreneurial spirit reflects our passion, courage and desire to succeed and ultimately drives the creation of opportunities and the delivery of superior outcomes in a competitive marketplace.

4. Sustainability

Sustainability is central to our mission because we aspire to improve the environmental prospects of our planet. Our responsibilities to stakeholders, local communities and the world at large grow in tandem with our business. Accordingly, we commit to lead and embrace the highest standards of governance in forging a path to become a carbon neutral business.

CORPORATE GOVERNANCE FRAMEWORK

Supported by adequate and effective system of internal controls, policies and risk management, the Corporate Governance Framework oversees the performance of Fortune REIT by mobilising the necessary resources to meet the strategic objectives set by the Board. As part of this Corporate Governance Framework, the Manager has established robust processes and operating procedures to manage risks, make effective decisions and create value, while remaining transparent and accountable to investors and stakeholders of Fortune REIT, recognising its fiduciary duties.



In terms of overall corporate governance of Fortune REIT, the Board is responsible for the following corporate governance duties:

- (i) to develop, review and update Fortune REIT's policies and practices on corporate governance;
- (ii) to review and monitor the training and continuous professional development of Directors and senior management of the Manager;
- (iii) to review and monitor Fortune REIT's policies and practices on compliance with the applicable legal and regulatory requirements;
- (iv) to develop, review and monitor the Compliance Manual and any other code of conduct applicable to Directors and employees of the Manager;
- (v) to review Fortune REIT's compliance with the applicable corporate governance practices and disclosure requirements under the REIT Code and the Corporate Governance Code; and
- (vi) such other applicable corporate governance duties and functions set out in the REIT Code and the Corporate Governance Code (as amended from time to time) for which the Board is responsible.

A summary of the key components of the corporate governance policies that have been adopted and complied with by the Manager and/or Fortune REIT have been set out in this Corporate Governance Report, together with the work undertaken by the Board and its Board Committees during the Reporting Year to fulfil its corporate governance duties.

AUTHORISATION STRUCTURE

Fortune REIT is a collective investment scheme authorised by the Securities and Future Commission of Hong Kong ("SFC") under Section 104 of the Securities and Futures Ordinance (Cap. 571) (the "SFO") and regulated by the provisions of the REIT Code.

The Manager is licensed by the SFC to conduct the regulated activity of asset management (Type 9) under Part V of the SFO. Ms. Chiu Yu, Justina, Ms. Hung Yuen Chun and Ms. Ng Yuk Ting are the Responsible Officers of the Manager pursuant to Chapter 5.4 of the REIT Code of which Ms. Chiu Yu, Justina is also an Executive Director of the Manager pursuant to the requirements of Section 125 of the SFO.

The Trustee, HSBC Institutional Trust Services (Asia) Limited, is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code.

COMPLIANCE CONFIRMATIONS

The Board confirms that Fortune REIT and the Manager have complied with the REIT Code, the SFO, Listing Rules, the Trust Deed as well in material respects complied with the provisions of the Compliance Manual. The Board also confirms that Fortune REIT and the Manager have adhered to the mandatory disclosure requirements and code provisions set out in the Corporate Governance Code which are applicable to Fortune REIT and/or the Manager throughout the Reporting Year and have provided explanations in cases of deviations (if any) in this report.

Corporate Governance Report

In addition, Fortune REIT and/or the Manager have adhered to the relevant laws and regulations that have a significant impact, including Employment Ordinance, Personal Data (Privacy) Ordinance, Minimum Wage Ordinance, Occupational Health and Safety Ordinance, and Competition Ordinance and there was no incidence of non-compliance of the relevant laws and regulations that have a significant impact on Fortune REIT during the Reporting Year.

During the Reporting Year, there were no amendments to the Trust Deed and the Compliance Manual.

ROLES OF THE TRUSTEE AND THE MANAGER

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

The Trustee acts in the best interests of Unitholders by maintaining the legal integrity of the assets of Fortune REIT. The Trustee holds and is required under the REIT Code to discharge its duties with diligence and prudence. The Manager is responsible for carrying out the investment policy of Fortune REIT and is required under the REIT Code to observe high standards of integrity, market conduct, fair dealing and corporate governance.

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 ("ESG"), financial performance and the appointment, reappointment and removal of the Directors of the Manager. The Board has established a corporate governance framework for the management of Fortune REIT and the Manager, including a system of internal controls and business risk management processes. The Board has set the vision, mission and values of Fortune REIT which are instilled within the culture of the Manager. Directors have shaped and promoted the culture of the Manager through leading by example, acting with integrity and providing supervision to ensure that the values of acting lawfully, ethnically and responsibly are echoed throughout Fortune REIT and the Manager's operations.



The Board presently comprises nine members, eight of whom are Non-Executive Directors. Four of the Non-Executive Directors are Independent Non-Executive Directors (“INEDs”). The composition of the Board is determined on the following principles:

- the Chairman of the Board (the “**Chairman**”) shall be a Non-Executive Director;
- the Board shall comprise Directors with a broad range of commercial experience including expertise in fund management and property;
- at least one INED shall possess appropriate professional qualifications or accounting or related financial management expertise; and
- at least one-third of the Board should comprise INEDs, with a minimum of three INEDs.

Members of the Board

Chairman and Independent Non-Executive Director	Mr. Chui Sing Loi (alias Tsui Sing Loi)
Non-Executive Directors	Dr. Chiu Kwok Hung, Justin Mr. Lim Hwee Chiang Ms. Yeung, Eirene Mr. Ma Lai Chee, Gerald
CEO and Executive Director	Ms. Chiu Yu, Justina
Independent Non-Executive Directors	Ms. Cheng Ai Phing Ms. Yeo Annie (alias Yeo May Ann) Ms. Koh Poh Wah

Biographical details of the Directors are set out in this Annual Report, published on the websites of Fortune REIT (www.fortunereit.com) and SEHK, including their roles and functions and designation. All Directors are identified in corporate communications that disclose the names of the Directors.

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

The Chairman leads Board discussions and deliberations, and is responsible for setting the meeting agenda of Board meetings. He ensures that Board meetings are held when necessary and all Directors are properly briefed on the agenda arising at Board meetings. He promotes high standards of corporate governance and maintains effective communication with the Unitholders. In addition, the Chairman promotes a culture of openness and debate, and facilitates effective, constructive contribution from all Directors, with all Directors able to include matters to the agenda. The CEO is responsible for the day-to-day management of the Manager and Fortune REIT. She executes the strategic plans set out by the Board and ensures that the Directors are kept updated and informed of Fortune REIT’s business via management reports.

Corporate Governance Report

All Directors are provided with regular updates on changes in the relevant laws and regulations to enable them to make informed decisions in discharging their duties and responsibilities. Directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contributions to the Board remain informed and relevant. The Manager provides Directors with information on the relevant training courses, arranges and funds their training as and when required and their attendance records of training will be kept and provided to the Manager where the Applicable Rules apply. Structured induction/orientation/training opportunities are provided to the Directors through initiatives such as site visits, briefings at Board meetings and training workshops organised for Directors. During the Reporting Year, the Manager provided continuous professional development programmes to all Directors, including the topic of anti-corruption.

Members of the Board		Compliance with Continuous Professional Development
Chairman and Independent Non-Executive Director	Mr. Chui Sing Loi (alias Tsui Sing Loi)	✓
Non-Executive Directors	Dr. Chiu Kwok Hung, Justin	✓
	Mr. Lim Hwee Chiang	✓
	Ms. Yeung, Eirene	✓
	Mr. Ma Lai Chee, Gerald	✓
CEO and Executive Director	Ms. Chiu Yu, Justina	✓
Independent Non-Executive Directors	Ms. Cheng Ai Phing	✓
	Ms. Yeo Annie (alias Yeo May Ann)	✓
	Ms. Koh Poh Wah	✓

According to the Memorandum and Articles of Association of the Manager, one-third of the Directors shall retire from office at every annual general meeting of the Manager, or if their number is not three or a multiple of three, then number nearest to one-third shall retire from office. All Directors are given formal appointment letters providing the terms of their appointment, duties and obligations.

The Manager has arranged appropriate insurance cover in respect of potential legal actions against its Directors.

Management provided the Board with timely and adequate information on Board matters and issues requiring the Board's deliberation. During the Reporting Year, Management also provided monthly updates to the Board on Fortune REIT's performance. All Directors are also provided with reports relating to the operational and financial performance of Fortune REIT to enable them to exercise effective oversight over Fortune REIT's operational and financial performance. If and as required, Management catered to additional information requests and/or queries from Directors.

Board meetings for each year are scheduled in advance to facilitate Directors' individual administrative arrangements in respect of their ongoing commitments. Agendas and accompanying board papers are generally circulated at least three days in advance of each meeting and include background explanatory information to enable Directors to make informed decisions. Any queries raised by Directors are timely addressed by Management. Such explanatory information may also be in the form of briefings to Directors or formal presentations by senior management in attendance at Board and/or Board Committee meetings, or by external professionals. For ad-hoc Board meetings, reasonable notice will be given to Directors to encourage all Directors attendance and contribution.

Subsequent to the publication of the Interim Report 2023 of Fortune REIT, the Manager received notifications regarding the following changes of Directors' information:

- Dr. Chiu completed his tenure on Council Member and was appointed as a Member of Advisory Board of The Hong Kong Institute of Directors. He also completed his tenure on Vice Chairman and remains as a Member of the Board of Governors of Hong Kong Baptist University Foundation (from 1 January 2024 to 31 December 2026). Dr. Chiu was appointed as the Chairman of the School of Business Advisory Committee of Hong Kong Baptist University (from 1 September 2023 to 31 August 2025).
- Ms. Yeung completed her tenure on Member of the Personal Data (Privacy) Advisory Committee (for 2 years from 1 October 2021 to 30 September 2023).
- Mr. Ma ceased to be a Member of the Hospitality Services Committee for Caritas Hong Kong since 1 October 2023.
- Ms. Cheng completed her term as a Member of the Monetary Authority of Singapore Appeal Advisory Panels under Five MAS-administered Acts.

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 objectives, 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 or virtual meetings, written resolutions may also be circulated for approval by the Board.

During the Reporting Year, four board meetings of the Manager were held and the attendance record of the Board meetings is as follows:

Members of the Board		Attendance
Chairman and Independent Non-Executive Director	Mr. Chui Sing Loi (alias Tsui Sing Loi)	4/4
Non-Executive Directors	Dr. Chiu Kwok Hung, Justin	4/4
	Mr. Lim Hwee Chiang	3/4
	Ms. Yeung, Eirene	4/4
	Mr. Ma Lai Chee, Gerald	4/4
CEO and Executive Director	Ms. Chiu Yu, Justina	4/4
Independent Non-Executive Directors	Ms. Cheng Ai Phing	4/4
	Ms. Yeo Annie (alias Yeo May Ann)	4/4
	Ms. Koh Poh Wah	4/4

Apart from the regular Board meetings, the Chairman had convened one meeting with the INEDs without the presence of the other Directors during the Reporting Year.

The Board also ensures appropriate and adequate reporting in the interim and annual reports, including financial statements, ESG, disclosures of the Board's practices (e.g. the terms of references of Board Committees), and various policies and procedures.

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

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

Corporate Governance Report

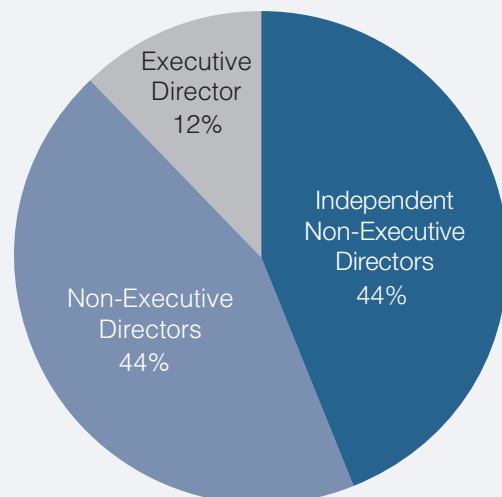
ENHANCING THE INDEPENDENCE OF THE BOARD

Under the common law, Directors have an overarching fiduciary duty of good faith to act in the best interests of the company as a whole and to exercise independent judgement. The Non-Executive Directors possess sufficient calibre and contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives of Fortune REIT and/or the Manager. Their views and opinions provide alternate perspectives to Fortune REIT's business. The Board is comprised of a majority of Non-Executive Directors and when reviewing Management's proposals or decisions, Non-Executive Directors bring independent judgement to bear on business activities and transactions, particularly in circumstances involving conflicts of interest and complexities.

Key mechanisms to enhance independence of the Board:

- Chairman of the Board is an INED;
 - As required under the Listing Rules, the Audit Committee and Nomination Committees are chaired by INEDs and comprised of a majority of INEDs;
 - If an INED of the Manager has served on the Board for more than nine years, his/her further appointment should be subject to a separate resolution to be approved by the Unitholders of Fortune REIT;
 - NEDs and INEDs are not granted equity-based remuneration with performance-related elements;
 - Rigorous recruitment criteria for INEDs which considers amongst others, the INED's time commitment and professional qualification or accounting or related financial management expertise;
 - At least one-third of the Board shall comprise INEDs;
- Majority of the Board is comprised of NEDs and INEDs, who bring independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct, scrutinise Fortune REIT's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting and take the lead where potential conflicts of interest arise;
 - All Directors, including INEDs and NEDs, have devoted sufficient time and attention to their role as Directors and to the business of the Manager and Fortune REIT, and have made contributions which commensurate with their roles and board responsibilities;
 - Directors have access to external independent professional advice where necessary; and
 - INEDs are required to declare their independence at appointment and thereafter annually which is reviewed by the Nomination Committee as delegated by the Board and have a continuous duty to disclose any change in circumstances affecting their independence.

Designation





The Nomination Committee regularly reviews the structure, size, composition and performance of the Board. The Nomination Committee also reviews the independence of INEDs annually based on the independence criteria set out in the Compliance Manual (the “**Independence Criteria**”) and the Applicable Rules. The independence of Directors is reviewed at the time of their appointment and thereafter.

The Nomination Committee has received written annual confirmations from Mr. Chui Sing Loi (alias Tsui Sing Loi), Ms. Cheng Ai Phing, Ms. Yeo Annie (alias Yeo May Ann) and Ms. Koh Poh Wah confirming his/her independence pursuant to the Independence Criteria for the year ended 31 December 2023. The Nomination Committee has determined that all present INEDs (who are Mr. Chui Sing Loi (alias Tsui Sing Loi), Ms. Cheng Ai Phing, Ms. Yeo Annie (alias Yeo May Ann) and Ms. Koh Poh Wah) are independent in character and judgement and that there are no relationships or circumstances which are likely to affect or could appear to affect their judgement and no individual or small group of individuals dominates the Board’s decision-making process.

The Nomination Committee considered Mr. Chui Sing Loi (alias Tsui Sing Loi), Ms. Cheng Ai Phing, Ms. Yeo Annie (alias Yeo May Ann) and Ms. Koh Poh Wah are independent from management and business relationships with the Manager and Fortune REIT, and independent from the substantial shareholder of the Manager and the substantial Unitholder of Fortune REIT. All INEDs have not served on the Board for nine years or more.

As required under the Corporate Governance Code, if an INED has served on the Board for more than nine years, his or her further re-appointment shall be subject to the approval of the Unitholders at the AGM by way of a separate resolution, with the papers accompanying the resolution to state why the Board (or the Nomination Committee) believes that the INED is still independent and should be re-elected. Where the Board (or the Nomination Committee) proposes a resolution to elect an individual as an INED, the papers to the Unitholders accompanying a resolution should include: (a) the process used for identifying such INED and reasons why the Board believes he/she is still independent and should be re-elected; (b) if the proposed INED will be holding his/her seventh (or more) listed company directorship, reasons why the Board believes such INED would still be able to devote sufficient time to the Board; (c) the perspectives, skills and experience that such INED can bring to the Board; and (d) how such INED contributes to diversity of the Board.

Directors have disclosed to the Manager at the time of their appointment and at every board meeting thereafter and from time to time, their direct or indirect interests in transactions/contracts, properties and offices. Directors have disclosed to the Manager at the time of their appointment, bi-annually and from time to time thereafter the number and nature of offices held in public companies or organisations and other significant commitments, identifying the public companies or organisations involved.

Although the Directors have other listed company board representations and principal commitments, the Board has determined, during an assessment of the Board’s performance, that each of the individual Directors has devoted sufficient time and attention to their role as Directors and to the business of the Manager and Fortune REIT and have made contributions which, at a minimum, commensurate with their role and board responsibilities. The Board is of the view that such appointments do not hinder the Directors from carrying out their duties as Directors of the Manager and therefore believes that it would not be necessary to prescribe a maximum number of listed company board representations and principal commitments that a Director may hold.

In considering persons for appointment or re-appointment as Directors, the Nomination Committee will consider a number of factors to assess whether such persons are fit and proper to be Directors, including those set out in the Compliance Manual and Board Diversity Policy, such as:

- (a) educational or other qualifications or experience having regard to the nature of the functions to be performed;
- (b) ability to carry out their duties competently, honestly and fairly; and
- (c) reputation, character, reliability and integrity.

The Board reviews the implementation and effectiveness of the above mechanisms annually to ensure independent views and input are available to the Board. The Board is of the view that there are sufficient safeguards and checks to ensure that the decision-making process of the Board is independent and based on the collective decision of Directors.

Corporate Governance Report

COMPANY SECRETARY AND INDEPENDENT PROFESSIONAL ADVICE

Ms. Maureen Mei Mei Low and Ms. Wai Ming Chiang are the Company Secretary of the Manager, as appointed by the Board. Both Ms. Low and Ms. Chiang are external service providers and report to Ms. Chiu Yu, Justina, the CEO of the Manager, who also acts as the primary corporate contact person at Fortune REIT.

During the Reporting Year, the Board, including the Board Committees, had separate and independent access to the Company Secretary, her authorised designate(s) and to Management at all times. The Company Secretary, or her authorised designate(s), attended the scheduled meetings of the Board and Board Committees, and prepared minutes of proceedings. Minutes of Board meetings and Board Committee meetings are drafted by the Company Secretary or her authorised designate(s) and contain sufficient detail of the matters considered, discussed and decisions reached. The Company Secretary or her authorised designate(s) sends the draft minutes to all Directors a reasonable time after each Board and Board Committee meeting. Directors are given an opportunity to comment on the draft minutes. The finalised minutes are kept by the Company Secretary or her authorised designate(s) and open for inspection by Directors. The Company Secretary assists the Chairman to ensure that Board procedures are followed and are regularly reviewed to ensure the effective functioning of the Board and compliance with relevant rules and regulations. The Company Secretary also assists the Chairman and the Board to implement and strengthen corporate governance practices and processes with a view to enhancing Unitholders' value in the long-term.

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

CLEAR DELINEATION OF DUTIES BETWEEN THE BOARD AND BOARD COMMITTEES

The Board is assisted by the Audit Committee, the Disclosures Committee, the Designated Committee and the Nomination Committee. Each of these Board Committees report back to the Board and have their own terms of reference, which have been approved by the Board and reviewed from time-to-time. In addition to aid the Board with operational matters, working committees such as the Sustainability Committee and the Risk Management Committee have been established to assist the Board with sustainability efforts and risk management relating to Fortune REIT.



Board

The Board is vested with the overall responsibility for corporate governance, business operations and risks, ESG, financial performance and the appointment of Directors. The Board provides overall oversight and leadership, driving the strategic direction of Fortune REIT and the Manager, including acquisitions and key corporate actions.

Reserved Matters for the Board

There are certain matters which are reserved for the Board to approve including but not limited to:

- the interim and final distribution of Fortune REIT
- the annual and interim reports and accounts and Circulars to Unitholders
- changes to the constitutional documents of the Manager and the Corporate Governance Policy
- appointment and removal of Directors
- recommending Unitholders to approve changes to the provisions of the Trust Deed
- recommending to Unitholders to note the appointment and removal of auditors of Fortune REIT and the approval of the audit fee
- treasury, taxes, financial risk management and capital policies and significant changes in accounting policy
- acquisitions and disposals of properties which exceeds 15% of the gross asset value of Fortune REIT
- the issue of new units
- capital expenditure, acquisitions, and disposals in excess of the discretionary power of the relevant officer (if any) of the Manager
- any matter which would have a material effect on Fortune REIT's financial position, liabilities, future strategy or reputation
- material contracts not in the ordinary course of business
- power and authority of Board-appointed committees
- potential areas of conflict

The Board has delegated its power to the Audit Committee, the Disclosures Committee, the Designated Committee and the Nomination Committee to assist with the review of specific issues. Each of the Audit Committee, the Disclosures Committee, the Designated Committee and the Nomination Committee has been set up with clear terms of reference and report back to the Board on their findings and recommendations.

Audit Committee

Key duties:

- Review financial reports and ensure integrity of financial statements
- Review internal controls, risk management systems
- Review connected party transactions
- Review matters relating to the External Auditor
- Review whistleblowing reports

Disclosures Committee

Key duties:

- Review corporate disclosure and announcements
- Review press releases for financial information, acquisitions etc.

Designated Committee

Key duties:

- Review hedging strategies
- Review financing and refinancing arrangements
- Review unit buy-back activities

Board

Nomination Committee

Key duties:

- Review Board composition
- Recommend potential Board members
- Review the Board Diversity Policy
- Assess the independence of INEDs

Corporate Governance Report

AUDIT COMMITTEE

The Board has established an Audit Committee with clear terms of reference to assist it in discharging its responsibilities. The terms of reference of the Audit Committee are on terms no less exacting than the required standards set out in Code Provisions D.3.3. and D.3.7. of the Corporate Governance Code.

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 action 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 Audit Committee meets with the internal and external Auditors, without the presence of Management, at least once annually. Both the external Auditor and the internal Auditor have confirmed that for the Reporting Year, they have received full cooperation of Management and no restrictions have been placed on their scopes of audit.

The Audit Committee presently comprises four INEDs, namely Ms. Cheng Ai Phing, Mr. Chui Sing Loi (alias Tsui Sing Loi), Ms. Yeo Annie (alias Yeo May Ann) and Ms. Koh Poh Wah. Ms. Cheng Ai Phing is the Chairman of the Audit Committee. All members of the Audit Committee have years of experience in senior management positions. The Board is of the view that the Audit Committee members, having accounting and related financial management expertise or experience, are appropriately qualified to discharge their responsibilities.

During the Reporting Year, the Audit Committee discharged the following duties:

External Audit

- (i) met with the Group’s internal and external Auditors on a half-yearly basis to discuss the nature and scope of work before commencement of the audits and the effectiveness of the internal and external audit plans;
- (ii) met with the Group’s internal and external Auditors on a half-yearly basis to discuss their findings as set out in their respective reports;
- (iii) reviewed the independence of the external Auditor;
- (iv) reviewed the aggregate amount of fees paid to the external Auditor for the Reporting Year and the breakdown of the fees paid in total for audit and non-audit services respectively;

Financial Information and Reporting

- (v) reviewed and approved the consolidated financial statements and the independent external Auditor’s report, annual and interim reports and accounts and monitored and assessed the integrity of the financial statements and the transparency and consistency of disclosures;

Risk Management and Internal Control

- (vi) reviewed Fortune REIT’s financial controls, policies and procedures as well as risk management and internal control systems;
- (vii) reviewed the adequacy of resources, qualifications and experience, training programs and budget of the Manager’s accounting, internal audit and financial reporting functions as well ESG performance and reporting;
- (viii) reviewed the risk profile of Fortune REIT;
- (ix) reviewed the sections of the Corporate Governance Report concerning risk management and internal controls;



Other duties

- (x) reviewed the Manager's whistleblowing programme and reports;
- (xi) reviewed the connected party transactions and continually connected party transactions and their disclosures;
- (xii) reviewed on a half-yearly basis, dealings by the Manager and Directors pursuant to the Code Governing Dealings in Units by Directors or the Manager (the "**Units Dealing Code**"); and
- (xiii) reviewed public relations-related expenses and their internal control procedures.

During the Reporting Year, three Audit Committee meetings were held and the attendance record of the Audit Committee meetings is as follows:

Members of the Audit Committee	Attendance
Ms. Cheng Ai Phing (Chairperson of the Audit Committee)	3/3
Mr. Chui Sing Loi (alias Tsui Sing Loi)	3/3
Ms. Yeo Annie (alias Yeo May Ann)	3/3
Ms. Koh Poh Wah	3/3

The Audit Committee acted as the key representative for overseeing the relations with the external Auditor and met twice with the external Auditors for reviewing the audit plan, the half year and full year financial report and accounts of Fortune REIT during the Reporting Year. The Audit Committee discussed with the external Auditor their findings and key audit issues as set out in their respective reports, which were explained and addressed by the external Auditor to the satisfaction of the Audit Committee.

The Audit Committee was satisfied that the non-audit services would not affect the independence of the external Auditor. The external Auditor has also affirmed their independence to the Audit Committee. The Audit Committee, with the concurrence of the Board, has recommended the re-appointment of Deloitte Touche Tohmatsu as external Auditor at the forthcoming AGM, and approved the remuneration and terms of engagement of the external Auditor.

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

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

DISCLOSURES COMMITTEE

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

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

The Disclosures Committee is principally responsible for the following:

- (i) Reviewing and making recommendations to the Board on matters of corporate disclosure issues and announcements, financial reporting, connected party transactions, and potential areas of conflict of interest;

Corporate Governance Report

- (ii) Overseeing compliance with applicable legal requirements and the continuity, accuracy, clarity, completeness and currency of information disseminated by or on behalf of Fortune REIT to the public and applicable regulatory agencies;
- (iii) Reviewing and approving all material non-public information and all public regulatory filings of or on behalf of Fortune REIT prior to such information being disseminated to the public or filed with applicable regulatory agencies, as applicable, including the results announcement and press release; and
- (iv) Reviewing periodic and current reports, proxy statements, information statements, registration statements and any other information filed with regulatory bodies, including the interim and annual reports and the ESG report of Fortune REIT.

Two Disclosures Committee meetings were held during the Reporting Year and the attendance record of the Disclosures Committee meetings is as follows:

Members of the Disclosures Committee	Attendance
Ms. Chiu Yu, Justina (Chairperson of the Disclosures Committee)	2/2
Ms. Yeung, Eirene	2/2
Ms. Cheng Ai Phing	2/2

DESIGNATED COMMITTEE

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

The Designated Committee presently comprises three members, namely Mr. Ma Lai Chee, Gerald, a Non-Executive Director, Ms. Chiu Yu, Justina, CEO and an Executive Director and Ms. Cheng Ai Phing, an INED. Ms. Chiu Yu, Justina is the Chairman of the Designated Committee. The Designated Committee is principally responsible for reviewing the hedging strategies and refinancing needs of Fortune REIT, and met once during the Reporting Year, with all members in attendance.

NOMINATION COMMITTEE

The Board has also established a Nomination Committee with clear terms of reference to assist in the review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes to the composition of the Board.

The Nomination Committee presently comprises four members, namely Mr. Chui Sing Loi (alias Tsui Sing Loi), Chairman and an INED, Dr. Chiu Kwok Hung, Justin, a Non-Executive Director, Ms. Koh Poh Wah, an INED and Ms. Yeo Annie (alias Yeo May Ann), an INED. Mr. Chui Sing Loi (alias Tsui Sing Loi) is the Chairman of the Nomination Committee. During the Reporting Year, the Nomination Committee discharged the following duties:

- (i) reviewed the structure, size, diversity profile and skills matrix of the Board and the needs of the Board and considered any proposed changes to the Board to complement the Board to achieve the corporate strategy as well as promote unitholder value;
- (ii) reviewed the annual confirmations of independence of the INEDs; and
- (iii) reviewed the Board Diversity Policy of the Manager, its implementation and effectiveness and considered recommendations on any proposed revisions.

One Nomination Committee meeting was held in the Reporting Year. All members attended the meeting. The Nomination Committee also considered and discussed appointment or re-appointment of Directors, including any suitable director candidates, and succession planning for Directors.

Members of the Nomination Committee

Attendance

Mr. Chui Sing Loi (alias Tsui Sing Loi) (Chairperson of the Nomination Committee)	1/1
Dr. Chiu Kwok Hung, Justin	1/1
Ms. Koh Poh Wah	1/1
Ms. Yeo Annie (alias Yeo May Ann)	1/1

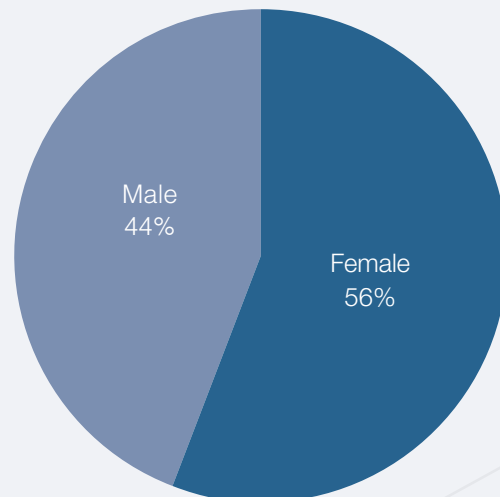
BOARD DIVERSITY

The Board is comprised of persons who as a group provide core competencies, such as business and management experience, finance, legal and fund management experience necessary and critical to meet the Manager's objectives. This also enables Management to benefit from the in-depth knowledge of the Directors who collectively possess the core competencies relevant to the direction and growth of Fortune REIT and its subsidiaries (the "Group").

As set out in the Board Diversity Policy, the Nomination Committee is responsible for the review of the structure, size, diversity profile and skills matrix of the Board as well as making recommendations on the appointment of Directors to the Board from time to time. In doing so, the Nomination Committee, as delegated by the Board, shall take into consideration the benefits of various aspects of diversity and to ensure that the Board has the appropriate mix of expertise and experience in order to achieve a balance of skills, experience and diversity of perspectives, including but not limited to gender, age, cultural, ethnicity, educational background and professional experience.

The Manager recognises the benefits of a Board that possesses a balance of skills set, experience, expertise and diversity of perspectives appropriate for the strategies of the Manager. The Manager believes that board diversity enhances decision-making capability and thus the overall effectiveness of the Board in achieving sustainable business operation and enhancing Unitholder value. During the Reporting Year, the Board set a target to maintain at least 25% female representation on the Board by 2025, which has been satisfied during the Reporting Year.

Gender Diversity at Board level



The Nomination Committee, as delegated by the Board, reviewed the Board Diversity Policy of the Manager and its implementation and effectiveness annually. The Nomination Committee, with the concurrence of the Board, was satisfied with the Board Diversity Policy and is of the opinion that gender diversity has been achieved at the Board level.

WORKFORCE DIVERSITY

With inclusion being one of the Manager's values, the Manager embraces diversity in the workplace by hiring talent from various backgrounds, cultures and languages based on merit. The Manager respects differences in ethnicity, gender, age, nationality, disability, sexual orientation, education and religion, and is committed to a work environment that provides equal opportunities to all its employees in terms of compensation, recruitment, training, promotion, health and safety and other benefits and rights for its employees.

Corporate Governance Report

The Manager recognises the benefits of a diverse workplace, as demonstrated by its workforce, which is comprised of 62% female and 38% male, with females accounting for all senior management roles as at 31 December 2023.

REMUNERATION MATTERS

Since Fortune REIT does not bear the remuneration of the Manager's Directors and employees, the Manager does not consider it applicable to include the information about the remuneration of its Directors and its key executives in this report. The Manager adopts the remuneration policies and practices of its corporate office and has adopted sustainability-linked remuneration for its employees. Accordingly, the Manager has assessed ESR's remuneration policies and practices and deemed such remuneration policies and practices to be appropriate and adopted its remuneration framework for the Directors and employees of the Manager.

WHISTLEBLOWING AND ANTI-CORRUPTION POLICIES

The Manager is committed to maintaining high standards of business ethics and transparency, and considers effective compliance policies, procedures and processes as essential elements of good corporate governance.

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

Details of the whistleblowing policy and arrangements have been made available to all employees of the Manager. The description of the policy is also available on the Manager's website to facilitate whistleblowing reports by external persons. There were no whistleblowing reports/incidents reported during the Reporting Year.

Like its corporate office, ESR, the Manager maintains a zero-tolerance approach to bribery and corruption. All employees of the Manager are required to comply with ESR's compliance policies which include:

- (i) Code of Conduct and Business Ethics embodies the fundamental principles covering a wide range of business practices and procedures, and emphasizes and advances the principles of discipline, good conduct, professionalism, loyalty, integrity and cohesiveness that are critical to the success and well-being of ESR;
- (ii) Conflicts of Interest Policy where employees shall make business decisions in the Group's best interests, independent of any outside influences. Every individual must be able to perform duties and exercise judgment on behalf of the Group without being impacted by conflicts of interest, or the appearance of such conflicts;
- (iii) Anti-Bribery & Anti-Corruption and the Handling of Gifts, Travel & Entertainment Policy which clearly delineates prohibited acts such as bribery and corruption and provides for jurisdiction-specific requirements; and
- (iv) Anti-Money Laundering ("**AML**") and Counter-Terrorist Financing ("**CTF**") Policy which outlines ESR's expectations in relation to compliance with AML and CTF regulations.

In addition to the Manager's policies on employee trading and inside information, and whistleblowing, the following ESR policies also apply to all employees of the Manager:

- (v) Employee Trading and the Handling of Inside Information which is based on the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as contained in Appendix C3 (formerly Appendix 10) of the Listing Rules. The Manager also has a policy for its employees covering this; and
- (vi) Whistleblowing Policy which outlines a communication channel for all employees of ESR, as well as any other persons, who may in confidence raise concerns about possible improprieties and obstructive action.



To set a high level of business standard and integrity, all employees of the Manager have to comply with ESR's Compliance Policies, and training is provided on all fundamental policies via e-learning courses. Where there is a conflict between the Group policy and the Manager's policy, the more restrictive policy shall apply. All employees of the Manager are required to provide an annual attestation of compliance with ESR's compliance policies.

INTERNAL CONTROLS

The Manager acknowledges its responsibility for the risk management and internal control systems and such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Manager has put in place a system of internal controls and the relevant procedures and processes to safeguard Fortune REIT's assets, Unitholders' interests as well as to manage risks. The Board, through the Audit Committee, reviews the adequacy and effectiveness of the Manager's and Fortune REIT's material internal controls annually including financial, operational, compliance and information technology controls and risk management policies and systems.

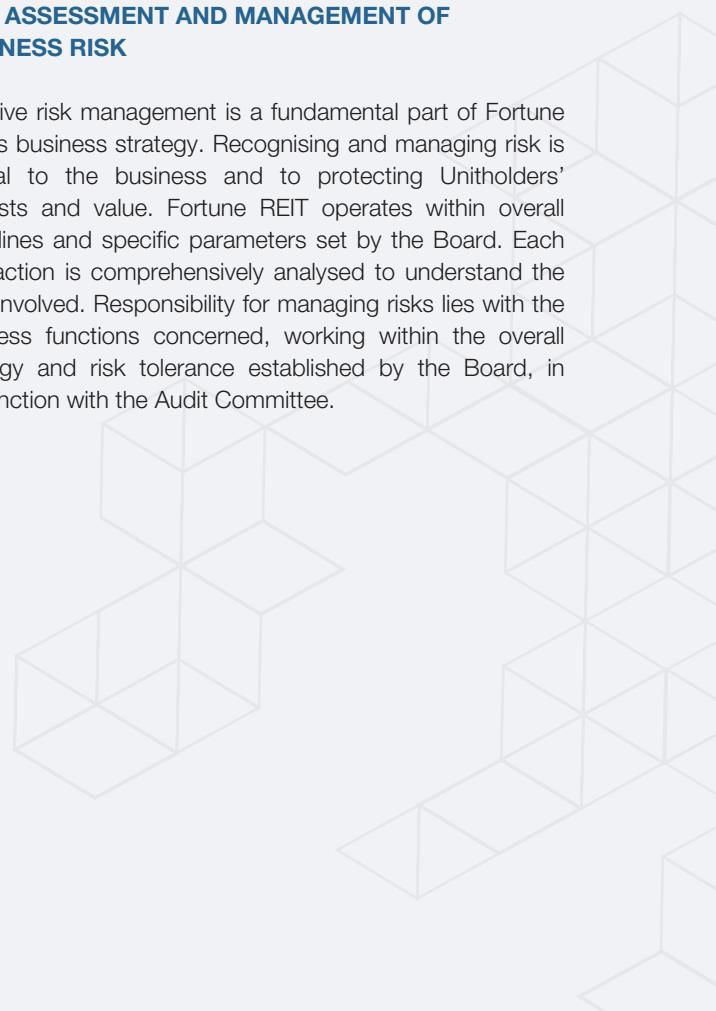
The Audit Committee also reviews the adequacy of resources, qualifications and working experience, training programmes and budget of the Manager's employees carrying out Fortune REIT's accounting and financial reporting functions, as well as those relating to Fortune REIT's ESG performance and reporting. The Manager has engaged an external ESG consultant, to assist the Manager with sustainability reporting and assessments. The Audit Committee is of the view that the ESG consultant engaged by the Manager is experienced, suitably qualified and has adequate resources to perform its functions.

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

The Audit Committee reviews and approves the annual internal audit plan, which reviews the internal control systems that deal with the identified risks, reviews the internal audit reports and activities. The Audit Committee is of the view that the internal Auditor has adequate resources to perform its functions and is independent of the activities that it performs audit. The internal Auditor has carried out its functions according to the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

RISK ASSESSMENT AND MANAGEMENT OF BUSINESS RISK

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



Corporate Governance Report

The Manager adopts a four-step iterative risk management process aimed at identifying, assessing, managing, monitoring & reporting different types of risks.

1. Risk Identification

The Manager adopts an integrated top-down and bottom-up risk review process to enable comprehensive identification and prioritization of key risks for Fortune REIT. The risk identification process includes the establishment of risk context, identification of risk factors, analysis and evaluation of risk levels and their related impacts on the business performance of Fortune REIT. Fortune REIT's risk profile, including key risks, is reviewed and refreshed bi-annually by the Risk Management Sub-Committee and Risk Management Committee. The Risk Management Sub-Committee comprised of the various department heads and/or representatives of the Manager and the CEO, as risk owners, and reports its findings to the Risk Management Committee. The Risk Management Committee comprised of the department heads and/or representatives from Finance, Legal and Compliance, the CEO as well as the Group Head of Governance & Sustainability at ESR Group.

The information is maintained and documented in a risk profile register, with risks sub-categorised into strategic, operational, financial, compliance and ESG.

The Risk Management Sub-Committee and Risk Management Committee consider the likelihood of occurrence and magnitude of impact should the risks materialise. The magnitude of impact includes consideration of financial, regulatory, reputational, operational and sustainability effects. This exercise monitors any risk changes and trends as well as the effectiveness of the related control mechanisms and/or control activities within the overall risk profile.

The Risk Management Sub-Committee and the Risk Management Committee work with the risk owners to identify key risks, assess their likelihood and impact on Fortune REIT's business, and establish corresponding mitigating controls to manage these risks.

2. Risk Assessment

In-depth risk assessments are performed for key risks faced by Fortune REIT with the consideration of the potential drivers, likelihood of the risks occurring and consequences, as well as mitigating controls in place to manage the risks. Action plans are then identified to further manage risks as necessary. Risk assessments are also reviewed bi-annually by the Audit Committee to ensure continued relevance to Fortune REIT. The process and its outcomes are documented to facilitate communication and provide information for decision-making.

3. Risk Management



The Manager has put in place various policies and procedures to mitigate key risks to an acceptable residual level based on the Board and Management's risk appetite and tolerance. These policies and procedures aim to drive consistency in work processes and facilitate the understanding and effective implementation of controls within operations. All policies and procedures are reviewed on a periodic basis to ensure they remain relevant. Key updates and revisions to policies and procedures are approved and communicated to all relevant parties. These policies and procedures are subject to periodic review by the internal Auditor.

4. Continuous Risk Monitoring and Reporting

To ensure that risk management remains focused and effective, the Manager has implemented mechanisms to monitor and report risks on a regular basis. Management is responsible for the continuous monitoring of their respective risks. They undertake an iterative and comprehensive approach according to the established risk governance structure and process in identifying, assessing, managing, monitoring and reporting of key risks. Key issues noted are highlighted to appropriate parties in a timely manner. On a half-yearly basis, key updates to risks and controls are presented to the Audit Committee for review and discussion, and reported to the Board thereafter.



Lines of Defence and Oversight

	1 st	Operations and Internal Controls	Processes, systems and risk owners constitute the first line of defence. Risk management should be embedded in day-to-day operations and governed by relevant policies and procedures that can manage risks to an acceptable residual level for the achievement of the business objectives. Training is organized for all employees to refresh their knowledge and all employees are required to comply with the ESR's Code of Conduct & Business Ethics and provide annual attestation of complying with and adherence to ESR's compliance policies.
 Defence	2 nd	Risk Management and Compliance	This line of defence comprises of Management and compliance functions within the Manager. The main role of these functions is to ensure risk management, compliance and related frameworks are well defined and consistently applied across the organisation.
	3 rd	Independent Assurance (Internal Auditor)	Functions in this line of defence provide independent assurance over the effectiveness of risk management and internal controls, and recommend changes or improvements in response to the evolving internal and external business and control environments. The Manager has engaged the internal Auditor to review the risk management framework and processes and assess the effectiveness of the internal controls system in Fortune REIT, including key financial, operational and compliance controls.
	4 th	Board and Board Committee oversight	The Board, supported by the Audit Committee, is overall responsible for the governance and oversight of risk management and internal control systems to safeguard the interests of Fortune REIT and its Unitholders as a whole. The Board comprised of individuals who are experienced with overseeing the operations of Fortune REIT.
 Oversight	5 th	Oversight from Trustee	The Trustee of Fortune REIT provides oversight through its responsibilities stipulated in the Trust Deed and periodic inspections.
	6 th	Oversight from Regulatory bodies	The SFC provides oversight through compliance with the REIT Code and the Applicable Rules.
	7 th	Independent Assurance (External Auditor)	In performing its audit of the financial statements, the external Auditor performs tests over operating effectiveness of certain controls that they intend to rely on which are relevant to the preparation of Fortune REIT's financial statements.

Corporate Governance Report

The Audit Committee and the Board meet half-yearly, or more often if necessary to review the financial performance and internal controls of Fortune REIT. The Board also reviews the risks to the assets and operations of Fortune REIT, and acts upon any comments from the internal and external Auditors. In assessing business risk, the Board together with the Audit Committee, considers the economic environment and the property industry risk.

Management meets regularly to review the operations of Fortune REIT. Key risks (including ESG risks), control measures and management actions are continually identified, reviewed and monitored by Management as part of Fortune REIT's Enterprise Risk Management ("ERM") Framework. The ERM Framework provides a holistic and systematic approach for the identification, assessment, monitoring and reporting of risks. It is designed to be dynamic with the intent of fostering the right risk culture and

responds promptly and effectively in the constantly evolving business environment. The internal Auditor assists and guides Management in the formulation of risk policies and processes to effectively identify, evaluate and manage significant risks.

At Fortune REIT, risks are proactively identified and addressed to help the Manager anticipate its risk exposure, put mitigating controls in place to counter threats, while pursuing its objectives. The risk profile registers are reported to the Audit Committee and the Board on a half-yearly basis to highlight changes in the risk assessment, quantitative and qualitative factors affecting the inherent risks and effectiveness of mitigating controls supporting the residual risks. The ownership of these risks lies with the respective business functions with the overall stewardship residing with the Board.

Significant risk category and possible impacts

Mitigation measures

Strategic Risks

Strategic risks relate to sustainable long-term growth through successful acquisitions and proactive AEs. The Manager carries out market assessment of entry price and yields of transactions in the market, including the regulatory measures needed for taking mortgage loans. For AEs, the Manager evaluates costs needed for the projects with the appointment of qualified contractors.

- All investment proposals are subject to a rigorous, disciplined and thorough evaluation process according to the relevant investment criteria including, but not limited to, alignment to Fortune REIT's investment as well as environmental, social and governance objectives, asset quality, location, total expected returns, growth potential and sustainability of asset performance, taking into account the existing economic and financial market conditions.
- Asset enhancement, development and/or redevelopment initiatives are initiated when necessary to ensure that Fortune REIT's properties remain competitive.



Significant risk category and possible impacts

Mitigation measures

Operational Risks

The Manager has established a set of policies and procedures to identify, monitor and manage operational risks associated with day-to-day management, sustainability targets and maintenance of Fortune REIT's properties. These policies and procedures are reviewed periodically to ensure relevance, effectiveness and they are in line with industry best practices. In addition, compliance with standard operating procedures is reinforced by employee training and regular checks by the Internal Auditor. To mitigate against leasing risk, the Manager employs proactive leasing strategies including actively engaging tenants for forward renewals, active marketing of vacant spaces to minimise rental voids, spreading out the portfolio lease expiry profile as well as achieving a diversified tenant base to reduce concentration risk.

Fortune REIT also recognises that human capital is key to the business. Human capital risk is mitigated by maintaining a robust human resource policy which includes interview assessment of selected candidates, fair and competitive remuneration and welfare benefits in line with industry conditions, and personal development and training opportunities to enhance employee progression and retention in a conducive workplace.

The Manager acknowledges the rising threats posed by cyber-attacks which have become increasingly more prevalent and sophisticated. With the support from ESR's Group IT, Fortune REIT continuously assesses the adequacy of the computer systems and implementing improvements to the platforms due to the increased reliance on technology to improve operational efficiency and provides high quality internal governance. There are multiple layers of security incorporated across the Information Technology ("IT") landscape with constant monitoring of internal gateways to detect potential security events, network vulnerability assessment and penetration testing are also conducted regularly to identify any potential security gaps.

- Appropriate policies are in place to ensure proper remuneration, health and safety, social protections, development and training of workforce.
- The Manager has a Business Recovery Plan in place and has undertaken measures to further enhance hygiene and safety in the workplace.
- The Manager has undertaken measures to further enhance hygiene and safety, as well as strengthened emergency planning procedures for the malls.
- A disaster recovery plan implemented by the Corporate office is tested periodically to ensure that the business recovery objectives are met in the event of a disaster including ensuring the information proprietary is kept safe and secured.
- The Manager has adopted ESR Group's information technology policies and procedures which cover governing information availability, confidentiality and security to prevent any leakages of confidential information (e.g., price sensitive information, financial performance).

Corporate Governance Report

Significant risk category and possible impacts

Mitigation measures

Financial Risks

The Manager actively and closely monitors Fortune REIT's financial risks and capital structure under both normal and stressed conditions. The Manager ensures that funding sources are diversified and that the maturity profile of borrowings is well spread.

Interest rate risk is monitored on a continuing basis with the objective of limiting Fortune REIT's exposure to changes in interest rates. The Manager manages Fortune REIT's exposure to interest rate volatility through interest rate swaps. Credit risk is mitigated by conducting tenant credit assessments.

- Borrowings are refinanced before they fall due, where possible, to reduce refinancing risk and lengthen debt maturity. The Manager also adheres closely to the bank covenants in loan agreements and abides by the requirements set out in the REIT Code.
- The Manager proactively seeks to mitigate interest rate risks and, as at end of the Reporting Year, approximately 62% of Fortune REIT's borrowings were hedged.
- For new leases, credit evaluation is performed and on an ongoing basis, tenants' credit assessment and arrears are closely monitored by the Property Manager and mitigation such as upfront collection of security deposits of an amount typically equivalent to three months' rental for all tenancy agreements.

Compliance Risks

Fortune REIT is subject to applicable laws and regulations of the jurisdictions in which it operates. The Manager, licensed by the SFC, is required to comply with the SFO. Non-compliance with the relevant laws and regulations that have a significant impact on Fortune REIT's operations may lead to a multitude of consequences.

- The Manager has put in place policies and procedures with the necessary checklists to facilitate compliance with the Applicable Rules.
- The Manager has in place training for its employees and key contractors to stay abreast of regulatory developments and be informed on a timely basis.



Significant risk category and possible impacts

Mitigation measures

Environmental, Social and Governance Risks

The failure of climate change mitigation and adaptation remains one of the top perceived global risks and a megatrend identified for the real estate industry. There has been increasing concern over the exposure of an asset or property to various impacts of climate change. Fortune REIT monitors evolving changes in climate regulations under every country's jurisdiction that it operates due to the more stringent regulations, disclosures and increased expectations from stakeholders. The Manager continues to mitigate, adapt and build resilience against climate change and extreme weather for Fortune REIT's portfolio of assets.

- Fortune REIT works with its Property Manager to prepare for extreme weather events.
- Physical and transition climate risks relevant to Fortune REIT have been included in its risk profile.
- To mitigate against climate change, the Manager has set long-term reduction targets (including science-based targets), monitored its environmental performance against its targets regularly, and adopted energy efficiency and industry best practices, i.e. the generation of renewable energy.

Action plans to manage the risks are continually being monitored and refined by Management and the Board. The internal Auditor conducts audits to review the risk management framework and processes and assess the effectiveness of the internal controls system in Fortune REIT, including key financial, operational, compliance and information technology controls. Any material non-compliance or lapses in internal controls together with corrective measures are reported to the Audit Committee. Additionally, in performing its audit of the financial statements, the external Auditor performs tests over operating effectiveness of certain controls that they intend to rely on which are relevant to Fortune REIT's preparation of its financial statements. The external Auditor reports any significant deficiencies in such internal controls to the Audit Committee.

Based on the framework established and the reviews conducted by the Internal and external Auditors, the Board opines, with the concurrence of the Audit Committee, that there are adequate and effective internal controls and risk management systems in place within Fortune REIT and such internal controls are effective for financial reporting and compliance with the Applicable Rules in addressing key financial, operational, compliance and information technology controls risks in its current business environment.

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

CONFLICTS OF INTEREST

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

- (a) The Manager is a dedicated manager to Fortune REIT and does not manage any other real estate investment trust which invests in the same type of properties as Fortune REIT or is involved in any other property business.

Corporate Governance Report

- (b) The entry into any connected party transaction of Fortune REIT must be reviewed by the Audit Committee and/or where necessary, approved by the Audit Committee by a majority vote.
- (c) Newly appointed Director/s are made aware of the concept of connected party transactions and is required to make the required disclosure(s) of interest to the Manager, when a conflict or potential conflict occurs.
- (d) At least one-third of the Board shall be comprised of INEDs.

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

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

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

As stipulated in the Memorandum and Articles of Association of the Manager, Directors are required to disclose his/her interest, if any, in the matters to be considered at the Board meetings. Director/s shall abstain from voting in respect of any transaction, contract or arrangement in which he/she is interested. Appropriate disclosures have been made under the Listing Rules and REIT Code to declare the interests held by Directors and/or substantial Unitholders and/or abstention from voting in a transaction.

If a substantial unitholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with in accordance with Applicable Rules and, if appropriate and required by the Applicable Rules, an independent board committee will be set up to deal with the matter.

COMPLIANCE WITH THE UNIT DEALING CODE

The Manager has adopted the Units Dealing Code governing dealings in the securities of Fortune REIT by Directors, the Manager and senior executives, officers or other employees of the Manager (collectively, the "**Management Persons**") on terms no less exacting than the required standards of the Model Code. Pursuant to the Units Dealing Code, Management Persons wishing to deal in any securities of Fortune REIT must first have regard to the provisions of Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct, as if the SFO applies to the securities of Fortune REIT. In addition, Management Persons must not make any unauthorised disclosure of confidential information or make any use of such information for the advantage of himself, itself or others. Management Persons who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which constitute notifiable transactions under Chapter 14 of the Listing Rules or any connected party transactions under the REIT Code or any inside information must refrain from dealing in the securities of Fortune REIT as soon as they become aware of or privy to them until proper disclosure of the information in accordance with the Applicable Rules is made. Management Persons who are privy to relevant negotiations or agreements or any inside information should caution those Management Persons who are not privy that there may be inside information and that they must not deal in the securities of Fortune REIT for a similar period. Similarly, where the Manager is in possession of any inside information, it must refrain from dealing in the securities of



Fortune REIT as soon as it becomes privy to such information until proper disclosure of the information in accordance with the Applicable Rules is made. Pursuant to the Units Dealing Code, the Management Persons must not deal in any securities of Fortune REIT on any day on which Fortune REIT's financial results are published and:

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

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

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

There are procedures in place for monitoring the disclosure of interests by Directors, the CEO and the Manager. The relevant provisions of the SFO shall be deemed to apply to the Manager, the Directors, the CEO and each Unitholder and all persons claiming through or under him.

Under the Trust Deed, the Unitholders with a holding of 5% or more of the units in issue will have a notifiable interest and will be required to notify the SEHK, the Trustee and the Manager of their holdings in Fortune REIT. The Manager shall keep a register for these purposes and it shall record in the register, against a person's name, the particulars provided pursuant to the notification and the date of entry of such record. The said register shall be available for inspection by the Unitholders at the registered offices of the Trustee and the Manager (any time during business hours upon reasonable notice to the Manager).

COMPLIANCE WITH INSIDE INFORMATION REQUIREMENTS

The Applicable Rules require that a listed entity disclose to the market matters that would be likely to have a material effect on the price of the entity's securities. The Manager has written procedures relating to the handling of confidential and inside information, including price sensitive information in accordance with the Applicable Rules. These procedures form part of the Compliance Manual are available for all employees of the Manager. In addition, there are established practices and protocols for the escalation and handling of crisis level events, involving the Board, Management, the Disclosures Committee, etc., as appropriate.

COMMUNICATION WITH UNITHOLDERS AND ENGAGEMENT WITH STAKEHOLDERS

At Fortune REIT, a strong culture of proactive timely and clear communication with the investment community comprising Unitholders, potential retail and institutional investors, analysts and media journalists is upheld.

The Unitholder Communication Policy is available on Fortune REIT's website. The policy requires timely and full disclosure of all material information relating to Fortune REIT, and outlines the channels and steps taken by Fortune REIT to solicit and understand the views of the investment community.

Fortune REIT's website is a key platform in keeping investors updated of Fortune REIT's news on a timely basis. In addition to promptly uploading regulatory announcements on SEHK, all press releases, presentations and announcements were also posted on Fortune REIT's website. Investors have the option to sign up for email alerts to receive Fortune REIT's latest updates.

The Manager conducts an annual stakeholder survey to engage with its stakeholders and to gauge its stakeholders' view on certain matters and provides an avenue for stakeholders to provide feedback to the Manager on an anonymous basis. Apart from the stakeholder survey, stakeholders are welcome to provide their opinion, feedback or enquiries via Fortune REIT's enquiry e-mail, an effective channel to engage stakeholders. A dedicated team will reply in a timely manner to facilitate transparency and engagement of stakeholders.

Corporate Governance Report

AGM, briefings to investors/analysts/media, and email enquiries are considered effective channels for Fortune REIT to engage with the investor community, hear their feedbacks and address to their comments. Through the briefings, the Manager also presented business updates and conducted active discussions on Fortune REIT's financial performance, business strategies and market outlook.

Guided by Fortune REIT's Unitholders Communication Policy, the following Unitholders engagement programmes have been conducted in 2023:

Channels	FY2023 Highlights
AGM	<ul style="list-style-type: none"> • Unitholders are able to attend and vote in person • Received high voting approval rate on all resolutions considered • Unitholders are able to raise queries and exchange views with the Directors
Investor Meetings	<ul style="list-style-type: none"> • Attended non-deal roadshow presentations and meetings with investors from Hong Kong, Singapore, UK and etc • Provided updates on business performance, outlook and strategies
Analyst Briefings	<ul style="list-style-type: none"> • Covering matters including Fortune REIT's financial results
Media Briefing(s)	<ul style="list-style-type: none"> • Covering Fortune REIT's financial results
Reports and Announcements	<ul style="list-style-type: none"> • Published Annual Report, Interim Report and ESG Report • Key announcements and circulars made
Fortune REIT Website (www.fortunereit.com)	<ul style="list-style-type: none"> • Key website updates include: <ul style="list-style-type: none"> – Financial information and investor information – Investor briefing presentation materials – Sustainability – Corporate Governance
Enquiry Email (enquiries@fortunereit.com)	<ul style="list-style-type: none"> • Comments, suggestions and questions received through the email have been duly noted and responded in a timely manner.
Unit Registrar	<ul style="list-style-type: none"> • The Hong Kong unit registrar of Fortune REIT, Computershare Hong Kong Investor Services Limited, serves Unitholders in respect of unit registration, dividend payment and related matters.

With the above engagements with Unitholders undertaken during the Reporting Year, the Board is of the opinion that Fortune REIT's Unitholder Communication Policy has been effectively implemented and is effective to promote effective communication with Unitholders. The policy has ensured timely and transparent public disclosure as well as proper channels have been provided for Unitholders to communicate their views and exercise their rights as Unitholders in an informed manner.

GENERAL MEETINGS

Fortune REIT will hold an AGM each year in addition to any other general meetings in that year. The AGM provides Unitholders with a platform for dialogue with the Manager and Directors whilst providing non-executive directors an opportunity to develop a balanced understanding of the

views of Unitholders. The Manager ensures that Unitholders are able to participate effectively at the AGM. Questions from Unitholders which are not addressed at the AGM will be addressed by Management after the AGM. The Directors and Chairmen of the respective Board Committees, including the independent board committee (if required), and external Auditor will attend the AGM to answer questions from the Unitholders. Unitholders can also share their views/queries with the Manager by email at enquiries@fortunereit.com.

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

Notice convening the AGM or general meetings of Unitholders will be given to the Unitholders in accordance with the requirements under the Trust Deed, REIT Code and Listing Rules. Separate resolutions are proposed at the general meetings of Fortune REIT on each substantially separate issue. Notice of AGMs should be sent at least 20 business days before the meeting and notice of all other general meetings should be sent at least ten clear business days before the meeting.

The quorum for passing an ordinary resolution shall be not less than two Unitholders present in person or by proxy registered as holding together not less than 10% of the Units for the time being in issue and outstanding. The quorum for

passing a special resolution will be two or more Unitholders present in person or by proxy registered as holding together not less than 25% of the Units for the time being in issue and outstanding.

For greater transparency and fairness in the voting process, the Chairman of the AGM or general meeting will ensure an explanation is provided to Unitholders regarding voting at the general meetings by way of poll. This allows all Unitholders present or represented at the meetings to vote on a one-unit-one-vote basis. The voting results of all votes cast for or against each resolution are announced after the meeting.

An AGM was held during the Reporting Year. The attendance record of the Directors at the AGM is as follows:

	Name of Directors	Attendance AGM
Chairman and Independent Non-Executive Director	Mr. Chui Sing Loi (alias Tsui Sing Loi)	1/1
Non-Executive Directors	Dr. Chiu Kwok Hung, Justin	1/1
	Mr. Lim Hwee Chiang	1/1
	Ms. Yeung, Eirene	1/1
	Mr. Ma Lai Chee, Gerald	1/1
CEO and Executive Director	Ms. Chiu Yu, Justina	1/1
Independent Non-Executive Directors	Ms. Cheng Ai Phing	1/1
	Ms. Yeo Annie (alias Yeo May Ann)	1/1
	Ms. Koh Poh Wah	1/1

The external Auditor of Fortune REIT had attended the AGM to answer questions from the Unitholders about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

MATTERS TO BE DECIDED BY UNITHOLDERS BY EXTRAORDINARY RESOLUTION

Under the Trust Deed, decisions with respect to certain matters require specific prior approval of the Unitholders by way of extraordinary resolution. Such matters include: (a) disposal of any land or an interest, option or right over any of the land forming part of the assets of Fortune REIT or shares in any property company holding such land, option

or right over any of the land for Fortune REIT within two years of the acquisition of such land; (b) any increase in the rate above the permitted limit or change in structure of the Manager's management fees; (c) any increase in the rate above the permitted limit or change in structure of the Trustee's fees; (d) certain modifications to the Trust Deed; (e) termination of Fortune REIT (except in certain limited circumstances); (f) merger of Fortune REIT; (g) removal of the external Auditor; (h) removal of the Trustee; and (i) a change in Fortune REIT's investment policy.

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

Corporate Governance Report

REPORTING

Fortune REIT prepares its accounts in accordance with The International Financial Reporting Standards with a financial year end of 31 December and a financial half year of 30 June. In accordance with the Applicable Rules and the Trust Deed, the annual report and accounts for Fortune REIT will be published and sent (if required) to the Unitholders no later than four months following each financial year end and the interim report no later than three months following each financial half year. All significant transactions and inside information have been announced and disclosed in accordance with the Listing Rules during the year. The Unitholders of Fortune REIT are therefore able to assess the performance, financial position and prospects of Fortune REIT.

It is the aim of the Board to provide the Unitholders with a balanced, clear and understandable assessment of Fortune REIT's financial position and prospects in annual and interim reports and other financial disclosures required under the Applicable Rules. Management will provide the Board with complete and adequate information in a timely manner through regular updates on Fortune REIT's financial results as well as market trends and business development involving Fortune REIT.

The Board is aware of and updated with the requirements under the Applicable Rules about timely disclosure of information or matters regarding Fortune REIT and will authorise the publication of such announcements as and when the occasion arises. Management will work closely and in consultation with legal advisers (if needed) to review the materiality and sensitivity of transactions and proposed transactions and advise the Board accordingly.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors have acknowledged their responsibility for the preparation of a true and fair presentation of the financial statements for the year ended 31 December 2023. They are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the ability of Fortune REIT to continue as a going concern.

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

AUDITOR'S RE-APPOINTMENT, REMUNERATION AND NON-AUDIT SERVICES

The Audit Committee reviewed and recommended to the Board the re-appointment of the existing external Auditor, Deloitte Touche Tohmatsu (Registered Public Interest Entity Auditor). In making its recommendation, the Audit Committee took into consideration the quality and effectiveness of the work, current level of remuneration as against market trends, the effectiveness of the external Auditor in handling key audit issues, and the independence of the external Auditor, who has confirmed in writing to the Audit Committee its independence with respect to Fortune REIT and that there is no relationship between it (as the external Auditor) and Fortune REIT which might reasonably bring to bear on their independence.

The Audit Committee met twice with the external Auditors to review the audit plan, the half year and full year financial report and accounts of Fortune REIT during the Reporting Year. The Audit Committee discussed with the external Auditor their findings and key audit issues as set out in their respective reports, which were explained and addressed timely and effectively by the external Auditor. The Audit Committee is satisfied that the external Auditor has applied a rigorous audit process and implemented quality control procedures which complied with the law, regulations and applicable standards. Further, the Audit Committee met twice with the external Auditor without the presence of Management to provide a frank and open forum for the external Auditor to explain any matters of disagreement or unresolved issues.

The external Auditor has served as the auditor for Fortune REIT since 2003 and the engagement partner has held the role since 2019 and is due for rotation in 2025 in accordance with the firm policy of the external Auditor.



The Audit Committee has also considered and reviewed the scope of non-audit services provided by the external Auditor and assessed whether its independence and objectivity were and could be affected by the rendering of these non-audit services. The Board considered (and the Audit Committee also agreed) that the external Auditor's review of interim results and report and annual tax filings services for Fortune REIT's entities (as tax representative) are recurring items, and the rendering by the external Auditor of such recurring services did not impact its objectivity or any perceived independence in auditing the financial statements of Fortune REIT. Non-audit services for the year included mainly tax advisory services. An analysis of the fees paid/payable to the external Auditor for audit and non-audit services for the year ended 31 December 2023 is set out in Note 10 to the consolidated financial statements.

REVIEW OF ANNUAL REPORT

The annual report of Fortune REIT for the year ended 31 December 2023 has been reviewed by the Audit Committee and the Disclosures Committee, and approved by the Board.

ACQUISITION AND DISPOSAL OF REAL ESTATE

Fortune REIT did not acquire or dispose of real estate during the Reporting Year.

RELEVANT INVESTMENTS AND PROPERTY DEVELOPMENT

Fortune REIT does not hold investments in relevant investments and property development and related activities as at 31 December 2023 and did not enter into any such investments during the Reporting Year.

NEW UNITS ISSUED

As at 31 December 2023, the total number of issued units of Fortune REIT was 2,008,652,759. As compared with the position as at 31 December 2022, a total of 21,027,547 new units were issued during the Reporting Year in the following manner:

- On 6 January 2023, 4,836,620 new units were issued to the Manager at a price of HK\$6.176 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's base fee of approximately HK\$29.9 million payable by Fortune REIT for the period from 1 October 2022 to 31 December 2022.
- On 11 April 2023, 4,507,350 new units were issued to the Manager at a price of HK\$6.485 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's base fee of approximately HK\$29.2 million payable by Fortune REIT for the period from 1 January 2023 to 31 March 2023.
- On 7 July 2023, 5,241,320 new units were issued to the Manager at a price of HK\$5.642 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's base fee of approximately HK\$29.6 million payable by Fortune REIT for the period from 1 April 2023 to 30 June 2023.
- On 10 October 2023, 6,442,257 new units were issued to the Manager at a price of HK\$4.64 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's base fee of approximately HK\$29.9 million payable by Fortune REIT for the period from 1 July 2023 to 30 September 2023.

REPURCHASE, SALE OR REDEMPTION OF UNITS

During the Reporting Year, there was no repurchase, sale or redemption of units of Fortune REIT by Fortune REIT or its subsidiaries.

Corporate Governance Report

INFORMATION RELATING TO UNITHOLDERS

Details of unitholders by type and aggregate unitholding –

Fortune REIT's Unitholdings as at 31 December 2023

Size of Registered Unitholding	No. of Unitholders	% of Unitholders	No. of Units	% of issued capital
1,000 or below	318	25.75	144,552	0.01
1,001–5,000	289	23.40	991,665	0.05
5,001–10,000	202	16.36	1,742,410	0.09
10,001–100,000	358	28.99	12,864,879	0.64
Above 100,000	68	5.50	1,992,909,253	99.21
Total	1,235¹	100.00	2,008,652,759²	100.00

Notes:

- Actual number of Unitholders is much higher as most of the Units are held through intermediaries including Central Clearing and Settlement System of Hong Kong ("CCASS").
- 98.09% of all issued Units were held through CCASS.

INVESTOR CALENDAR

Calendar of Fortune REIT's financial results and important dates for Unitholders upcoming in 2024.

(Subject to changes by the Manager without prior notice)

March 2024

- Announcement of 2023 final results

April 2024

- Payment of 2023 final dividend
- Publication of 2023 Annual Report
- Publication of 2023 ESG Report

May 2024

- 2024 Annual General Meeting

August 2024

- Announcement of 2024 interim results

September 2024

- Payment of 2024 interim dividend
- Publication of 2024 Interim Report

DISTRIBUTION POLICY

As required under the REIT Code and Trust Deed, 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.

PUBLIC FLOAT

Based on information that is publicly available to the Manager and within the knowledge of the Directors, more than 25% of the Units are held in the hands of the public as at 31 December 2023.



DISCLOSURE OF INTERESTS

Unit Capital

The total number of issued units as at 31 December 2023 is 2,008,652,759 units.

Holdings of Substantial Unitholders

As at 31 December 2023, 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	413,074,684	20.56%	–	–
CK Asset ¹	–	–	525,630,684	26.17%

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 31 December 2023, the Manager held 38,831,829 units, or approximately 1.93% of the issued units of Fortune REIT.

Interests of the Directors

Details of the unitholding interests of the Directors of Fortune REIT as at 31 December 2023 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
Lim Hwee Chiang ¹	1,000,000	0.05%	2,100,000	0.10%

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.

Holdings of the Other Connected Persons

HSBC Group¹, being the Trustee Connected Persons of Fortune REIT, did not hold any beneficial interest in any unit of Fortune REIT as at 31 December 2023. Associates of the Trustee were beneficially interested in 904,972 units as at 31 December 2023.

Saved as disclosed above, the Manager is not aware of any connected persons (as defined under the REIT Code) of Fortune REIT holding any units of Fortune REIT as at 31 December 2023.

To the best knowledge of the Manager and save as disclosed, the following sets out changes in the beneficial interest of certain connected persons of Fortune REIT, in compliance with rule 8.2(a) of the REIT Code, by reference to comparison of their respective beneficial interests as at 31 December 2023 and 31 December 2022:

- (a) The Manager was beneficially interested in 38,831,829 units as at 31 December 2023 and 22,640,902 units as at 31 December 2022; and
- (b) HSBC Group did not hold any beneficial interest in any units as at 31 December 2023 and as at 31 December 2022.

Note:

1. HSBC Group means The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) and its subsidiaries and unless otherwise expressly stated herein, excludes Trustee and its proprietary subsidiaries (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.

Connected Party Transactions

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

CONNECTED PARTY TRANSACTIONS – INCOME

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

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Income for the year ended	Rental deposit received as at
			31 December 2023	31 December 2023
			HK\$'000	HK\$'000
ARA Asset Management (Fortune) Limited	Manager	Leasing and licensing transactions	5,204	1,463
Cheung Kong Property Development Limited	Associate of a substantial holder ¹	Licensing transactions	30,876	—
Citybase Property Management Limited	Associate of a substantial holder ¹	Leasing transactions	2,570	710
Towerich Limited	Associate of a substantial holder ¹	Licensing transactions	73	20
Total			38,723	2,193

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 Year:

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Expenses for the year ended 31 December 2023 HK\$'000
APM Property Management Pte Ltd.	Associate of the Manager	Property and lease management fee and marketing service fee	961
CK Asset Holdings Limited	Associate of a substantial holder ¹	Back office support services	32
Citybase Property Management Limited	Associate of a substantial holder ¹	Property management and operations	1,147
E-Park Parking Management Limited	Associate of a substantial holder ¹	Carpark lease agency fee	9,889
Goodwell-Fortune Property Services Limited	Associate of a substantial holder ¹	Property and lease management fee and marketing service fee	62,716
Goodwell Property Management Limited	Associate of a substantial holder ¹	Property management and operations	207
Total			74,952

Note:

- The substantial holder being Focus Eagle.

CONNECTED PARTY TRANSACTIONS – OTHERS

Manager's fee and Trustee's fee

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

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Expenses for the year ended 31 December 2023 HK\$'000
ARA Asset Management (Fortune) Limited	Manager	Manager's fee	158,382
HSBC Institutional Trust Services (Asia) Limited	Trustee	Trustee's fee	5,133
Total			163,515

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

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Income for the year ended	Rental deposit received as at
			31 December 2023	31 December 2023
			HK\$'000	HK\$'000
Hang Seng Bank Limited	Trustee Connected Persons	Leasing and licensing transactions	11,961	3,374
HSBC	Trustee Connected Persons	Leasing and licensing transactions	10,040	2,117
Total			22,001	5,491



Provision of Ordinary Banking and Financial Services

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

CONFIRMATION BY THE INEDS

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

- (a) in the ordinary and usual course of business of Fortune REIT;
- (b) on normal commercial terms (to the extent that there are comparable transactions), or, where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Fortune REIT than terms available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreement and the Manager's internal procedures governing them, if any, on terms that are fair and reasonable and in the interests of the Independent Unitholders, as well as the Unitholders as a whole.

REPORT FROM AUDITOR OF FORTUNE REIT

Pursuant to the Listing Rules and waiver granted by the SFC from strict compliance with the requirements under Chapter 8 of the REIT Code, Messrs. Deloitte Touche Tohmatsu, auditor of Fortune REIT was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Review of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certificate Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions on leasing/licensing transactions, property management arrangements, third party service and other operational transactions and transactions involving ordinary banking and financial services disclosed by the Group from pages 78 to 81 of this Annual Report in accordance with the Rule 14A.56 of the Listing Rules (to the extent applicable to Fortune REIT).

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

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





Valuation Report

Our Ref : CIP2100140 (21-1065a_23)

19 January 2024

HSBC Institutional Trust Services (Asia) Limited

(As trustee of Fortune Real Estate Investment Trust)

3/F, Tower 3

HSBC Centre

1 Sham Mong Road

Kowloon

Hong Kong

ARA Asset Management (Fortune) Limited

(As Manager of Fortune Real Estate Investment Trust)

Unit 901, Level 9

Fortune Metropolis

6 The Metropolis Drive

Kowloon

Hong Kong

FORTUNE REIT – YEAR END VALUATION AS AT 31 DECEMBER 2023

INSTRUCTIONS

We refer to the instruction from ARA Asset Management (Fortune) Limited (“**ARA**”), acting as the manager of Fortune Real Estate Investment Trust (Hong Kong) (“**Fortune REIT**”), and HSBC Institutional Trust Services (Asia) Limited (“**Trustee**”) to conduct property valuations (“**Valuation**”) for the Fortune REIT’s property portfolio (“the **Portfolio**”) as at 31 December 2023 for the Annual Report in compliance with the relevant requirements set out in the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong (SFC), the trust deed of Fortune REIT and, where applicable, the Listing Rules of The Stock Exchange of Hong Kong.

The Portfolio as identified to us for this valuation is listed in Section 3.0 below.

We confirm that we have carried out inspections of the Portfolio, made relevant investigations and obtained such further information as we consider necessary to allow us to provide you with our opinion of market value of the Portfolio, with the benefit of existing tenancies, as at 31 December 2023 (the “**Valuation Date**”), for annual reporting purposes.

DISCLOSURE OF INTEREST

We hereby certify that Colliers International (Hong Kong) Limited is independent of the scheme, the trustee, the management company and each of the significant holders of the scheme, as per the Code on Real Estate Investment Trust issued by the Securities and Futures Commission (SFC).

THE PROPERTIES

The Portfolio comprises the following property interests:

Hong Kong Properties

1 Fortune City One

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

- 2 +WOO
+WOO Phase 1 and Phase 2 as well as other retail, kindergarten, parking lots and ancillary spaces to such areas (including loading bays and external walls), reserve shares and common areas within Kingswood Development, Tin Shui Wai, Yuen Long, New Territories, Hong Kong
- 3 Ma On Shan Plaza
Ma On Shan Plaza, Bayshore Towers, 608 Sai Sha Road, Ma On Shan, Shatin, New Territories, Hong Kong
- 4 Metro Town
The Shopping Centre of Metro Town, 8 King Ling Road, Tseung Kwan O, New Territories, Hong Kong
- 5 Belvedere Square
Various Shops, The Clinics, the Kindergartens, a Market, various Car Parking Spaces and Motor Cycle Spaces, Common Areas, Belvedere Garden Phase 1, Nos. 530–590 Castle Peak Road-Tsuen Wan; Belvedere Garden Phase 2, No. 620 Castle Peak Road — Tsuen Wan; Belvedere Garden Phase 3, Nos. 625 Castle Peak Road — Tsuen Wan, Tsuen Wan, New Territories, Hong Kong
- 6 Laguna Plaza
Commercial Development at Laguna Plaza, No. 88 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong
- 7 Fortune Metropolis
Fortune Metropolis, The Metropolis, 6–10 Metropolis Drive, Hung Hom, Kowloon, Hong Kong
- 8 Waldorf Avenue
Shops on Level 3 and Various Carparks, Waldorf Garden, 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong
- 9 Caribbean Square
Caribbean Square, Caribbean Coast, 1 Kin Tung Road, Tung Chung, Lantau Island, New Territories, Hong Kong
- 10 Jubilee Square
Jubilee Square, Jubilee Garden, 2–18 Lok King Street, Shatin, New Territories, Hong Kong
- 11 Tsing Yi Square
Various Portions in Tsing Yi Square, Tsing Yi Garden, 7–19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong
- 12 Smartland
Various Portions in Smartland, East Asia Gardens, 16 Tsuen Wah Street, Tsuen Wan, New Territories, Hong Kong
- 13 Centre de Laguna
Centre de Laguna, 93 Cha Kwo Ling Road, Kindergarten on Ground Floor, 99 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong
- 14 Hampton Loft
Hampton Loft, Hampton Place, 11 Hoi Fan Road, Tai Kok Tsui, Kowloon, Hong Kong
- 15 Lido Avenue
Shops on Ground Floor, Lido Garden, 41–63 Castle Peak Road — Sham Tseng, Tsuen Wan, New Territories, Hong Kong
- 16 Rhine Avenue
Shops on Ground Floor, Rhine Garden, 38 Castle Peak Road — Sham Tseng, Tsuen Wan, New Territories, Hong Kong

Valuation Report

Singapore Property

- 1 Stars of Kovan
36 commercial units and basement 2 carpark at
988 Upper Serangoon Road Stars of Kovan
Singapore 534733

BASIS OF VALUATION

Unless otherwise stated, our valuation is prepared in accordance with the latest edition of HKIS Valuation Standards published by The Hong Kong Institute of Surveyors (HKIS) and RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors (RICS) valuation standards, incorporating the “International Valuation Standards” published by the International Valuation Standards Council (IVSC), subject to variations to meet local law, custom, practice and market conditions, the SISV Valuation Standards and Practice Guidelines published by the Singapore Institute of Surveyors and Valuers. Unless otherwise stated, our valuations are undertaken as External Valuers as defined in the relevant Valuation Standards.

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

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

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

VALUATION METHODOLOGIES

We have relied on the Income Capitalisation Method as the primary approach to arrive at the market values of the Properties and cross-checked with the Direct Comparison Method.

Income Capitalisation Method

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

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

Direct Comparison Method

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

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

Valuation Conclusion

The results of the valuation will be summarised and the assessed value will be analysed in terms of initial passing yield on a dollar per square foot or square metre basis.



VALUATION ASSUMPTIONS AND INVESTIGATIONS

Valuation Assumptions

Our valuations have been made on the assumption that the Properties are to be sold in the open market in their existing state, subject to existing tenancies or otherwise with the benefit of vacant possession, without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which could affect the value of the Properties.

We have valued each of the Properties individually. We have not allowed any bulk discount for the sale of the Properties as a portfolio to a single party, nor have we taken into account any effect on values that might arise if the Properties were all to be offered for sale at one and the same time.

No allowances have been made for any charges, mortgages or amounts owing on any of the Properties nor for any expenses or taxation which may be incurred in effecting a sale. We have assumed that the Properties are free from, and clear of, any and all charges, liens and encumbrances of an onerous nature likely to affect value.

We have assumed that the Properties have been constructed, occupied and used in full compliance with all ordinances. We have further assumed that, for any use of the Properties upon which this report is based, any and all required licences, permits, certificates, and authorisations have been obtained.

This report is subject to and includes our standard caveats and assumptions set out at Appendix I of this report.

Title Investigation and Encumbrances

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

Source of Information

All investigations have been conducted independently and without influence from any third parties. We have relied to a considerable extent on the information provided by ARA and have accepted advice given to us on such matters as identification of the Properties, particulars of planning approvals, statutory notices, easements, tenure, occupation, floor plans and areas, tenancy schedules and all other relevant matters.

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

- (1) Copy of Rent Roll as at 30 November 2023 and 31 December 2023;
- (2) Copy of Other Retail and Car Park incomes and Car Park expenses from January 2023 to December 2023;
- (3) Copy of layout plans of the Portfolio; and
- (4) Outstanding capital expenditure for +WOO.

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

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

Property Inspection

Internal and external inspections of the Properties were undertaken during 30 November 2023 and 1 December 2023.

Valuation Report

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

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

Site Investigation

We have not carried out investigations to determine the subsoil conditions nor have we tested utility services to the Properties. Our valuation has been prepared on the assumption that these are acceptable and appropriate to the respective developments. No structural surveys have been undertaken, but in the course of our inspections, we have not noted any defects. We are not, however, able to report whether the Properties are free of rot, infestation or any other structural defects. We have assumed that the Properties are free of contamination.

Plant and Machinery

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

Telecommunication Facilities

We have assumed that all telecommunication facilities at the Properties are constructed, occupied and used in full compliance with all ordinances and all necessary approvals have been obtained from the relevant authorities.

VALUATION

Hong Kong Properties

A summary of our opinion of the market value of each property, subject to the existing tenancies, as at 31 December 2023, are as follows:

No.	Property name	GRA (sq.ft.)	No. of Parking Lots	Market Value as at 31 December 2023
1	Fortune City One	414,469	653	HK\$7,974,000,000
2	+WOO	665,244	622	HK\$7,638,000,000
3	Ma On Shan Plaza	310,084	290	HK\$5,593,000,000
4	Metro Town	180,822	74	HK\$3,549,000,000
5	Belvedere Square	276,862	329	HK\$2,462,000,000
6	Laguna Plaza	163,203	150	HK\$2,383,000,000
7	Fortune Metropolis	332,168	179	HK\$2,373,000,000
8	Waldorf Avenue	80,842	73	HK\$1,735,000,000
9	Caribbean Square	63,018	117	HK\$1,204,000,000
10	Jubilee Square	170,616	97	HK\$932,000,000
11	Tsing Yi Square	78,836	27	HK\$830,000,000
12	Smartland	123,544	67	HK\$789,000,000
13	Centre de Laguna	43,000	0	HK\$315,000,000
14	Hampton Loft	74,734	35	HK\$326,000,000
15	Lido Avenue	9,836	0	HK\$206,000,000
16	Rhine Avenue	14,604	0	HK\$130,000,000
Total		3,001,882	2,713	HK\$38,439,000,000

We are of the opinion that the market value of the unencumbered leasehold interest of the Hong Kong Properties of the Portfolio, subject to the existing tenancies, as at 31 December 2023, is in the sum of:

HK\$38,439,000,000
(HONG KONG DOLLARS THIRTY EIGHT BILLION FOUR HUNDRED AND THIRTY NINE MILLION)



Valuation Report

Singapore Property

A summary of our opinion of the market value of the property, subject to the existing tenancies, as at 31 December 2023, is as follows:

No.	Property name	GRA (sq.ft.)	Car Parking Space	Market Value as at 31 December 2023
1	Stars of Kovan	22,638	with Carpark located on basement 2	S\$95,000,000
Total		22,638		S\$95,000,000

We are of the opinion that the market value of the unencumbered leasehold interest of the Singapore Property of the Portfolio, subject to the existing tenancies, as at 31 December 2023, is in the sum of:

SGD95,000,000
(SINGAPORE DOLLARS NINETY FIVE MILLION)

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

CONVERSION FACTORS

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

Yours faithfully

For and on behalf of

Colliers International (Hong Kong) Limited

Dorothy Chow

MSc FRICS FHKIS MCIREA RPS(GP)

Executive Director

Valuation and Advisory Services — Asia

Individual Licence Number: E-182969



HONG KONG PROPERTIES

Fortune City One

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

Description	<p>City One Shatin is a comprehensive residential cum commercial development completed in phases between 1981 and 1989.</p> <p>The property mainly comprises various commercial areas within City One Shatin. Descriptions of the said commercial areas are set out below: —</p> <ul style="list-style-type: none"> — The free standing commercial podium known as Fortune City One Plus (Commercial Block A) on the Ground Floor, 4th Floor and the Roof; — The free standing commercial podium known as Fortune City One (Commercial Block B) on the Ground Floor, 1st Floor and portion of the Roof, Roof Garden, Centre Garden and kiosks thereof; — The wet market and kindergarten on the Ground Floor of residential tower blocks 34–36; — Various single shops and non-domestic units dispersed throughout the development on the Ground Floor level of 12 individual tower blocks; and — A total of 653 parking lots. <p>The total gross rentable area of the property (excluding parking lots) is approximately 38,505.11 sq m (414,469 sq ft).</p>
Land Tenure	<p>The property comprises portion of shares of and in Sha Tin Town Lot No. 1.</p> <p>Sha Tin Town Lot No. 1 is held under New Grant No. ST11064 for a term of 99 years commencing from 1 July 1898. The lease has been extended to expire on 30 June 2047. The annual Government rent payable is at 3% of the prevailing rateable value of the property.</p>
Monthly Rental and Licence Income as at 31 December 2023	Approximately HK\$23,391,800, exclusive of rates, Government rent, management fees and air-conditioning charges.
Average Monthly Turnover Rent and Atrium Income for January 2023 to December 2023	Approximately HK\$173,100
Average Monthly Car Parking Income for January 2023 to December 2023	Approximately HK\$1,163,200
Market Value in Existing State as at 31 December 2023	HK\$7,974,000,000 (HONG KONG DOLLARS SEVEN BILLION NINE HUNDRED AND SEVENTY FOUR MILLION)
Estimated Net Property Yield	3.7%

Valuation Report

+WOO

Commercial Development (including Loading and Unloading Spaces), 604 Parking Spaces on Basement 1 and Basement 2 Floors and Common Areas and Common Service Facilities of Kingswood Ginza Phases 1 and 2, Nos. 12 and 18 Tin Yan Road, Tin Shui Wai, Yuen Long, New Territories (the “**+WOO Phase 1 and Phase 2**”)

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

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

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

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

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

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

(hereinafter collectively referred to as “**+WOO**”)

Description

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

+WOO comprises a commercial development (including loading and unloading spaces) known as +WOO Phase 1 and Phase 2, a retail shop and 5 kindergartens with ancillary parking spaces, external walls and reserve shares in the Development.

Details of the Fortune Kingswood are set out below:

+WOO Phase 1 and Phase 2

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



The Locwood Court Property

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

The Sherwood Court Property

Comprises a kindergarten premises, 5 kindergarten car parking spaces and 2 kindergarten loading and unloading bays on Ground Floor, and Common Areas and Common Service Facilities in Sherwood Court of Kingswood Villas.

The Chestwood Court Property

Comprises a kindergarten and Common Areas and Common Service Facilities in Chestwood Court of Kingswood Villas.

The Maywood Court Property

Comprises two kindergartens known as Kindergarten A and Kindergarten B, 8 kindergarten car parking spaces at Basement and Common Areas and Common Service Facilities in Maywood Court of Kingswood Villas.

The Kenswood Court Property

Comprises a kindergarten premises, 5 kindergarten car parking spaces and 2 kindergarten loading and unloading bays on Ground Floor and Common Areas and Facilities in Kenswood Court of Kingswood Villas.

The Lynwood Court Property

Comprises the Common Areas and Common Service Facilities of Lynwood Court. The total gross rentable area of +WOO is approximately 61,802.68 sq m (665,244 sq ft). There are 622 car parking spaces.

Land Tenure	The property comprises portion of shares of and in Tin Shui Wai Town Lot Nos. 1, 2, 3, 4, 5, 6 and 7. Tin Shui Wai Town Lot Nos. 1, 2, 3, 4, 5, 6 and 7 are held under New Grant No. 3466 from 1 July 1898 for 99 years and has been extended to expire on 30 June 2047. The annual Government rent payable is at 3% of the prevailing rateable value of the property.
Monthly Rental and Licence Income as at 31 December 2023	Approximately HK\$19,187,000, exclusive of rates, Government rent, management fees and air-conditioning charges.
Average Monthly Turnover Rent and Atrium Income for January 2023 to December 2023	Approximately HK\$269,700
Average Monthly Car Parking Income for January 2023 to December 2023	Approximately HK\$1,780,200
Market Value in Existing State as at 31 December 2023	HK\$7,638,000,000 (HONG KONG DOLLARS SEVEN BILLION SIX HUNDRED AND THIRTY EIGHT MILLION)
Estimated Net Property Yield	3.3%

Valuation Report

Ma On Shan Plaza

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

Description	<p>Ma On Shan Plaza is the commercial portion of a private residential cum commercial development known as Bayshore Towers completed in 1994.</p> <p>The property comprises the entire shopping centre on Levels 2 (including the atrium) and Level 3 of a 5-storey podium (including a Basement, Ground Floor and Level 1) and 290 parking lots on the Basement Floor of the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 28,807.51 sq m (310,084 sq ft).</p>
Land Tenure	<p>The property comprises portion of shares of and in Sha Tin Town Lot No. 382.</p> <p>Sha Tin Town Lot No. 382 is held under New Grant No. 12378 for a term commencing from 6 December 1991 to 30 June 2047. The annual Government rent payable is at 3% of the prevailing rateable value of the property.</p>
Monthly Rental and Licence Income as at 31 December 2023	Approximately HK\$18,233,100, exclusive of rates, Government rent, management fees and air-conditioning charges.
Average Monthly Turnover Rent and Atrium Income for January 2023 to December 2023	Approximately HK\$123,000
Average Monthly Car Parking Income for January 2023 to December 2023	Approximately HK\$900,100
Market Value in Existing State as at 31 December 2023	HK\$5,593,000,000 (HONG KONG DOLLARS FIVE BILLION FIVE HUNDRED AND NINETY THREE MILLION)
Estimated Net Property Yield	4.1%



Metro Town

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

Description	<p>Metro Town is a private residential cum commercial development completed in two phases in 2006 and 2007.</p> <p>The property comprises the commercial podium on the Ground Level, Level 1, Level 2, Level 3, Level 5 and the covered footbridge of a 5-storey commercial podium of the development. It also comprises a total of 74 commercial parking lots on Level 2 of the commercial podium of the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 16,798.77 sq m (180,822 sq ft).</p>
Land Tenure	<p>The property comprises portion of shares of and in Tseung Kwan O Town Lot No. 73.</p> <p>Tseung Kwan O Town Lot No. 73 is held under New Grant No. SK9700 for a term of 50 years commencing from 11 February 2003. The annual Government rent payable for the property is at 3% of the prevailing rateable value of the property.</p>
Monthly Rental and Licence Income as at 31 December 2023	Approximately HK\$10,664,200, exclusive of rates, Government rent, management fees and air-conditioning charges.
Average Monthly Turnover Rent for January 2023 to December 2023	Approximately HK\$72,200
Average Monthly Car Parking Income for January 2023 to December 2023	Approximately HK\$352,300
Market Value in Existing State as at 31 December 2023	HK\$3,549,000,000 (HONG KONG DOLLARS THREE BILLION FIVE HUNDRED AND FORTY NINE MILLION)
Estimated Net Property Yield	3.7%

Valuation Report

Belvedere Square

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

Description

Belvedere Garden is a comprehensive residential cum commercial development, completed in three phases in between 1987 and 1991.

The property comprises various commercial areas, clinics, kindergartens, a market and various parking lots within Belvedere Garden, which are collectively referred to as Belvedere Garden Property. Details are set out below:

Belvedere Garden Phase 1

Shop Nos. 1 to 7 on Ground Floor, Clinic Nos. 1, 2, 3 and 4 on Mezzanine Floor, the Kindergarten on Mezzanine Floor, Car Parking Spaces Nos. 16, 22–29, 32, 34, 35, 37–45, 47 and 50 to 68 on Ground Floor and Car Parking Spaces Nos. 12, 13, 16–25, 33–37, 40, 41, 43, 44, 47–49 and 51 on Second Basement Floor.

Belvedere Garden Phase 2

Shops Nos. 1 to 10 & 12 and the Kindergarten on the Ground Floor, Shops on the 1st Floor and Shops on the 2nd Floor and Car Parking Spaces Nos. 51–77, 114, 117, 118, 121, 126–135 and 137–147 on Ground Floor, Common Areas.

Belvedere Garden Phase 3

Shops and Market on the Ground Floor of Belvedere Square, Shops on Basement 2, Kindergarten on the Podium and Car Parking Spaces Nos. 298, 303–306, 308–310, 324–326, 375–380 and 384–385 on Basement 2, Car Parking Spaces Nos. 1–36, 50–53, 55–116 and 118–192 on Basement 1, Common Areas.

The total gross rentable area of the property (excluding parking lots) is approximately 25,721.11 sq m (276,862 sq ft). The property also comprises a total of 329 parking lots which include 314 private carparking spaces and 15 motorcycle spaces.

Land Tenure

The property comprises portion of shares of and in Tsuen Wan Town Lot Nos. 308 and 316.

Tsuen Wan Town Lot No. 308 is held under New Grant No. TW6583 for a term of 99 years less the last 3 days thereof commencing from 1 July 1898. The lease term has been extended to expire on 30 June 2047.

Tsuen Wan Town Lot No. 316 is held under New Grant No. TW6639 for a term of 99 years less the last 3 days thereof commencing from 1 July 1898. The lease term has been extended to expire on 30 June 2047.

The annual Government rent payable is 3% of the prevailing rateable value of the property.

Monthly Rental and Licence Income as at 31 December 2023	Approximately HK\$7,770,500, exclusive of rates, Government rent, management fees and air-conditioning charges.
Average Monthly Turnover Rent and Atrium Income for January 2023 to December 2023	Approximately HK\$33,000
Average Monthly Car Parking Income for January 2023 to December 2023	Approximately HK\$594,600
Market Value in Existing State as at 31 December 2023	HK\$2,462,000,000 (HONG KONG DOLLARS TWO BILLION FOUR HUNDRED AND SIXTY TWO MILLION)
Estimated Net Property Yield	4.1%

Laguna Plaza

Laguna Plaza, 88 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong.

Description	<p>Laguna Plaza is one of the commercial centres of a comprehensive private residential development known as Laguna City completed in 1991.</p> <p>The property comprises the shopping centre on the Ground Level, Level 1 and Level 2 and 150 parking lots on the Basement 1 and Basement 2 of the 5-storey commercial podium of the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 15,161.93 sq m (163,203 sq ft).</p>
Land Tenure	<p>The property comprises portion of shares of and in New Kowloon Inland Lot No. 6055.</p> <p>New Kowloon Inland Lot No. 6055 is held under Condition of Exchange No. UB12004 for a term of residue of 99 years less 3 days commencing from 1 July 1898. The lease has been extended to expire on 30 June 2047. The annual Government rent payable is at 3% of the prevailing rateable value of the property.</p>
Monthly Rental and Licence Income as at 31 December 2023	Approximately HK\$6,893,900, exclusive of rates, Government rent, management fees and air-conditioning charges.
Average Monthly Turnover Rent and Atrium Income for January 2023 to December 2023	Approximately HK\$74,200
Average Monthly Car Parking Income for January 2023 to December 2023	Approximately HK\$710,200
Market Value in Existing State as at 31 December 2023	HK\$2,383,000,000 (HONG KONG DOLLARS TWO BILLION THREE HUNDRED AND EIGHTY THREE MILLION)
Estimated Net Property Yield	3.9%

Valuation Report

Fortune Metropolis

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

Description	<p>Fortune Metropolis is the commercial portion of a commercial/office/hotel/serviced apartment development, known as The Metropolis, completed in 2001.</p> <p>The property comprises the three levels of retail premises on L7, L8 and L9 Floors and 179 parking lots on Level 5 and Level 6 of the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 30,859.16 sq m (332,168 sq ft).</p>
Land Tenure	<p>The property comprises portion of shares of and in Kowloon Inland Lot No. 11077.</p> <p>Kowloon Inland Lot No. 11077 is held under a Conditions of Grant No. 12444 for a term commencing from 14 February 1997 to 30 June 2047. The annual Government rent payable is at 3% of the prevailing rateable value of the property.</p>
Monthly Rental and Licence Income as at 31 December 2023	Approximately HK\$6,220,800, exclusive of rates, Government rent, management fees and air-conditioning charges.
Average Monthly Turnover Rent and Atrium Income for January 2023 to December 2023	Approximately HK\$193,000
Average Monthly Car Parking Income for January 2023 to December 2023	Approximately HK\$519,000
Market Value in Existing State as at 31 December 2023	HK\$2,373,000,000 (HONG KONG DOLLARS TWO BILLION THREE HUNDRED AND SEVENTY THREE MILLION)
Estimated Net Property Yield	3.5%



Waldorf Avenue

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

Description	<p>Waldorf Garden is a private residential cum commercial development completed in 1982.</p> <p>The property comprises a retail floor on Level 3, bicycle parking area on Level 1, and 73 car parking spaces on Levels 1 and 2 within a 4-storey podium of the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 7,510.41 sq m (80,842 sq ft).</p>
Land Tenure	<p>The property comprises portion of shares of and in Tuen Mun Town Lot No. 194.</p> <p>Tuen Mun Town Lot No. 194 is held under New Grant No. 2344 for a term of 99 years from 1 July 1898. The lease is extended to expire on 30 June 2047. The annual Government rent payable is 3% of the prevailing rateable value of the property.</p>
Monthly Rental and Licence Income as at 31 December 2023	Approximately HK\$5,949,500, exclusive of rates, Government rent, management fees and air-conditioning charges.
Average Monthly Turnover Rent for January 2023 to December 2023	Approximately HK\$12,100
Average Monthly Car Parking Income for January 2023 to December 2023	Approximately HK\$158,200
Market Value in Existing State as at 31 December 2023	HK\$1,735,000,000 (HONG KONG DOLLARS ONE BILLION SEVEN HUNDRED AND THIRTY FIVE MILLION)
Estimated Net Property Yield	4.2%

Valuation Report

Caribbean Square

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

Description	<p>Caribbean Square is the commercial portion of a private residential cum commercial development, known as “Caribbean Coast”, completed between 2002 and 2008.</p> <p>The property comprises the commercial accommodation, the wet market and the kindergarten on ground floor within the development. It also comprises a total of 117 parking lots on the ground floor (i.e. 1st floor as stipulated in land search record) of Phase 6 of the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 5,854.52 sq m (63,018 sq ft).</p>
Land Tenure	<p>The property comprises portion of shares of and in Tung Chung Town Lot No. 5.</p> <p>Tung Chung Town Lot No. 5 is held under New Grant No. IS8102 for a term commencing from 26 June 1997 to 30 June 2047. The annual Government rent payable for the property is at 3% of the prevailing rateable value of the property.</p>
Monthly Rental and Licence Income as at 31 December 2023	Approximately HK\$3,753,500, exclusive of rates, Government rent, management fees and air-conditioning charges.
Average Monthly Turnover Rent for January 2023 to December 2023	Approximately HK\$102,900
Average Monthly Car Parking Income for January 2023 to December 2023	Approximately HK\$294,700
Market Value in Existing State as at 31 December 2023	HK\$1,204,000,000 (HONG KONG DOLLARS ONE BILLION TWO HUNDRED AND FOUR MILLION)
Estimated Net Property Yield	4.1%



Jubilee Square

Jubilee Square, Jubilee Garden, Nos. 2–18 Lok King Street, Shatin, New Territories, Hong Kong.

Description	<p>Jubilee Square is the commercial portion of a private residential cum commercial development, known as Jubilee Garden, completed in 1986.</p> <p>The property comprises a free-standing 7—storey shopping centre and a wet market on the 1st Floor of the podium of Jubilee Garden. It also comprises a total of 97 parking lots on the 1st Floor of the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 15,850.61 sq m (170,616 sq ft).</p>
Land Tenure	<p>The property comprises portion of shares of and in Sha Tin Town Lot No. 87.</p> <p>Sha Tin Town Lot No. 87 is held under New Grant No. ST11326 for a term of 99 years commencing from 1 July 1898. The lease is extended to expire on 30 June 2047. The annual Government rent payable is at 3% of the prevailing rateable value of the property.</p>
Monthly Rental and Licence Income as at 31 December 2023	Approximately HK\$3,138,100, exclusive of rates, Government rent, management fees and air-conditioning charges.
Average Monthly Turnover Rent for January 2023 to December 2023	Approximately HK\$50,300
Average Monthly Car Parking Income for January 2023 to December 2023	Approximately HK\$443,200
Market Value in Existing State as at 31 December 2023	HK\$932,000,000 (HONG KONG DOLLARS NINE HUNDRED AND THIRTY TWO MILLION)
Estimated Net Property Yield	4.7%



Valuation Report

Tsing Yi Square

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

Description	<p>Tsing Yi Square is the commercial portion of a private residential cum commercial development, known as Tsing Yi Garden, completed in 1986.</p> <p>The property comprises various retail shops on the Ground Floor and 1st Floor and 27 parking lots within the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 7,324.04 sq m (78,836 sq ft).</p>
Land Tenure	<p>The property comprises portion of shares of and in Tsing Yi Town Lot No. 101.</p> <p>Tsing Yi Town Lot No. 101 is held under New Grant No. TW6229 for a term of 99 years commencing from 1 July 1898. The lease has been extended and expiry on 30 June 2047. The annual Government rent payable is at 3% of the prevailing rateable value of the property.</p>
Monthly Rental Income as at 31 December 2023	Approximately HK\$2,922,500, exclusive of rates, Government rent, management fees and air-conditioning charges.
Average Monthly Turnover Rent for January 2023 to December 2023	Approximately HK\$139
Average Monthly Car Parking Income for January 2023 to December 2023	Approximately HK\$53,000
Market Value in Existing State as at 31 December 2023	HK\$830,000,000 (HONG KONG DOLLARS EIGHT HUNDRED AND THIRTY MILLION)
Estimated Net Property Yield	4.3%



Smartland

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

Description	<p>Smartland is portion of the commercial portion of a residential cum commercial development, known as East Asia Gardens, completed in 1981.</p> <p>The property comprises various retail premises on the Ground and 1st Floors, the whole of 2nd Floor, the reserved podium roof on the 3rd Floor, portions of external walls (except the portion at A101 on Ground Floor) and 67 parking lots in the Basement Floor of a 4-storey podium (including the Basement).</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 11,477.52 sq m (123,544 sq ft).</p>
Land Tenure	<p>The property comprises portion of shares of and in Tsuen Wan Town Lot No. 247.</p> <p>Tsuen Wan Town Lot No. 247 is held under New Grant No. 5591 for a term of 99 years commencing from 1 July 1898. The lease term has been extended to expire on 30 June 2047. The annual Government rent payable is 3% of the prevailing rateable value of the Property.</p>
Monthly Rental and Licence Income as at 31 December 2023	Approximately HK\$2,379,000, exclusive of rates, Government rent, management fees and air-conditioning charges.
Average Monthly Turnover Rent and Atrium Income for January 2023 to December 2023	Approximately HK\$21,200
Average Monthly Car Parking Income for January 2023 to December 2023	Approximately HK\$251,000
Market Value in Existing State as at 31 December 2023	HK\$789,000,000 (HONG KONG DOLLARS SEVEN HUNDRED AND EIGHTY NINE MILLION)
Estimated Net Property Yield	4.0%



Valuation Report

Centre de Laguna

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

Description	<p>Centre de Laguna is the commercial development within a private residential cum commercial development, known as Laguna City, completed in 1992.</p> <p>The property comprises the commercial accommodation on the Ground and Upper Ground Floors of the commercial development and a kindergarten on Ground Floor of Blocks 32 to 38 of the development.</p> <p>The total gross rentable area of the property is approximately 3,994.80 sq m (43,000 sq ft).</p>
Land Tenure	<p>The property comprises portion of shares of and in Kowloon Inland Lot No. 6100.</p> <p>Kowloon Inland Lot No. 6100 is held under a Conditions of Exchange No. 12071 for a term commencing from 31 October 1989 to 30 June 2047. The annual Government rent payable for the property is at 3% of the prevailing rateable value of the property.</p>
Monthly Rental and Licence Income as at 31 December 2023	Approximately HK\$963,200, exclusive of rates, Government rent, management fees and air-conditioning charges.
Market Value in Existing State as at 31 December 2023	HK\$315,000,000 (HONG KONG DOLLARS THREE HUNDRED AND FIFTEEN MILLION)
Estimated Net Property Yield	3.7%

Hampton Loft

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

Description	<p>Hampton Loft is the commercial portion of a private residential cum commercial development, known as Hampton Place, completed in 2003.</p> <p>The property comprises the commercial units on the 5th floor and 6th floor of the development and a total of 35 commercial parking lots on the 1st floor of the development.</p> <p>The total gross rentable area of the property (excluding the parking lots) is approximately 6,942.96 sq m (74,734 sq ft).</p>
Land Tenure	<p>The property comprises portion of shares of and in Kowloon Inland Lot No. 11107.</p> <p>Kowloon Inland Lot No. 11107 is held under Conditions of Sale No. 12554 for a term of 50 years commencing from 13 December 1999. The annual Government rent payable is at 3% of the prevailing rateable value of the property.</p>
Monthly Rental and Licence Income as at 31 December 2023	Approximately HK\$1,225,600, exclusive of rates, Government rent, and management fees.
Average Monthly Car Parking Income for January 2023 to December 2023	Approximately HK\$105,100
Market Value in Existing State as at 31 December 2023	HK\$326,000,000 (HONG KONG DOLLARS THREE HUNDRED AND TWENTY SIX MILLION)
Estimated Net Property Yield	4.9%



Lido Avenue

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

Description	<p>Lido Garden is a private residential cum commercial development completed in 1989.</p> <p>The property comprises various retail units on Ground Floor of the development.</p> <p>The total gross rentable area of the property is approximately 913.79 sq m (9,836 sq ft).</p>
Land Tenure	<p>The property comprises portion of shares of and in Tsuen Wan Marine Lot No. 4.</p> <p>Tsuen Wan Marine Lot No. 4 is held under a Conditions of Sale No. 2309 for a term of 75 years, renewable for 24 years, commencing from 1 July 1898. The lease is extended to expire on 30 June 2047. The annual Government rent payable is at 3% of the prevailing rateable value of the property.</p>
Monthly Rental Income as at 31 December 2023	Approximately HK\$802,900, exclusive of rates, Government rent, and management fees.
Market Value in Existing State as at 31 December 2023	HK\$206,000,000 (HONG KONG DOLLARS TWO HUNDRED AND SIX MILLION)
Estimated Net Property Yield	4.7%

Rhine Avenue

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

Description	<p>Rhine Garden is a private residential cum commercial development completed in 1992.</p> <p>The property comprises four retail units on Ground Floor and AHU Room on Podium Level 1 of the development.</p> <p>The total gross rentable area of the property is approximately 1,356.74 sq m (14,604 sq ft).</p>
Land Tenure	<p>The property comprises portion of shares of and in Lot No. 261 in Demarcation District No. 390.</p> <p>Lot No. 261 in Demarcation District No. 390 is held under New Grant No. TW6771 for a term commencing from 1 September 1990 to 30 June 2047. The annual Government rent payable is at 3% of the prevailing rateable value of the property.</p>
Monthly Rental Income as at 31 December 2023	Approximately HK\$472,700, exclusive of rates, Government rent, management fees and air-conditioning charges.
Market Value in Existing State as at 31 December 2023	HK\$130,000,000 (HONG KONG DOLLARS ONE HUNDRED AND THIRTY MILLION)
Estimated Net Property Yield	4.4%



Valuation Report

SINGAPORE PROPERTY

Stars of Kovan

36 commercial units and basement 2 carpark at 988 Upper Serangoon Road Stars of Kovan Singapore 534733.

Description	<p>The Property comprises 36 commercial units located on 1st storey and carpark located on basement 2 within a commercial and residential development known as Stars of Kovan.</p> <p>The subject development was completed in 2019.</p> <p>The total gross rentable area of the retail and carpark portions of the property are approximately 2,103 sq m and 2,440 sq m respectively.</p>
Land Tenure	<p>The Property is held under leasehold 99 years commencing from 25 February 2015.</p>
Monthly Rental Income as at 31 December 2023	<p>Approximately SGD267,100</p>
Average Monthly Car Parking Income for September 2023 to December 2023	<p>Approximately SGD12,100</p>
Market Value in Existing State as at 31 December 2023	<p>SGD95,000,000 (SINGAPORE DOLLARS NINETY FIVE MILLION)</p>
Estimated Property Yield	<p>3.2%</p>

The valuation report contained herein is in summary form. A full version in English is available for inspection at the Hong Kong office of the Manager.



Report of the Trustee

We hereby confirmed that, in our opinion, the manager of Fortune Real Estate Investment Trust has, in all material respects, managed Fortune Real Estate Investment Trust in accordance with the provisions of the Trust Deed dated 4 July 2003, as amended and/or supplemented by the First Amending and Restating Deed dated 29 June 2005, the Second Supplemental Deed dated 20 April 2006, the Third Supplemental Deed dated 12 October 2009, the Fourth Supplemental Deed dated 26 February 2010, the Fifth Supplemental Deed dated 26 March 2010, the Sixth Supplemental Deed dated 23 July 2010, the Seventh Supplemental Deed dated 12 January 2012, the Second Amending and Restating Deed dated 8 May 2015, the Third Amending and Restating Deed dated 8 June 2018, the Supplemental Deed of Retirement and Appointment of Trustee dated 19 September 2019, the Fourth Amending and Restating Deed dated 10 January 2020, the Fifth Amending and Restating Deed dated 31 March 2021 and the Eighth Supplemental Deed dated 31 May 2021, for the financial year ended 31 December 2023.

HSBC Institutional Trust Services (Asia) Limited

In its capacity as the trustee of Fortune Real Estate Investment Trust

Hong Kong
5 March 2024





Independent Auditor's Report

Deloitte.

德勤

TO THE UNITHOLDERS OF FORTUNE REAL ESTATE INVESTMENT TRUST

(A Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

OPINION

We have audited the consolidated financial statements of Fortune Real Estate Investment Trust ("**Fortune REIT**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 112 to 151, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, distribution statement, consolidated statement of changes in net assets attributable to unitholders and consolidated statement of cash flows of the Group for the year then ended, and notes to the consolidated financial statements, including material accounting policy and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial disposition of the Group as at 31 December 2023, and of its consolidated financial transactions and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**").

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**") issued by the International Auditing and Assurance Standard Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Valuation of investment properties

We identified the valuation of investment properties as a key audit matter as they represented 99% of total assets of the Group as at 31 December 2023 and significant judgement is required in determining their fair value.

As disclosed in Note 13 to the consolidated financial statements, investment properties of the Group are retail properties in Hong Kong and Singapore comprising retail space and car park space. The carrying amount of investment properties amounted to HK\$38,997 million as at 31 December 2023 and their change in fair value included in the loss for the year was HK\$629 million. In estimating the fair value of investment properties, ARA Asset Management (Fortune) Limited (the “**Manager**” of Fortune REIT) engaged an independent qualified external valuer (the “**Valuer**”) to perform the valuation and worked with the Valuer to establish inputs to the valuation.

As disclosed in Note 13 to the consolidated financial statements, the fair value is based on the valuation performed by the Valuer 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, and are assumed to be let at their respective market rents upon expiry of the existing tenancy contracts whilst vacant units are assumed to be let at their respective market rents as at the valuation date. This involves the making of certain assumptions and the use of estimates in respect of the capitalisation rate, by reference to the yields derived from analysing the sales transactions of similar properties in Hong Kong and Singapore 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. A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.

Our procedures in relation to the valuation of investment properties included:

- Evaluating the competency, capabilities and objectivity of the Valuer;
- Obtaining an understanding of the valuation process and significant assumptions and critical judgement areas of the Valuer to assess if the approaches are consistent with relevant accounting requirements and industry norms;
- Evaluating the appropriateness of the judgements made by the Manager and the Valuer, in particular the valuation model and the capitalisation rates based on our knowledge of the property markets in Hong Kong and Singapore; and
- Assessing the reasonableness of other key parameters, including market rentals, in the valuation model by comparing them against market data and entity-specific information such as rental income, tenancy summary, details and size of the properties on a sampling basis.



Independent Auditor's Report

OTHER INFORMATION

The Manager is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGER AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Manager is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB, and for such internal control as the Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

In addition, the Manager is required to ensure that the consolidated financial statements have been properly prepared in accordance with the relevant provision of the trust deed dated 4 July 2003 (as amended, supplemented, or otherwise modified from time to time) (the "**Trust Deed**") and the relevant disclosure provisions of Appendix C of the Code on Real Estate Investment Trusts (the "**REIT Code**") issued by the Hong Kong Securities and Futures Commission.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. In addition, we are required to assess whether the consolidated financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.



As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Independent Auditor's Report

REPORT ON MATTERS UNDER THE RELEVANT PROVISIONS OF THE TRUST DEED AND THE RELEVANT DISCLOSURE PROVISIONS OF APPENDIX C OF THE REIT CODE

In our opinion, the consolidated financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

The engagement partner on the audit resulting in the independent auditor's report is Tan Wei Ming.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

5 March 2024



Financial Statements

- 112 Consolidated Statement of Profit or Loss and Other Comprehensive Income
- 113 Distribution Statement
- 114 Consolidated Statement of Financial Position
- 115 Consolidated Statement of Changes in Net Assets Attributable to Unitholders
- 116 Consolidated Statement of Cash Flows
- 117 Notes to the Consolidated Financial Statements



Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	6	1,785,894	1,764,355
Property operating expenses	7	(446,245)	(434,240)
Net property income before manager's performance fee		1,339,649	1,330,115
Manager's performance fee		(40,200)	(39,904)
Net property income		1,299,449	1,290,211
Manager's base fee		(118,182)	(118,418)
Interest income		355	32
Trust expenses	8	(8,262)	(5,910)
Change in fair value of investment properties	13	(629,447)	(696,068)
Finance costs	9	(548,068)	307,358
(Loss)/profit before taxation and transactions with unitholders	10	(4,155)	777,205
Income tax expense	11	(150,765)	(274,569)
(Loss)/profit for the year, before transactions with unitholders		(154,920)	502,636
Distributions to unitholders		(810,619)	(877,261)
Loss for the year, after transactions with unitholders		(965,539)	(374,625)
Other comprehensive income:			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange difference arising on translation of a foreign operation		156	330
Net comprehensive expense for the year		(965,383)	(374,295)
Basic (loss)/earnings per unit (HK cents)	12	(7.73)	25.34



Distribution Statement

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
(Loss)/profit for the year, before transactions with unitholders		(154,920)	502,636
Adjustments:			
Manager's base fee		118,182	118,418
Change in fair value of investment properties	13	629,447	696,068
Change in fair value of derivative financial instruments	9	197,009	(548,992)
Non-cash finance costs		17,334	(12,129)
Deferred tax	11	3,567	121,260
Income available for distribution (note (i))		810,619	877,261
Distributions to unitholders			
Interim distribution		447,658	456,911
Final distribution		362,961	420,350
		810,619	877,261
Payout ratio (note (ii))		100%	100%
Distribution per unit (HK cents)			
Interim distribution per unit (note (iii))		22.36	23.05
Final distribution per unit (note (iv))		18.02	21.10
		40.38	44.15

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\$810.6 million for the year ended 31 December 2023 (2022: HK\$877.3 million), representing a payout ratio of 100% (2022: 100%) of Fortune REIT's income available for distribution of HK\$810.6 million for the year ended 31 December 2023 (2022: HK\$877.3 million).
- (iii) The distribution per unit of 22.36 HK cents for the six months ended 30 June 2023 (six months ended 30 June 2022: 23.05 HK cents) was calculated based on the interim distribution to unitholders amount of HK\$447.7 million (six months ended 30 June 2022: HK\$456.9 million) over 2,002,210,502 units (30 June 2022: 1,982,478,110 units), represented issued units as at 30 June 2023 of 1,996,969,182 units (30 June 2022: 1,977,947,795 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 2023 of 5,241,320 units (second quarter of 2022: 4,530,315 units). Interim distribution was paid on 22 September 2023 (2022 interim distribution: 16 September 2022).
- (iv) The distribution per unit of 18.02 HK cents for the six months ended 31 December 2023 (six months ended 31 December 2022: 21.10 HK cents) is calculated based on the final distribution to unitholders amount of HK\$363.0 million (six months ended 31 December 2022: HK\$420.4 million) over 2,014,669,562 units (31 December 2022: 1,992,461,832 units), representing issued units as at 31 December 2023 of 2,008,652,759 units (31 December 2022: 1,987,625,212 units) plus the number of units issued after the distribution period to the Manager as settlement of the Manager's base fee for its services in the fourth quarter of 2023 of 6,016,803 units (fourth quarter of 2022: 4,836,620 units). Final distribution will be paid on 19 April 2024 (2022 final distribution: 21 April 2023).



Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	13	38,997,280	39,503,270
Derivative financial instruments	14	307,884	509,503
Total non-current assets		39,305,164	40,012,773
Current assets			
Trade and other receivables	15	93,806	115,546
Derivative financial instruments	14	4,610	—
Cash and cash equivalents	16	106,718	206,864
Total current assets		205,134	322,410
Total assets		39,510,298	40,335,183
Non-current liabilities			
Borrowings	17	8,998,374	7,480,197
Deferred tax liabilities	18	687,288	683,721
Total non-current liabilities		9,685,662	8,163,918
Current liabilities			
Trade and other payables	19	697,938	706,944
Borrowings	17	660,000	2,097,565
Distribution payable		362,960	420,350
Provision for taxation		23,638	19,105
Total current liabilities		1,744,536	3,243,964
Total liabilities, excluding net assets attributable to unitholders		11,430,198	11,407,882
Net assets attributable to unitholders		28,080,100	28,927,301
Units in issue and to be issued ('000)	20	2,014,670	1,992,462
Net asset value per unit attributable to unitholders (HK\$)	21	13.94	14.52

The consolidated financial statements on pages 112 to 151 were approved and authorised for issue by ARA Asset Management (Fortune) Limited, as the Manager of Fortune Real Investment Trust on 5 March 2024 and were signed on its behalf by:

Lim Hwee Chiang
Director

Chiu Yu, Justina
Director

Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the year ended 31 December 2023

	Units in issue and to be issued HK\$'000	Unit issue costs HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Net assets attributable to unitholders as at 1 January 2022	8,480,638	(286,279)	–	20,988,819	29,183,178
OPERATIONS					
Profit for the year, before transactions with unitholders	–	–	–	502,636	502,636
Distribution paid and payable of 23.05 HK cents per unit for the six months ended 30 June 2022	–	–	–	(456,911)	(456,911)
Distribution payable of 21.10 HK cents per unit for the six months ended 31 December 2022	–	–	–	(420,350)	(420,350)
Exchange difference arising on translation of a foreign operation	–	–	330	–	330
Net comprehensive income/(expense) for the year	–	–	330	(374,625)	(374,295)
UNITHOLDERS' TRANSACTIONS					
Creation of units					
– Manager's base fee paid/payable in units	118,418	–	–	–	118,418
Increase in net assets resulting from unitholders' transactions	118,418	–	–	–	118,418
Net assets attributable to unitholders as at 31 December 2022	8,599,056	(286,279)	330	20,614,194	28,927,301
OPERATIONS					
Loss for the year, before transactions with unitholders	–	–	–	(154,920)	(154,920)
Distribution paid and payable of 22.36 HK cents per unit for the six months ended 30 June 2023	–	–	–	(447,658)	(447,658)
Distribution payable of 18.02 HK cents per unit for the six months ended 31 December 2023	–	–	–	(362,961)	(362,961)
Exchange difference arising on translation of a foreign operation	–	–	156	–	156
Net comprehensive income/(expense) for the year	–	–	156	(965,539)	(965,383)
UNITHOLDERS' TRANSACTIONS					
Creation of units					
– Manager's base fee paid/payable in units	118,182	–	–	–	118,182
Increase in net assets resulting from unitholders' transactions	118,182	–	–	–	118,182
Net assets attributable to unitholders as at 31 December 2023	8,717,238	(286,279)	486	19,648,655	28,080,100



Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 HK\$'000	2022 HK\$'000
Operating activities		
(Loss)/profit before taxation and transactions with unitholders	(4,155)	777,205
Adjustments for:		
Manager's base fee paid/payable in units	118,182	118,418
Change in fair value of investment properties	629,447	696,068
Interest income	(355)	(32)
Other finance costs	351,059	241,634
Change in fair value of derivative financial instruments	197,009	(548,992)
(Reversal of)/allowance for credit losses	(855)	319
Operating cash flows before movement in working capital	1,290,332	1,284,620
Decrease/(increase) in trade and other receivables	24,979	(18,992)
(Decrease)/increase in trade and other payables	(9,368)	31,383
Cash generated from operations	1,305,943	1,297,011
Income tax paid	(142,665)	(125,249)
Net cash from operating activities	1,163,278	1,171,762
Investing activities		
Upgrading of investment properties	(113,447)	(168,000)
Acquisition of an investment property	—	(504,962)
Interest received	355	32
Net cash used in investing activities	(113,092)	(672,930)
Financing activities		
Drawdown of borrowings	2,359,402	2,585,416
Repayment of borrowings	(2,290,000)	(1,875,000)
Distribution paid	(868,009)	(849,095)
Interest paid	(333,725)	(253,763)
Payment of front-end fees	(18,000)	(17,488)
Net cash used in financing activities	(1,150,332)	(409,930)
Net (decrease)/increase in cash and cash equivalents	(100,146)	88,902
Cash and cash equivalents at beginning of the year	206,864	117,962
Cash and cash equivalents at end of the year	106,718	206,864
Represented by:		
Cash at bank	106,718	206,864



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1 GENERAL INFORMATION

Fortune Real Estate Investment Trust (“**Fortune REIT**”) is a Hong Kong collective investments 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 registered offices and principal places of business of the Manager in Singapore and Hong Kong are 5 Temasek Boulevard, #12-01 Suntec Tower 5, Singapore 038985 and Unit 901, Level 9, Fortune Metropolis, 6 Metropolis Drive, Hunghom, Kowloon, Hong Kong respectively. The registered office of the Trustee is 1 Queen’s Road Central, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollar (“**HK\$**”), which is the functional currency of Fortune REIT.

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

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

(a) Property management fees

Property management fee

Under the property management agreement, Goodwell-Fortune Property Services Limited (the “**HK Property Manager**”), which are connected parties of Fortune REIT, will receive from each of the property holding subsidiaries in Hong Kong (the “**HK Property Companies**”) a fee of 3.0% per annum of gross property revenue for the provision of property management services and lease management services.

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

In respect of Stars of Kovan, APM Property Management Pte Ltd (“**APM**”) has been engaged, which is a connected party of Fortune REIT, to provide customary property management services including lease management and marketing services in Singapore. Under the property management agreement with APM, APM will receive a fixed fee payable on the last date of each month.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1 GENERAL INFORMATION (continued)

(a) Property management fees (continued)

Marketing services fee

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

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

For marketing services, Stars of Kovan will pay APM the following leasing and other commissions:

- one-half month's gross rent for securing a tenancy of less than two years;
- one and half month's gross rent for securing a tenancy of two years or more but not exceeding five years;
- two month's gross rent for securing a tenancy of more than five years; and
- one-half month's gross rent for securing a renewal of tenancy irrespective of duration of the renewal term.

(b) Trustee's fees

The Trustee's fees charged by the Trustee shall not exceed the rate of 0.25% per annum (subject to a minimum of HK\$50,000 per month) on the value of the real estate properties and are accrued daily and paid monthly in arrears in accordance with the Trust Deed.

(c) Manager's fees

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

Base fee

Under the Trust Deed, the Manager will receive a base fee from Fortune REIT at a rate not exceeding 0.3% per annum on the value of the properties. The base fee will be paid quarterly in arrears to the Manager in the form of cash or units as the Manager may elect.

Performance fee

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



1 GENERAL INFORMATION (continued)

(d) Acquisition fee and divestment fee

The Manager is entitled to receive the following fees:

Acquisition fee

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

Divestment fee

Under the Trust Deed, the Manager will receive a divestment fee of not exceeding a maximum of 1.0% of the sale price of any real estate directly or indirectly sold or divested by Fortune REIT (pro-rated if applicable to proportion of Fortune REIT's interest in the real estate sold) in the form of cash, provided that:

- (a) In the case of a sale or divestment in connection with which the Manager:
 - (A) has not engaged any third party agent or broker; or
 - (B) has engaged third party agent(s) or broker(s) and the aggregate fees payable to such third party agent(s) or broker(s) thereof do not exceed the rate of 0.5% of the sale price, such Divestment Fee shall not exceed the rate of 0.5% of the sale price; and
- (b) In the case of a sale or divestment in connection with which the Manager has engaged third party agent(s) or broker(s) and the aggregate fees payable to such third party agent(s) or broker(s) thereof exceed the rate of 0.5% of the sale price, such Divestment Fee shall be the actual aggregate fees payable therefor to such third party agent(s) or broker(s) in any case not exceeding the rate of 1.0% of the sale price.

2 APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Amendments to International Financial Reporting Standards ("IFRSs") that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are pertinent to the Group and are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

Amendments to IASs and IFRSs Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2 APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following amendments to IFRSs that have been issued and are pertinent to its operations but are not yet effective:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to IAS 1	Non-current liabilities with Covenants ¹

¹ Effective for annual periods beginning on or after 1 January 2024.

Except for the amendments to IFRSs mentioned below, the Manager anticipates that the application of the above amendments to IFRSs that are not yet effective will have no material impact on the Group's consolidated financial statements in the foreseeable future.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current and Amendments to IAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2022 Amendments modify the requirements introduced by the amendments to IAS 1 issued in 2020, Classification of Liabilities as Current or Non-current (the "**2020 Amendment**") on how an entity classifies debt and other financial liabilities with covenants as current or non-current. The amendments specify that only covenants with which the entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

The 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the 2022 Amendments will not result in reclassification of the Group's liabilities.



3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The SEHK, the relevant provisions of the Trust Deed and the REIT Code issued by the SFC.

The consolidated financial statements have been prepared on historical cost basis, except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with IFRS 16 *Leases* ("**IFRS 16**").

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For investment properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equal the transaction price.

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.1 Basis of preparation of consolidated financial statements (continued)

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

3.2 Material accounting policy information

(a) *Basis of consolidation*

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

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

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

Consolidation of a subsidiary begins when Fortune REIT obtains control over the subsidiary and ceases when Fortune REIT loses control of the subsidiary.

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

All intragroup assets and liabilities, income, expenses and cash flows are eliminated in full on consolidation.

(b) *Investment properties*

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income.

Gains and losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.



3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

(c) *Financial instruments*

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers* (“**IFRS 15**”). Transaction costs, including front-end fees and commitment fees, that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss (“**FVTPL**”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

(c) *Financial instruments (continued)*

Financial assets (continued)

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities.

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



3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

(c) *Financial instruments (continued)*

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Debt issued by a group entity is classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

In accordance with the Trust Deed, Fortune REIT is required to distribute to unitholders not less than 90% of its distributable income for each financial period. This provision in the Trust Deed provides the unitholders with a right to receive distribution which Fortune REIT has a contractual obligation to pay or declare at least 90% of its distributable income.

Accordingly, the unitholders' funds are compound instruments in accordance with IFRS 9. Unitholders' fund presented on the consolidated statement of financial position as net assets attributable to unitholders is classified as financial liabilities because the equity component is considered insignificant.

Other than the net assets attributable to unitholders of Fortune REIT, non-derivative financial liabilities include trade and other payables, distribution payable and borrowings. They are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

(d) *Leases*

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

(d) Leases (continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit of loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income deriving from the Group's ordinary course of business are presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.



3 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.2 Material accounting policy information (continued)

(e) *Revenue from contracts with customers*

Information about the Group's accounting policies relating to contracts with customers is provided in note 6.

(f) *Foreign currencies*

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

(g) *Borrowing cost*

All borrowing costs are recognised as an expense in the consolidated statement of profit or loss and other comprehensive income in the year in which they are incurred.

(h) *Taxation*

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4 KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

(a) Valuation of investment properties

Investment properties are stated at fair value based on the valuation performed by independent qualified external valuer. The determination of the fair value involves certain assumptions of market conditions which are set out in Note 13. In relying on the valuation report, the Manager has exercised their judgement and is satisfied that the method of valuation and the key parameters used in the valuation are reflective of the current market conditions. The Manager considers the valuation of the Group's investment properties is the best estimate. Changes to the assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustment to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2023, the carrying amount of the Group's investment properties is HK\$38,997.3 million (2022: HK\$39,503.3 million).

(b) Valuation of derivative financial instruments

As described in Note 14, the fair value of derivative financial instruments that are not quoted in active markets are determined by using certain valuation techniques. Where valuation techniques are used to determine their fair values, they are validated and periodically reviewed by qualified personnel. All models are calibrated to ensure that outputs reflect actual data and comparative market prices.

The carrying amount of derivative financial instruments at 31 December 2023 represented assets amounting to HK\$312.5 million (2022: HK\$509.5 million).

5 SEGMENTAL REPORTING

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

The Group owns 16 (2022:16) and 1 (2022: 1) investment properties in Hong Kong and Singapore respectively. Revenue and net property income of each property (which constitutes an operating segment) are the measures 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.

For the year ended 31 December 2023, revenue of HK\$1,766.1 million (2022: HK\$1,759.2 million) is attributable to tenants from the Hong Kong investment properties and HK\$19.8 million (2022: HK\$5.2 million) is attributable to tenants from the Singapore investment property. As at 31 December 2023, investment properties of HK\$38,439.0 million (2022: HK\$38,955.0 million) are located in Hong Kong and HK\$558.3 million (2022: HK\$548.3 million) in Singapore.

6 REVENUE

	2023 HK\$'000	2022 HK\$'000
Revenue arising from operating leases: (note (i))		
Fixed	1,406,406	1,405,644
Variable	11,293	8,273
Charge-out collections (note (ii))	243,898	231,953
Car park revenue (note (ii))	122,011	116,420
Other income	2,286	2,065
	1,785,894	1,764,355

Notes:

- (i) Operating lease payments mainly include base rental, license fees and contingent rentals. Leases are negotiated for term ranging primary from two to four 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 and Singapore 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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

7 PROPERTY OPERATING EXPENSES

	2023 HK\$'000	2022 HK\$'000
Advertising and promotion	19,338	21,229
Building management expenses	234,525	222,845
Car park operating expenses	33,276	31,215
Government rents and rates	16,571	13,862
Leasing commission and marketing services fee	23,205	31,358
Legal and other professional fees	6,349	6,902
Property management fee	42,453	42,428
Utilities	49,871	44,795
Others	20,657	19,606
	446,245	434,240

8 TRUST EXPENSES

	2023 HK\$'000	2022 HK\$'000
Trustee's fee	5,133	5,306
Other charges	3,129	604
	8,262	5,910

9 FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interest expenses on bank borrowings	510,840	221,501
Amortisation of front-end fees	19,501	18,283
Commitment fee	1,071	852
Interest rate swaps (income) expenses realised	(180,353)	998
	351,059	241,634
Change in fair value of derivative financial instruments	197,009	(548,992)
	548,068	(307,358)



10 (LOSS)/PROFIT BEFORE TAXATION AND TRANSACTIONS WITH UNITHOLDERS

(Loss)/profit before taxation and transactions with unitholders is arrived at after charging(crediting):

	2023 HK\$'000	2022 HK\$'000
Fees to external auditor		
Audit service	2,370	2,330
Non-audit service	762	832
Fees to internal auditor	450	450
Valuation fees (paid to principal valuer)	520	520
Bank charges	713	810
(Reversal of) allowance for credit losses	(855)	319
Public relation and non-deal roadshow expenses	942	888

11 INCOME TAX EXPENSE

	2023 HK\$'000	2022 HK\$'000
Current tax:		
— Hong Kong	146,858	154,034
— Under (Over) provision in prior years	340	(725)
	147,198	153,309
Deferred taxation (Note 18)		
— Current year	4,052	121,260
— Over provision in prior years	(485)	—
	3,567	121,260
	150,765	274,569

Fortune REIT's subsidiaries in Hong Kong are subject to Hong Kong Profits Tax at 16.5% (2022: 16.5%) for the year ended 31 December 2023.

Fortune REIT's subsidiary in Singapore is subject to Singapore income tax at 17% (2022: 17%) for the year ended 31 December 2023.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

11 INCOME TAX EXPENSE (continued)

The income tax varied from the amount of income tax determined by applying the applicable Hong Kong profits tax rate of 16.5% (2022: 16.5%) for the Group to the (loss)/profit before taxation and transactions with unitholders as a result of the following differences:

	2023 HK\$'000	2022 HK\$'000
(Loss)/profit before taxation and transactions with unitholders	(4,155)	777,205
Tax at the applicable income tax rate	(686)	128,239
Tax effect of expenses not deductible for tax purpose	158,250	159,784
Tax effect of income not taxable for tax purpose	(6,597)	(12,719)
Effect of different tax rates of an overseas operation	(57)	(10)
Over provision in prior years	(145)	(725)
Taxation for the year	150,765	274,569

12 (LOSS)/EARNINGS PER UNIT

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

	2023 HK\$'000	2022 HK\$'000
(Loss)/profit for the year, before transactions with unitholders	(154,920)	502,636
Weighted average number of units outstanding during the year		
Number of units ('000)	2,003,830	1,983,619
Basic (loss)/earnings per unit (HK cents)	(7.73)	25.34

The weighted average number of units outstanding during the year takes into account the 6,016,803 (2022: 4,836,620) units issuable as Manager's base fee for the period from 1 October 2023 to 31 December 2023 (2022: 1 October 2022 to 31 December 2022), which were issued to the Manager on 5 January 2024 (2022: 6 January 2023).

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



13 INVESTMENT PROPERTIES

	2023 HK\$'000	2022 HK\$'000
FAIR VALUE		
At beginning of year	39,503,270	39,500,000
During the year:		
Capital expenditure incurred in upgrading investment properties	113,447	168,000
Change in fair value of investment properties	(629,447)	(696,068)
Acquisition (note (ii))	—	504,962
Exchange adjustments (note (ii))	10,010	26,376
At end of year	38,997,280	39,503,270

Description of property	Tenure of land	Terms of leases	Remaining term of lease	Location	Valuation	
					2023 HK\$'000	2022 HK\$'000
Hong Kong						
Fortune City One	Leasehold	149 years	23.5 years	No. 1 & 2 Ngan Shing Street, 8 Lok Shing Street, Shatin, New Territories, Hong Kong	7,974,000	8,073,000
+WOO	Leasehold	149 years	23.5 years	Nos. 12 and 18 Tin Yan Road; Nos. 1 and 3 Tin Wu Road; No. 8 Tin Shui Road; Nos. 2 and 9 Tin Lung Road and No. 3 Tin Kwai Road, Tin Shui Wai, Yuen Long, New Territories, Hong Kong	7,638,000	7,821,000
Ma On Shan Plaza	Leasehold	55.5 years	23.5 years	No. 608 Sai Sha Road, Ma On Shan, Shatin, New Territories, Hong Kong	5,593,000	5,610,000
Metro Town	Leasehold	50 years	29 years	No. 8 King Ling Road, Tseung Kwan O, Hong Kong	3,549,000	3,590,000
Laguna Plaza	Leasehold	149 years	23.5 years	88 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong	2,383,000	2,479,000
Belvedere Square	Leasehold	149 years	23.5 years	No. 530–590, 620 & 625, Castle Peak Road, Tsuen Wan, New Territories, Hong Kong	2,462,000	2,465,000
Fortune Metropolis	Leasehold	50.5 years	23.5 years	No. 6–10 Metropolis Drive, Kowloon, Hong Kong	2,373,000	2,413,000



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

13 INVESTMENT PROPERTIES (continued)

Description of property	Tenure of land	Terms of leases	Remaining term of lease	Location	Valuation	
					2023 HK\$'000	2022 HK\$'000
Waldorf Avenue	Leasehold	149 years	23.5 years	No. 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong	1,735,000	1,768,000
Caribbean Square	Leasehold	50 years	23.5 years	No. 1 Kin Tung Road, Tung Chung, New Territories, Hong Kong	1,204,000	1,209,000
Jubilee Square	Leasehold	149 years	23.5 years	No. 2-18 Lok King Street, Fo Tan, Shatin, New Territories, Hong Kong	932,000	925,000
Tsing Yi Square	Leasehold	149 years	23.5 years	No. 7-19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong	830,000	830,000
Smartland	Leasehold	149 years	23.5 years	No. 16 Tsuen Wah Street, Tsuen Wan, New Territories, Hong Kong	789,000	778,000
Centre de Laguna	Leasehold	58 years	23.5 years	93/99 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong	315,000	326,000
Hampton Loft	Leasehold	50 years	26 years	No. 11 Hoi Fan Road, Kowloon, Hong Kong	326,000	323,000
Lido Avenue	Leasehold	149 years	23.5 years	No. 41-63 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong	206,000	211,000
Rhine Avenue	Leasehold	57 years	23.5 years	No. 38 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong	130,000	134,000
					38,439,000	38,955,000
Singapore						
Stars of Kovan	Leasehold	99 years	91 years	988 Upper Serangoon Road, Singapore	558,280	548,270
					38,997,280	39,503,270



13 INVESTMENT PROPERTIES (continued)

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.

As at 31 December 2023 and 2022, independent valuations were undertaken by Colliers International (Hong Kong) Limited ("**Colliers**"). 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 fair value hierarchy. There were no transfers into or out of Level 3 during the year. 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, and are assumed to be let at their respective market rents upon expiry of the existing tenancy contracts whilst vacant units are assumed to be let at their respective market rents as at the valuation date. As at 31 December 2023, the net monthly rental income of Hong Kong properties range from HK\$0.5 million to HK\$23.1million (2022: HK\$0.5 million to HK\$23.8 million) while the net monthly rental income of Singapore property was HK\$1.6 million (2022: HK\$1.6 million). 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 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 of Hong Kong properties in the valuation range from 4.0%–4.8% (2022: 4.0%–4.8%) and that of Singapore property in the valuation is 3.0% (2022: 3.0%). 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) Fortune REIT acquired the leasehold interest of 36 retail strata lots and 1 public car park strata lot located at the development known as "Stars of Kovan" in Singapore from an indirect wholly-owned subsidiary of CK Asset Holdings Limited ("**CK Asset**") for a cash consideration of Singapore dollars ("**S\$**") 88 million (the "**Consideration**") on 30 September 2022 (the "**Acquisition**"). The Acquisition was financed by drawdown of a new bank borrowing as disclosed in Note 17 under the facility agreement dated 9 September 2022 (the "**New Facility**"). A total amount of S\$93 million (equivalent to HK\$536.7 million) was drawn down from the New Facility to pay the Consideration and the one-time fees and expenses in relation to the Acquisition. In accordance with the REIT Code, Fortune REIT is prohibited from disposing of its properties (held through a special purpose vehicle) for at least 2 years from the time such properties are acquired, unless the Unitholders approve the proposed disposal by way of a special resolution passed in accordance with the Trust Deed. The exchange gain on translation attributable to the investment properties located in Singapore is included in exchange reserve.
- (iii) All of the Group's interests in properties located in Hong Kong and Singapore comprising retail space and car park space are finance lease in nature. The properties have been leased out under operating leases, most of which contain tenancy periods ranging from two to four years. Subsequent renewals are negotiated with the lessees at prevailing market rates.
- (iv) The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.
- (v) None of the investment properties as at 31 December 2023 and 2022 was pledged to secure banking facilities granted to the Group.

14 DERIVATIVE FINANCIAL INSTRUMENTS

	2023 HK\$'000	2022 HK\$'000
Derivative financial instruments are analysed as:		
Derivatives not under hedge accounting:		
Interest rate swaps	312,494	509,503
Reflected on consolidated statement of financial position based on remaining contractual maturity as:		
Current assets	4,610	—
Non-current assets	307,884	509,503
	312,494	509,503

The Group uses interest rate swaps as hedging instruments 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.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

14 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Derivatives not under hedge accounting:

Contracts not under hedge accounting with total notional amount of HK\$6,000.0 million (2022: HK\$6,000.0 million) as at 31 December 2023 will mature from March 2024 to December 2028 (2022: March 2024 to December 2028). These contracts have fixed interest payments at rates ranging from 0.900% to 2.245% (2022: 0.900% to 2.245%) per annum and have floating interest receipts at three months (2022: 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 loss of HK\$197.0 million (2022: a gain of HK\$549.0 million), is recognised as finance costs in the profit or loss for the year ended 31 December 2023.

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 and 2 during the year.

15 TRADE AND OTHER RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables	41,101	65,601
Less: Allowance for credit losses	(4,364)	(5,219)
	36,737	60,382
Other receivables and prepayments		
— Security deposits	25,847	25,670
— Interest receivable	22,475	20,357
— Other receivables	1,058	1,034
— Prepayments	7,689	8,103
	57,069	55,164
	93,806	115,546

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

	2023 HK\$'000	2022 HK\$'000
0–30 days	33,969	51,760
31– 90 days	1,397	3,967
Over 90 days	1,371	4,655
	36,737	60,382



15 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 carrying amount of trade receivables include accrued rentals in respect of rent free periods amounting to HK\$27.7 million (2022: HK\$41.1million).

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$9.0 million (2022: HK\$19.3 million) which are past due as at the reporting date. Out of the past due balances, an aggregate gross carrying amount of HK\$5.5 million (2022: HK\$9.9 million) has been past due 90 days or more and considered as default for which allowance for credit losses has been made on the excess of relevant tenants' deposits.

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.

Details of impairment assessment on trade and other receivables are set out in Note 25.

16 CASH AND CASH EQUIVALENTS

	2023 HK\$'000	2022 HK\$'000
Cash at bank	106,718	206,864

Details of impairment assessment on bank balances are set out in Note 25.

17 BORROWINGS

	2023 HK\$'000	2022 HK\$'000
Unsecured term loans	7,100,000	7,200,000
Unsecured revolving loans	2,615,929	2,436,727
	9,715,929	9,636,727
Less: unamortised front-end fees	(57,555)	(58,965)
	9,658,374	9,577,762
Carrying amount repayable:		
Within one year	660,000	2,097,565
More than one year, but not more than two years	2,490,941	—
More than two years, but not more than five years	6,507,433	7,480,197
	9,658,374	9,577,762
Less: Amount due within one year shown under current liabilities	(660,000)	(2,097,565)
	8,998,374	7,480,197



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

17 BORROWINGS (continued)

Total committed loan facilities amounted to HK\$9,887.7 million as at 31 December 2023 (2022: HK\$9,577.1 million), out of which HK\$9,135.9 million (2022: HK\$9,336.7 million) were drawn down and outstanding. Except for the bank borrowings of HK\$555.9 million (2022: HK\$536.7 million) denominated in S\$ which bear interest at a floating rate of Singapore Overnight Rate Average (“SORA”) plus a margin of 1.05% (2022: 1.05%) per annum, all the remaining bank borrowings are denominated in HK\$ and bear interest at 1-month HIBOR plus a margin ranging from 0.98% to 1.25% (2022: HIBOR plus a margin from 0.98% to 1.25%) per annum.

Total uncommitted revolving loan facilities amounted to HK\$800 million as at 31 December 2023 (2022: HK\$700.0 million), out of which HK\$580 million (2022: HK\$300.0 million) were drawn and outstanding.

The Trustee (in its capacity as trustee of Fortune REIT) has provided guarantee for all the loan facilities as at 31 December 2023 and 2022.

- (i) The front-end fees are amortised over the respective loan periods. The movements in the front-end fees are as follow:

	2023 HK\$'000	2022 HK\$'000
At beginning of year	58,965	59,483
Addition during the year	18,000	17,488
Amortised during the year	(19,501)	(18,283)
Exchange adjustments	91	277
At end of year	57,555	58,965

- (ii) The effective interest rates:

	Weighted average effective interest rate during the year		Principal amount	
	2023 %	2022 %	2023 HK\$'000	2022 HK\$'000
Interest bearing borrowing				
Fixed rate *	2.59	2.60	6,000,000	6,000,000
Variable rate	4.70	1.82	3,715,929	3,636,727
			9,715,929	9,636,727

* The effective interest rate had taken into account the economic effect of the interest rate swaps which were entered into to swap a portion of the Group's borrowings from floating rate to fixed rate and therefore the loan is analysed as fixed rate.



18 DEFERRED TAX LIABILITIES

The measurement of deferred tax liabilities which arose mainly from the accelerated tax depreciation of investment properties and derivative financial instruments reflects the tax consequences that would follow from the manner in which the Group expects to recover the fair value of the investment properties and derivative financial instruments, at the end of the reporting period.

The following is the major component of deferred tax liabilities recognised and movements therein during the year:

	Derivative financial instruments HK\$'000	Accelerated depreciation allowance HK\$'000	Total HK\$'000
At 1 January 2022	—	562,461	562,461
Charged to profit or loss for the year	84,068	37,192	121,260
At 31 December 2022	84,068	599,653	683,721
(Credited)Charged to profit or loss for the year	(32,506)	36,073	3,567
At 31 December 2023	51,562	635,726	687,288

19 TRADE AND OTHER PAYABLES

	2023 HK\$'000	2022 HK\$'000
Trade payables		
— Tenants' deposits	446,326	474,150
— Rental received in advance	47,470	42,973
	493,796	517,123
Accruals and other payables		
— Trustee's fee	824	616
— Manager's performance fee	6,408	6,835
— Operating expenses	193,503	176,690
— Interest payable	217	266
— Others	3,190	5,414
	204,142	189,821
	697,938	706,944

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\$9.3 million (2022: HK\$8.2 million) related to the non-reserved carpark and charge-out collections.

For the year ended 31 December 2023, revenue of HK\$8.2 million (2022: HK\$6.8 million) recognised was included in the contract liabilities balance at the beginning of the year.

The tenants' deposits to be settled after twelve months from the end of the reporting period based on lease term amounted to HK\$274.7 million (2022: HK\$277.0 million) as at 31 December 2023.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

20 UNITS IN ISSUE AND TO BE ISSUED

	Number of units '000	HK\$'000
Balance as at 1 January 2022	1,973,804	8,480,638
Issue of new units during the year:		
As payment of Manager's base fee for the period from 1 January to 30 September 2022	13,821	88,547
Balance in issue as at 31 December 2022	1,987,625	8,569,185
Issue of new units during the year:		
As payment of Manager's base fee for the period from 1 October to 31 December 2022 (note (i))	4,837	29,871
Balance as at 31 December 2022	1,992,462	8,599,056
Issue of new units during the year:		
As payment of Manager's base fee for the period from 1 January to 30 September 2023	16,191	88,694
Balance in issue as at 31 December 2023	2,008,653	8,687,750
New units to be issued:		
As payment of Manager's base fee for the period from 1 October to 31 December 2023 (note (i))	6,017	29,488
Balance as at 31 December 2023	2,014,670	8,717,238

Note:

- (i) Manager's base fee payable to the Manager is in the form of units. On 5 January 2024, Fortune REIT issued 6,016,803 units at an issue price of HK\$4.901 per unit to the Manager as base fee for the period from 1 October 2023 to 31 December 2023. On 6 January 2023, Fortune REIT issued 4,836,620 units at an issue price of HK\$6.176 per unit to the Manager as base fee for the period from 1 October 2022 to 31 December 2022.

21 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\$28,080.1 million (2022: HK\$28,927.3 million) and the total number of 2,014,669,562 (2022: 1,992,461,832) units in issue and to be issued, including the new units to be issued as payment of Manager's base fee.

22 NET CURRENT LIABILITIES

As at 31 December 2023, the Group's net current liabilities, defined as current liabilities less current assets, amounted to HK\$1,539.4 million (2022: HK\$2,921.6 million).

23 TOTAL ASSETS LESS CURRENT LIABILITIES

As at 31 December 2023, the Group's total assets less current liabilities amounted to HK\$37,765.8 million (2022: HK\$37,091.2 million).



24 CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES

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

The capital structure of the Group consists of debts, which includes borrowings, cash and cash equivalents and net assets attributable to unitholders comprising issued and issuable units, reserves and retained profits. The Group is required to maintain the aggregate borrowing not exceeding 50% (2022: 50%) of the gross asset value of the Group in accordance with the REIT Code issued by the SFC. As at 31 December 2023, the Group has aggregate borrowings with principal amount of HK\$9,715.9 million (2022: HK\$9,636.7 million) and it represents 25% (2022: 24%) of the gross asset value of the Group.

The management's strategy remains unchanged from prior year. The Group is in compliance with externally imposed capital requirements as at 31 December 2023 and 2022.

25 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023 HK\$'000	2022 HK\$'000
Financial assets		
Trade and other receivables	58,439	66,329
Bank balances	106,718	206,864
At amortised cost	165,157	273,193
Derivative financial instruments	312,494	509,503
Financial liabilities		
Tenants' deposits	446,326	474,150
Other payables	102,635	84,880
Distribution payable	362,960	420,350
Borrowings	9,658,374	9,577,762
At amortised cost	10,570,295	10,557,142
Derivative financial instruments	—	—

(b) Financial risk management objectives and policies

Details of the Group's financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include interest rate risk, risks arising from the interest rate benchmark reform, credit risk and liquidity risk.

The policies on how to mitigate these risks are set out below. There has been no change to the Group's exposure to these financial risks or manner in which it manages and measures the risk. The Manager manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

25 FINANCIAL INSTRUMENTS (continued)

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

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate derivative financial instruments. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate bank borrowings. Interest rate risk is managed by the Manager on an ongoing basis with primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

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

Interest rate sensitivity analysis

The sensitivity analysis below has been taken into account the economic effect of the interest rate swaps which were entered into to swap a portion of the Group's borrowings from floating rate to fixed rate and therefore the loan is analysed as fixed rate. In addition, it has been determined based on the Group's exposure to interest rates for derivative and non-derivative instruments at the end of the reporting period and assumed the stipulated changes taking place at the beginning of the financial year and held constant throughout the financial period in the case of financial instruments that bear interest at floating rates. 100 basis points (2022: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the effect from reasonably possible change in interest rates.

If the interest rates have been 100 basis points (2022: 100 basis points) higher or lower and all other variables were held constant, the Group's loss before tax for the year would increase or decrease by HK\$37.2 million (2022: profit before tax decrease or increase by HK\$36.4 million) respectively. This is mainly attributable to the Group's exposure to interest rates on its floating rate borrowings which are not economically hedged.

No interest rate sensitivity analysis in relation to time deposit and variable-rate bank balances of the Group has been performed as the Manager considered that the impact of interest rate risk on profit or loss for the year to be insignificant.

Credit risk and impairment assessment

Other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group does not hold any collateral or other credit enhancements to cover the credit risks associated with those financial assets, except for trade receivables described below.

Credit risk from debtors is the potential financial loss resulting from the failure of a tenant or counterparty to settle its financial and contractual obligations to the Property Companies, as and when they fall due. The Group has adopted a policy of obtaining deposit and/or guarantees from tenants to mitigate the risk of financial loss from tenant's default.



25 FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

Trade receivables with gross carrying amount of HK\$41.1 million (2022: HK\$65.6 million) consists of rental revenue and charge-out collections receivables from tenants or counterparties. The Manager monitors the balances on an ongoing basis. Credit evaluations are performed by the Property Managers on behalf of the Manager before lease agreements are entered into with tenants. In addition, the Group performs impairment assessment under ECL model on trade balances individually. In this regard, the Manager considers that the Group's credit risk is significantly reduced.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by performing individual assessment based on past due status. As at 31 December 2023, included in the Group's gross amount of trade receivables is an amount of HK\$5.5 million (2022: HK\$9.9 million) which is overdue by more than 90 days and categorised as credit impaired. During the year ended 31 December 2023, allowance for credit losses of HK\$0.9 million (2022: HK\$0.3 million was recognised) was reversed in the profit or loss for the Group. The remaining gross amount of trade receivables is categorised as low risk and the ECL is insignificant.

The Group write-off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

The following table shows the movement of lifetime ECL that has been recognised for trade receivables under the simplified approach that are credit-impaired.

	2023 HK\$'000	2022 HK\$'000
At beginning of year	5,219	6,627
(Reversal of) allowance for credit losses recognised in profit or loss	(855)	319
Write-off during the year	—	(1,727)
At end of year	4,364	5,219

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

For other receivables and security deposits of gross amount of HK\$49.4 million, the Manager makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Manager believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment assessment based on 12m ECL. For the years ended 31 December 2023 and 2022, the Group assessed the ECL for other receivables and security deposits to be insignificant and thus no loss allowance is recognised.

The Group assessed 12m ECL on liquid funds. The credit risk on liquid funds of gross amount of HK\$106.7 million (2022: HK\$206.9 million) is limited because deposits are placed with reputable banks with external credit rating of at least A1 assigned by an international credit-rating agency. The credit risk on derivative financial instrument is limited because the counterparties are banks with external credit rating of at least A1 assigned by an international credit-rating agency.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

25 FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk

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

Taking into account the headroom of the fair value of investment properties of HK\$38,997.3 million for obtaining additional banking facility, presently available banking facilities of HK\$751.7 million and internal financial resources of the Group, the Manager is of the opinion that the Group has sufficient working capital for its present requirements within one year from the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

Liquidity risk analysis

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

For derivative instruments settled on a net basis, undiscounted net cash outflows are presented based on the expected interest payment. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

25 FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

Liquidity risk analysis (continued)

The Group's derivative financial instruments are interest rate swaps with notional amount totaling HK\$6,000.0 million (2022: HK\$6,000.0 million) as at 31 December 2023 with contracted net cash flows due within seven years (2022: seven years) from inception date.

	Weighted average interest rate %	On demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 2 years HK\$'000	Over 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount as at 31 December 2023 HK\$'000
2023							
Non-derivative financial liabilities							
Tenants' deposits	—	18,092	153,488	166,676	108,070	446,326	446,326
Other payables	—	102,635	—	—	—	102,635	102,635
Distribution payable	—	362,960	—	—	—	362,960	362,960
Bank borrowings	6.35	727,125	436,982	3,049,049	7,159,094	11,372,250	9,658,374
Cash outflow		1,210,812	590,470	3,215,725	7,267,164	12,284,171	10,570,295
2022							
Non-derivative financial liabilities							
Tenants' deposits	—	26,180	170,979	142,653	134,338	474,150	474,150
Other payables	—	84,880	—	—	—	84,880	84,880
Distribution payable	—	420,350	—	—	—	420,350	420,350
Bank borrowings	5.38	721,497	1,850,183	405,554	8,564,594	11,541,828	9,577,762
Cash outflow		1,252,907	2,021,162	548,207	8,698,932	12,521,208	10,557,142

(c) Fair value

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

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



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

26 OPERATING LEASE ARRANGEMENTS

The Group rents out its investment properties in Hong Kong and Singapore under operating leases. Operating lease income represents rentals receivable by the Group for its investment properties. Leases are negotiated for term ranging primarily from two to four years with monthly fixed rental, except for certain leases of which variable rents are charged on higher of base rent or contingent rent based on the percentage of sales mainly ranging from 1% to 30% (2022: 1% to 30%).

Undiscounted lease payment receivable on leases are as follows:

	2023 HK\$'000	2022 HK\$'000
Within one year	1,115,918	1,205,965
In the second year	597,257	686,674
In the third year	200,869	229,243
In the fourth year	24,574	25,979
In the fifth year	22,292	9,919
After five years	15,417	9,731
	1,976,327	2,167,511

27 CAPITAL COMMITMENT

As at 31 December 2023, the Group had capital commitments for upgrading investment properties which were contracted but not provided for of HK\$147.2 million (2022: HK\$204.3 million).

28 MAJOR NON CASH TRANSACTIONS

The Manager's base fee for the periods from 1 January to 30 September 2023 amounting to HK\$88.7 million and 1 October to 31 December 2023 amounting to HK\$29.5 million were settled by the issuance of 16,190,927 units during the year and 6,016,803 units subsequent to 31 December 2023, respectively.

In prior year, the Manager's base fee for the periods from 1 January to 30 September 2022 amounting to HK\$88.5 million and 1 October to 31 December 2022 amounting to HK\$29.9 million were settled by the issuance of 13,820,805 units during the prior year and 4,836,620 units subsequent to 31 December 2022, respectively.



29 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities and assets arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	Distribution payable	Interest payable (receivable)	Total
	(Note 17) HK\$'000	HK\$'000	(Notes 19 and 15) HK\$'000	HK\$'000
At 1 January 2022	8,840,517	392,184	10,321	9,243,022
Financing cash flows	692,928	(849,095)	(253,763)	(409,930)
Finance costs	18,283	—	223,351	241,634
Distribution to unitholders	—	877,261	—	877,261
Other changes	26,034	—	—	26,034
At 31 December 2022	9,577,762	420,350	(20,091)	9,978,021
Financing cash flows	51,402	(868,009)	(333,725)	(1,150,332)
Finance costs	19,501	—	331,558	351,059
Distribution to unitholders	—	810,619	—	810,619
Other changes	9,709	—	—	9,709
At 31 December 2023	9,658,374	362,960	(22,258)	9,999,076



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

30 CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, except for the acquisition of an investment property from a connected party (Note 13(ii)), the Group entered into the following transactions with connected and related parties.

	Notes	2023 HK\$'000	2022 HK\$'000
Rent and rental related income from			
ARA Asset Management (Fortune) Limited	(a)	5,204	5,204
Cheung Kong Property Development Limited	(b)	30,876	24,366
Citybase Property Management Limited	(b)	2,570	2,338
Hang Seng Bank Limited	(c)	11,961	13,324
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	(c)	10,040	9,889
Towerich Limited	(b)	73	73
Car park lease agency fee for the operations for the Group's car park			
E-Park Parking Management Limited	(b)	9,889	9,619
Property management and project management fee			
Citybase Property Management Limited	(b)	1,147	1,092
Goodwell-Fortune Property Services Limited	(b)	42,068	42,428
Goodwell Property Management Limited	(b)	207	200
APM Property Management Pte Ltd	(e)	385	96
Leasing commission and marketing services fee			
Goodwell-Fortune Property Services Limited	(b)	20,648	30,927
APM Property Management Pte Ltd	(e)	576	—
Trustee's fee			
HSBC Institutional Trust Services (Asia) Limited	(d)	5,133	5,306
Manager's base fee			
ARA Asset Management (Fortune) Limited	(a)	118,182	118,418
Manager's performance fee			
ARA Asset Management (Fortune) Limited	(a)	40,200	39,904
Manager's acquisition fee			
ARA Asset Management (Fortune) Limited	(a)	—	4,830
Back office support service			
CK Asset	(b)	32	—



30 CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

Balance as at year end with connected and related parties are as follows:

Other payables

		2023 HK\$'000	2022 HK\$'000
ARA Asset Management (Fortune) Limited	(a)	6,408	6,835
HSBC Institutional Trust Services (Asia) Limited	(d)	824	616
Citybase Property Management Limited	(b)	33,026	17,523
E-Park Parking Management Limited	(b)	1,797	849
Goodwell-Fortune Property Services Limited	(b)	13,257	8,104
Goodwell Property Management Limited	(b)	22,637	21,971
		70,717	48,447
		77,949	55,898

Trade receivables

		2023 HK\$'000	2022 HK\$'000
Cheung Kong Property Development Limited	(b)	519	3,931

Deposits placed with the Group for the lease of the Group's properties

		2023 HK\$'000	2022 HK\$'000
ARA Asset Management (Fortune) Limited	(a)	1,463	1,463
Cheung Kong Property Development Limited	(b)	—	97
Citybase Property Management Limited	(b)	710	710
Hang Seng Bank Limited	(c)	3,374	3,578
HSBC	(c)	2,117	2,355
Towerich Limited	(b)	20	20
		7,684	8,223

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**"), which holds more than 10% of the units of Fortune REIT as at 31 December 2023. These companies are subsidiaries of 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.
- (e) This company is an associate of the Manager of Fortune REIT.

In addition, the Trustee (in its capacity as trustee of Fortune REIT) has provided guarantees for all bank loan facilities granted to the Group as at 31 December 2023 and 2022.



Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

31 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF FORTUNE REIT

Particulars of the principal subsidiaries which are wholly owned by Fortune REIT as at 31 December 2023 and 2022 are as follows:

Name of companies	Country/Place of incorporation	Effective equity interest held by Fortune REIT				Issued and fully paid capital			Principal activities
		As at 31 December 2023		As at 31 December 2022		Ordinary shares	Redeemable preference shares	Non-voting deferred shares	
		Directly %	Indirectly %	Directly %	Indirectly %				
Ace Courage Limited	British Virgin Islands ("BVI")	—	100	—	100	8	56,058,600	—	Property investment in Centre de Laguna
Advance Castle Investment Limited	Hong Kong	—	100	—	100	1	—	—	Property investment in Laguna Plaza
Bysean Limited	Hong Kong	—	100	—	100	2	—	—	Property investment in part of the Belvedere Square
Bysky Limited	Hong Kong	—	100	—	100	2	—	—	Property investment in part of the Belvedere Square
FRT Finance (HK) Limited	Hong Kong	100	—	100	—	2	—	—	Financing
Full Belief Limited	BVI	—	100	—	100	8	109,000,000	—	Property investment in Hampton Loft
Fullforce Limited	Hong Kong	—	100	—	100	2	—	—	Property investment in part of the Belvedere Square
Genuine Joy Limited	BVI	—	100	—	100	8	394,690,000	—	Property investment in Caribbean Square
Mega Gain Resources Limited	Hong Kong	—	100	—	100	1	436,400,000	—	Property investment in Metro Town
Million Nice Development Limited	Hong Kong	—	100	—	100	2	—	—	Property investment in Fortune City One
Partner Now Limited	BVI	—	100	—	100	8	30,810,000	—	Property investment in Lido Avenue
Poko Shine Limited	Hong Kong	100	—	100	—	2	874,570,000	—	Property investment in Ma On Shan Plaza
Proven Effort Limited	BVI	—	100	—	100	8	17,495,400	—	Property investment in Rhine Avenue
Quebostar Limited	Hong Kong	—	100	—	100	100,000	—	—	Property investment in part of the Belvedere Square
Quick Switch Limited	BVI	—	100	—	100	8	79,000,000	—	Property investment in Smartland
SOK Investment Pte. Ltd.	Singapore	—	100	—	100	6 (S\$1)	—	—	Property investment in Stars of Kovan

31 PARTICULARS OF PRINCIPAL SUBSIDIARIES OF FORTUNE REIT (continued)

Name of companies	Country/Place of incorporation	Effective equity interest held by Fortune REIT				Issued and fully paid capital			Principal activities
		As at 31 December 2023		As at 31 December 2022		Ordinary shares	Redeemable preference shares	Non-voting deferred shares	
		Directly %	Indirectly %	Directly %	Indirectly %	HK\$	HK\$	HK\$	
Team Challenge Limited	BVI	—	100	—	100	8	95,620,200	—	Property investment in Tsing Yi Square
Tidmarsh Investments Limited	BVI	—	100	—	100	8	—	—	Property investment in part of the Belvedere Square
Tin Shui Wai Development Limited	Hong Kong	—	100	—	100	1,000	—	—	Property investment in +WOO
Vision Million Limited	BVI	—	100	—	100	8	810,000,000	—	Property investment in Fortune Metropolis
Waldorf Realty Limited	Hong Kong	100	—	100	—	210,000	—	210,000	Property investment in Waldorf Avenue
Yee Pang Realty Limited	Hong Kong	100	—	100	—	10,000	8,000,000	—	Property investment in Jubilee Square

Notes:

- (i) The above table lists the subsidiaries of Fortune REIT which, in the opinion of the Manager, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Manager, result in particulars of excessive length.
- (ii) All redeemable preference shares issued by the subsidiaries are held by Fortune REIT.
- The redeemable preference shares issued by the subsidiaries are redeemable at the option of the subsidiaries and they have the following terms:
- They do not carry any right to dividend;
 - They are not participating (i.e. there is no right to participate in the surplus profits of the subsidiary after payment of dividend to the holders of the ordinary shares);
 - They do not have any voting rights at general meetings of the subsidiary;
 - In the event of a winding up of the subsidiary, the holders of the redeemable preference shares have priority over the holders of the ordinary shares to repayment of capital and premium paid on the issue of such redeemable preference shares, but that the holders of the redeemable preference shares are not entitled to participate in the surplus assets (if any) of the subsidiary; and
 - Each redeemable preference share is redeemable at any time at the option of the subsidiary at a redemption price equal to the issue price thereof.
- (iii) The non-voting deferred shares issued by the subsidiaries, all of which are held by Fortune REIT, are subject to the following restrictions and provisions:
- They do not carry any right to dividend;
 - They do not have any voting rights at general meetings of the subsidiary; and
 - On a return of assets on winding up or otherwise, the assets of the subsidiary to be returned should be distributed as regards the first HK\$100,000,000,000,000 thereof among the holders of ordinary shares in proportion to the nominal amounts of ordinary shares held by them respectively and one half of the balance of such assets shall belong to and be distributed among the holders of the non-voting deferred shares and the other half thereof to and among the holders of the ordinary shares in proportion in each case to the nominal amount of the shares held by them respectively.
- (iv) The places of operations of the above property investment subsidiaries are Hong Kong and Singapore.

None of the subsidiaries had issued any debt securities at the end of the year.



Other Information

MAJOR ESTATE AGENTS AND CONTRACTORS

Contractors	Nature of services	Value of contract HK\$ million	Percentage
Citybase Property Management Limited	Building Management	159.3	29.5%
Goodwell Property Management Limited	Building Management	110.5	20.5%
Goodwell-Fortune Property Services Limited	Property Management	84.3	15.6%
Ka Shun Contractors Limited	Projects and Maintenance	68.3	12.7%
E-park Parking Management Limited	Carpark management	9.9	1.8%
Total		432.3	80.1%

PERFORMANCE TABLE

	Year ended 31 December 2023	Year ended 31 December 2022	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
Net assets attributable to unitholders ¹ (HK\$'000)	28,080,100	28,927,301	29,183,178	28,631,502	32,624,120
Net asset value per unit (HK\$)	13.94	14.52	14.79	14.62	16.81
The highest traded price during the year (HK\$)	6.95	8.30	8.88	9.40	11.28
The highest premium of the trade price to net asset value ²	N.A.	N.A.	N.A.	N.A.	N.A.
The lowest traded price during the year (HK\$)	4.36	4.93	6.93	6.20	8.70
The highest discount of the trade price to net asset value	68.7%	66.0%	53.1%	57.6%	48.2%
The net yield per unit ²	8.1%	7.0%	5.6%	6.4%	5.6%

Notes:

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

Corporate Information

MANAGER

ARA Asset Management (Fortune) Limited

Unit 901, Level 9
Fortune Metropolis
6 Metropolis Drive
Hungghom, Kowloon, Hong Kong
Tel: +852 2169 0928
Fax: +852 2169 0968

5 Temasek Boulevard
#12-01, Suntec Tower Five
Singapore 038985
Tel: +65 6835 9232
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

LOW Mei Mei, Maureen
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

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

FORTUNE
置富產業信託 **REIT**



www.fortunemalls.com.hk
www.fortunereit.com

