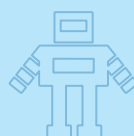


FORTUNE
 置富產業信託 **REIT**

Stock Code | Hong Kong 778 | Singapore F25U

**JOURNEY THROUGH
 FORTUNE MALLS**

ANNUAL REPORT 2018



ABOUT FORTUNE REIT

Fortune Real Estate Investment Trust ("**Fortune REIT**") is a real estate investment trust constituted by a trust deed (the "**Trust Deed**") entered into on 4 July 2003 (as amended) made between ARA Asset Management (Fortune) Limited, as the manager of Fortune REIT (the "**Manager**"), and HSBC Institutional Trust Services (Singapore) Limited, as the trustee of Fortune REIT (the "**Trustee**").

Fortune REIT is primary listed on The Stock Exchange of Hong Kong Limited (the "**SEHK**") and secondary listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). Fortune REIT is Asia's first cross-border REIT and also the first REIT to hold assets in Hong Kong. As at 31 December 2018, Fortune REIT held a portfolio of 16 private housing estate retail properties in Hong Kong comprising of 3.0 million square feet ("**Sq.ft.**") of retail space and 2,713 carparking spaces.

ABOUT THE MANAGER

Fortune REIT is managed by ARA Asset Management (Fortune) Limited, a wholly-owned subsidiary of ARA Asset Management Limited ("**ARA**"), a premier global real assets fund manager driven by a vision to be the best-in-class real assets fund management company.

As at 31 December 2018, the gross assets managed by ARA and its associates is approximately S\$80.1 billion across over 100 cities in 23 countries.

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.



JOURNEY THROUGH FORTUNE MALLS

Upholding the long-standing commitments to serving the community, Fortune REIT's private housing estate retail properties strive to provide all-round ancillary facilities for customers. With a vast variety of tenant mix, our portfolio malls are well positioned to meet the needs of different customer groups and create a comfortable shopping environment and colourful shopping experience.



Our malls comprise supermarkets, a delectable array of restaurants serving multinational cuisine and specialty food and a wide range of service facilities such as educational institutions, banks, clinics and beauty salons. Joining hands with tenants, we have been relentlessly pursuing excellence for years with an aim to take on a delightful journey with you through Fortune Malls.



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FINANCIAL HIGHLIGHTS



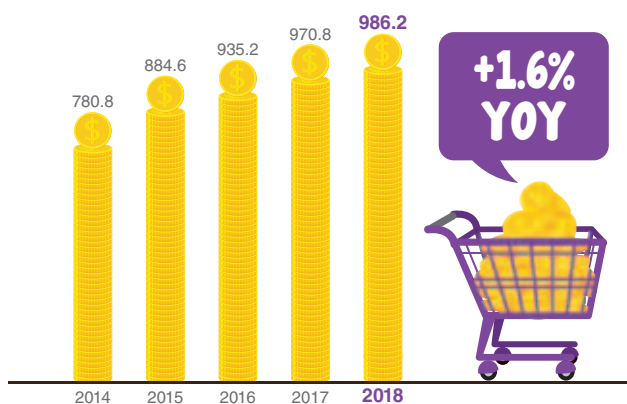
GROSS REVENUE (HK\$M)⁽¹⁾



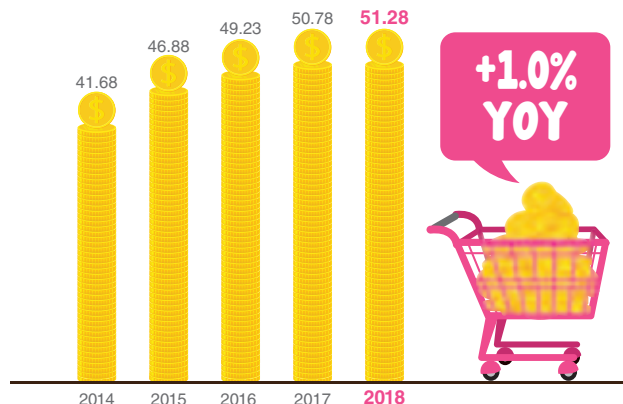
NET PROPERTY INCOME (HK\$M)



INCOME AVAILABLE FOR DISTRIBUTION (HK\$M)



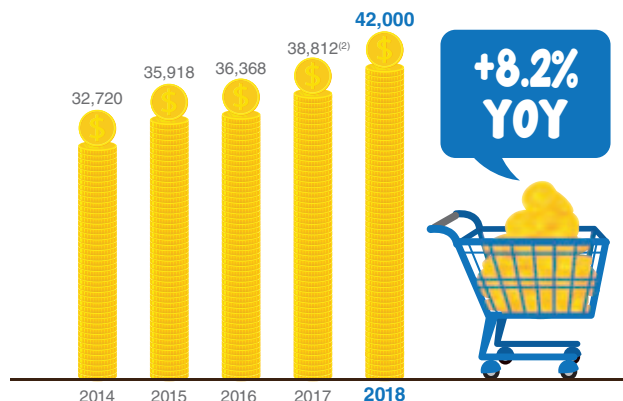
DISTRIBUTION PER UNIT (HK cents)



NET ASSET VALUE PER UNIT (HK\$)



PROPERTY VALUATION (HK\$M)



Notes:

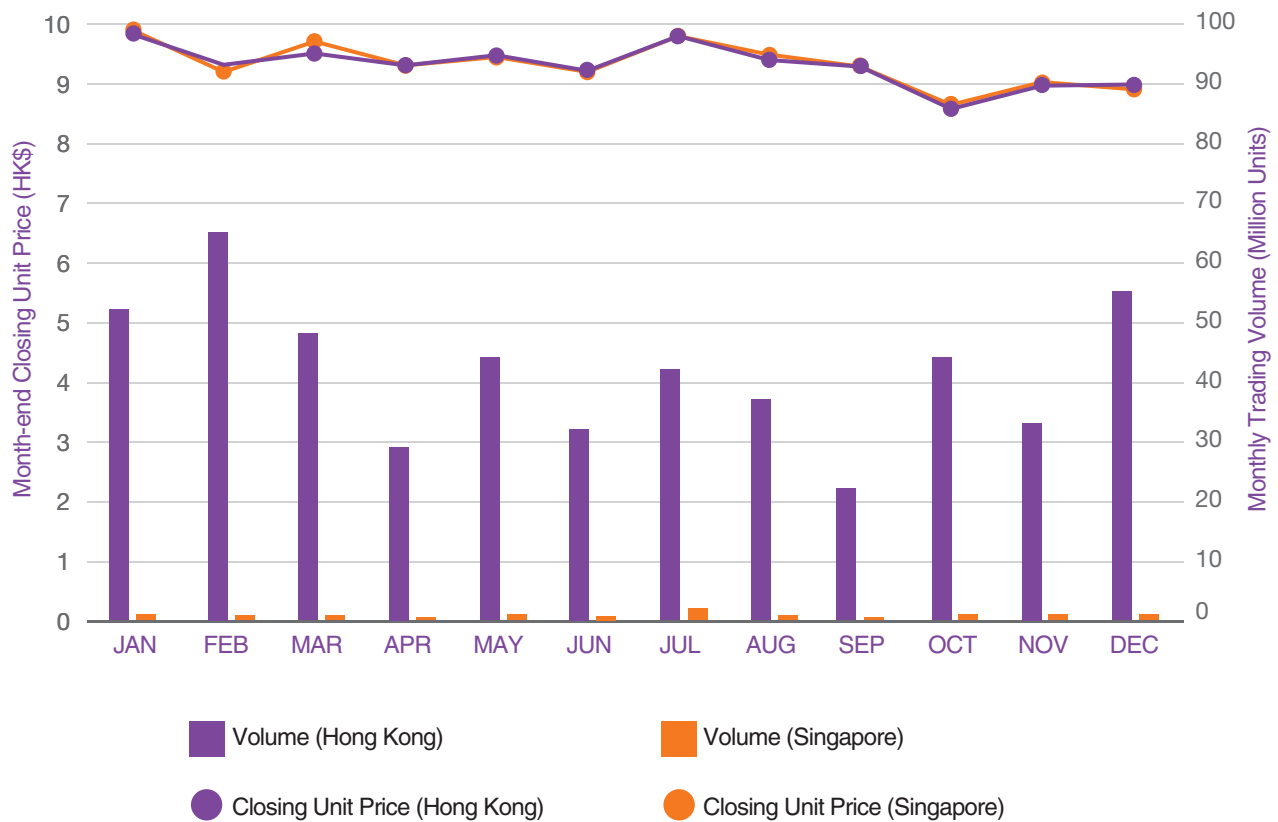
1. "Gross revenue" has been reclassified to conforming with the current period's presentation.
2. The amount includes the valuation of Provident Square of HK\$1,061 million which was sold on 28 February 2018.



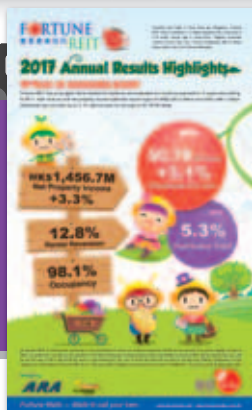
UNIT PERFORMANCE

	Singapore	Hong Kong
Opening unit price (2 January 2018)	HK\$9.65	HK\$9.66
Closing unit price (31 December 2018)	HK\$8.91	HK\$8.99
Intraday high	HK\$9.90 (25 January, 30 January, 31 January and 16 March 2018)	HK\$9.87 (22 January and 1 February 2018)
Intraday low	HK\$8.56 (25 October 2018)	HK\$8.58 (31 October and 1 November 2018)
Total volume traded	12,761,500 Units	508,097,599 Units

2018 MONTHLY TRADING PERFORMANCE



2018 CORPORATE MILESTONES



January 23

Announced financial results for the full year 2017. Total revenue and distributable income rose 2.8% and 3.8% year-on-year respectively.

February 28

A final distribution per unit ("DPU") of 25.25 Hong Kong cents for the six months ended 31 December 2017 was paid.

May 22

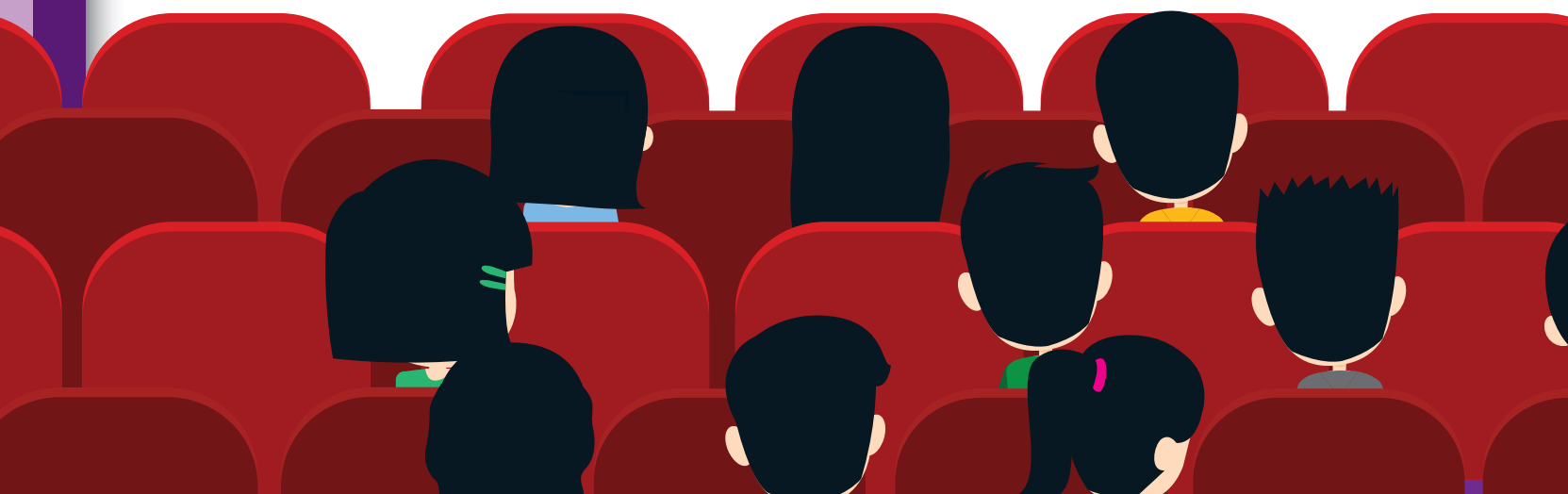
Fortune REIT has won the prestigious Overall Best IR Company Award and seven other awards in mid cap category at HKIRA's Investor Relations Awards 2018.



July 27



Announced financial results for the six months ended 30 June 2018. Total revenue and distributable income rose 2.2% and 3.7% year-on-year respectively.



February 28

Fortune REIT has successfully completed the divestment of Provident Square for HK\$2.0 billion.



April 19

Fortune REIT has been broadly recognised in five categories within "Asia's Best Companies Poll 2018".

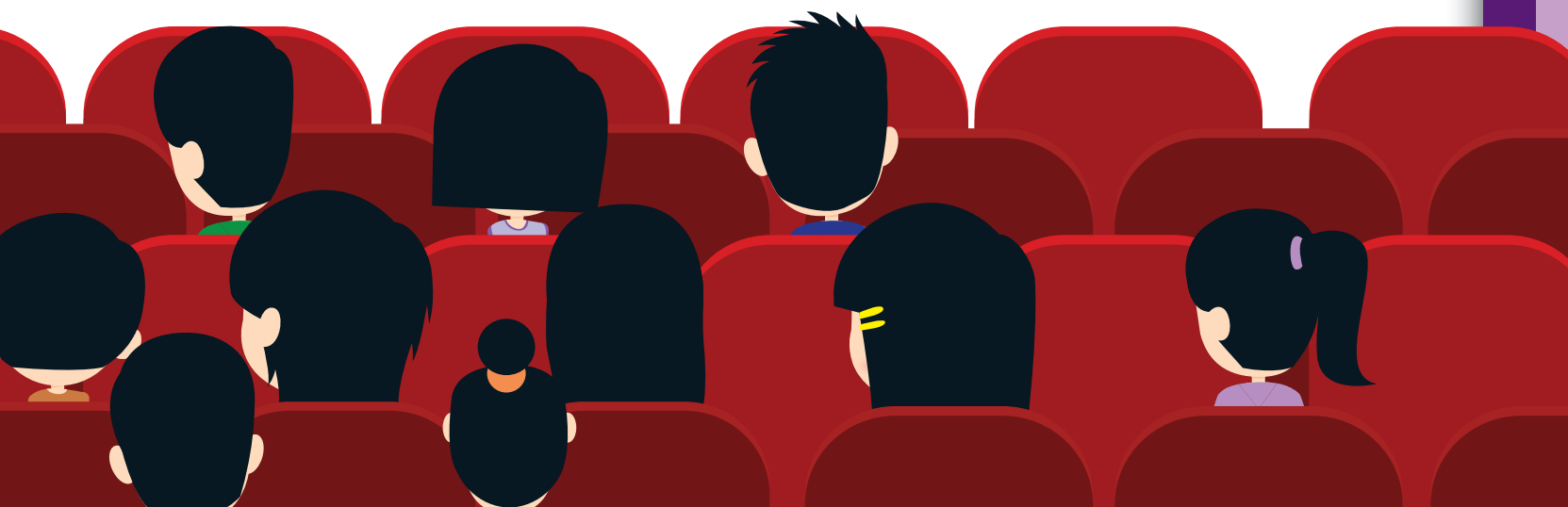
April 27

The 2018 annual general meeting and extraordinary general meeting were held in Hong Kong, where unitholders could also participate in Singapore via video conference. All resolutions, including the expansion of various scope of investment policy, were duly passed.



August 29

An interim DPU of 26.34 Hong Kong cents for the six months ended 30 June 2018 was paid.



CHAIRMAN'S REPORT



DEAR UNITHOLDERS,

In contrast to a year characterised by trade tensions and volatility in stock markets on the global stage, I am pleased that Fortune REIT has continued to deliver growing returns to its Unitholders, and made good progress in other operational and business aspects during the year ended 31 December 2018 (the “**Reporting Year**” or “**FY2018**”).



Chui Sing Loi (alias Tsui Sing Loi)
Chairman



SUSTAINED GROWTH OVER 15 YEARS

Fortune REIT owns a portfolio of 3.0 million Sq.ft. of quality neighbourhood malls and some 2,700 car parking lots in Hong Kong. During the Reporting Year, the portfolio delivered a positive operating performance. The retail portion recorded a satisfactory rental reversion of 12.7% while carpark income also increased. Provident Square was sold for HK\$2.0 billion in February 2018 with a significant gain of HK\$941 million while Fortune Kingswood has commenced a HK\$150 million asset enhancement initiatives (“**AEIs**”) in June 2018. Notwithstanding the income loss

from the disposal and AEIs, revenue and net property income have increased by 3.9% and 4.5% year-on-year respectively on a like-for-like basis¹ due to organic growth of the portfolio. With a distribution per unit of 51.28 HK cents for FY2018, we are delighted that we have been consistently delivering growth in returns to our Unitholders over the past 15 years.

During FY2018, we have shaped ourselves for better future growth – adding strength to both our portfolio and balance sheet.

¹ Like-for-like basis is calculated by excluding Provident Square (which was divested on 28 February 2018) and Fortune Kingswood (which was undergoing AEIs since June 2018) during the periods under analysis.





AEIS ADDING COMPETITIVE STRENGTH TO OUR MALLS

Proactive AEIs have continued to strengthen Fortune Malls competitiveness in the marketplace. Destined to be Fortune REIT's landmark AEIs, the renovation at our largest asset, Fortune Kingswood, has commenced in June 2018. Strategically located in the centre of Tin Shui Wai, one of the few still fast-growing residential areas in Hong Kong, the 665,244 Sq.ft. Fortune Kingswood is positioned to become a leisure and shopping destination for families and shoppers to enjoy their weekends, further elevating its status from the largest neighbourhood mall in Tin Shui Wai.

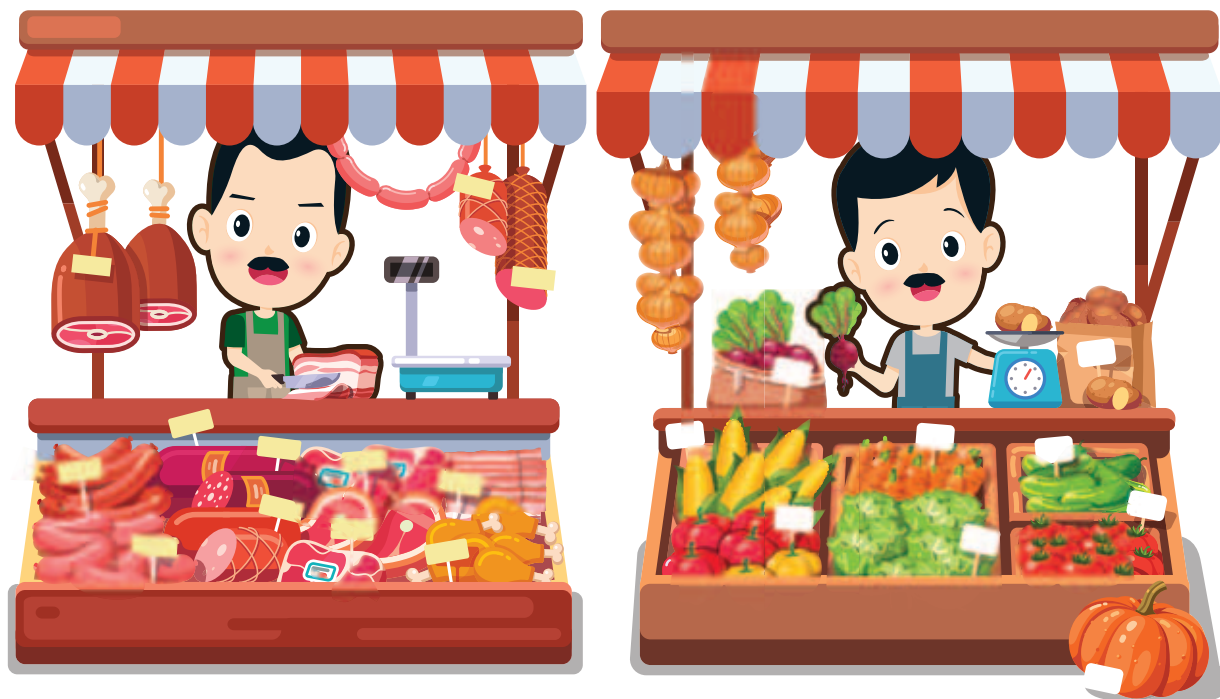
FINANCIALLY STRONGER TO FACE CHALLENGES AND SEIZE OPPORTUNITIES

We have always subscribed to prudent financial policies, a pre-requisite for Fortune REIT's long-term success. Our continuous efforts to adhere to this principle are evidenced by its healthy gearing and prudent hedging. During the

Reporting Year, HK\$1.95 billion from the divestment proceeds of Provident Square was used for early repayment of certain bank borrowings. The interest savings from a reduced debt level, together with the hedging already in place for 57% of interest cost, has somewhat relieved us from the pressure of interest rate hikes during the Reporting Year. As at 31 December 2018, gearing was reduced to 20.9% with no refinancing needs until 2020. Our strong balance sheet and prudent hedging enable Fortune REIT to weather challenges from external uncertainties.

GREEN INITIATIVES TO DRIVE SUSTAINABLE BUSINESS GROWTH

As always, we are mindful that Fortune REIT's sustained growth is to be best achieved without compromising the environment. In this regard, sustainability concepts are being employed into our business operations to raise our environmental awareness and enhance cost-effectiveness. For instance, our implementation of green technologies and green building practices has earned a very good return. Lighting and air-conditioning systems have been upgraded





where appropriate to reduce energy consumption. Higher energy efficiency leading to reduced utility expenses is the encouraging result from our efforts that we have been seeing over the past few years.

HELPING OUR TENANTS' BUSINESS IS OUR BUSINESS

By effectively applying technology, Fortune Malls has expanded connections with customers through digital channels. Particularly noteworthy here, Fortune Malls now has an official account in Mainland China's largest social media, actively engaging our followers with the latest information about shops, discount offers, and festive and promotional activities across all 16 Fortune Malls. Going forward, we will continue to elevate Fortune Malls' exposure through social media and work hand-in-hand with our tenants to create a better business environment in Fortune Malls.

OUTLOOK AND STRATEGIES

Against the backdrop of slowing global economic growth, the Hong Kong economy grew by 2.9% in the third quarter of 2018 over the previous year. Hong Kong's economy is fundamentally solid and the Guangdong-Hong Kong-Macao Greater Bay Area initiative is expected to drive further economic developments. Increased numbers of Chinese visitors through both the newly opened Express Railway Link and Hong Kong-Zhuhai-Macao Bridge, as well as resilient domestic spending are likely to provide support to the Hong Kong retail market.

Following the 100 bps rate hikes by the U.S. Federal Reserve in 2018, the financial market generally anticipates a less aggressive rate path in 2019. On this front, we will continue to put in place prudent measures in managing our interest rate exposure.

Our track record of executing yield-accretive acquisitions has earned widespread acclaim and a strong vote of confidence from investors. With a debt headroom of more than HK\$18 billion, we would continue our search for the right opportunities for acquisition growth but in a prudent and selective manner.

Fortune REIT's resilience is rooted in our quality portfolio of neighbourhood malls with a strong focus on providing necessities. We believe with our strengths in the diligent execution of three growth strategies, namely asset management, asset enhancement and asset investment, Fortune REIT is poised to ride through economic cycles and drive sustainable growth to Unitholders.

APPRECIATION

I would like to express my heartfelt gratitude to my fellow board members, management and staff for the hard work and dedication that have contributed to our success. I would also like to thank our Unitholders, trustee, business partners and customers for their continuous support of Fortune REIT.

Chui Sing Loi (alias Tsui Sing Loi)

Chairman

ARA Asset Management (Fortune) Limited

As Manager of Fortune REIT

THREE GROWTH STRATEGIES



With the effective implementation of our three growth strategies, Fortune REIT has achieved 15 years of sustainable growth. We will continue to capitalise on our solid portfolio built over the years and execute our strengths to drive long-term growth in distribution to our Unitholders.

ACTIVE LEASING MANAGEMENT

Thanks to our effective marketing and proactive leasing strategies, Fortune REIT continued to deliver satisfactory asset performance year after year. Both retail and carpark income were on the rise with rental reversion recorded at of 12.7% for the Reporting Year.

ASSET ENHANCEMENT INITIATIVES

In June 2018, Fortune REIT has embarked on a major AEIs at its largest asset – Fortune Kingswood. The HK\$150 million AEIs currently underway at the West Block is to be completed in 2019 with a more sizable upgrade at the East Block coming on stream in the next stage.

YIELD-ACCRETIVE ACQUISITIONS

Expanding our portfolio from five properties since listing to now 16 and with asset under management increased by more than 11 times to HK\$42 billion, Unitholders have been enjoying good returns from Fortune REIT's accretive acquisitions over the years. With our financial strength and a debt headroom of HK\$18.7 billion, we will continue our search for future expansions.





FINANCIAL REVIEW

Fortune REIT continued to deliver steady results in FY2018, marking its 15th consecutive year of growth. Despite the divestment of Provident Square and AEIs at Fortune Kingswood, revenue and net property income for FY2018 still reached a record high of HK\$1,940.1 million and HK\$1,471.8 million respectively. The growth is attributable to positive rental reversion from the retail portion as well as increased carpark income. On a like-for-like basis¹, revenue and net property income increased by 3.9% and 4.5% year-on-year respectively.

Total property operating expenses for FY2018 (excluding the Manager's performance fee) decreased by 2.5% year-on-year to HK\$422.6 million. In particular, utility expenses were reduced by 9.3% notwithstanding the increased electricity tariffs. With our disciplined cost control, cost-to-revenue ratio improved further to 21.8% (2017: 22.4%).

Income available for distribution for FY2018 was HK\$986.2 million, representing a year-on-year increase of 1.6%. The DPU for the Reporting Year was 51.28 HK cents, up by 1.0% year-on-year (2017: 50.78 HK cents). The FY2018 DPU represented a yield of 5.7% based on the closing unit price of HK\$8.99 in Hong Kong as at 31 December 2018.

Finance cost (excluding change in fair value of derivative financial instruments) decreased by 0.6% year-on-year to HK\$266.6 million despite the impact of a higher Hong Kong Inter-bank Offered Rate during the Reporting Year as the increase was mostly offset by interest savings resulted from certain loan repayments. The effective borrowing cost for the Reporting Year was 2.89% (2017: 2.47%) over a reduced amount of total debt.

Final Distribution

The final DPU of 24.94 HK cents for the six months ended 31 December 2018 will be paid on 1 March 2019 to Unitholders on the registers of Unitholders of Fortune REIT as at 14 February 2019.

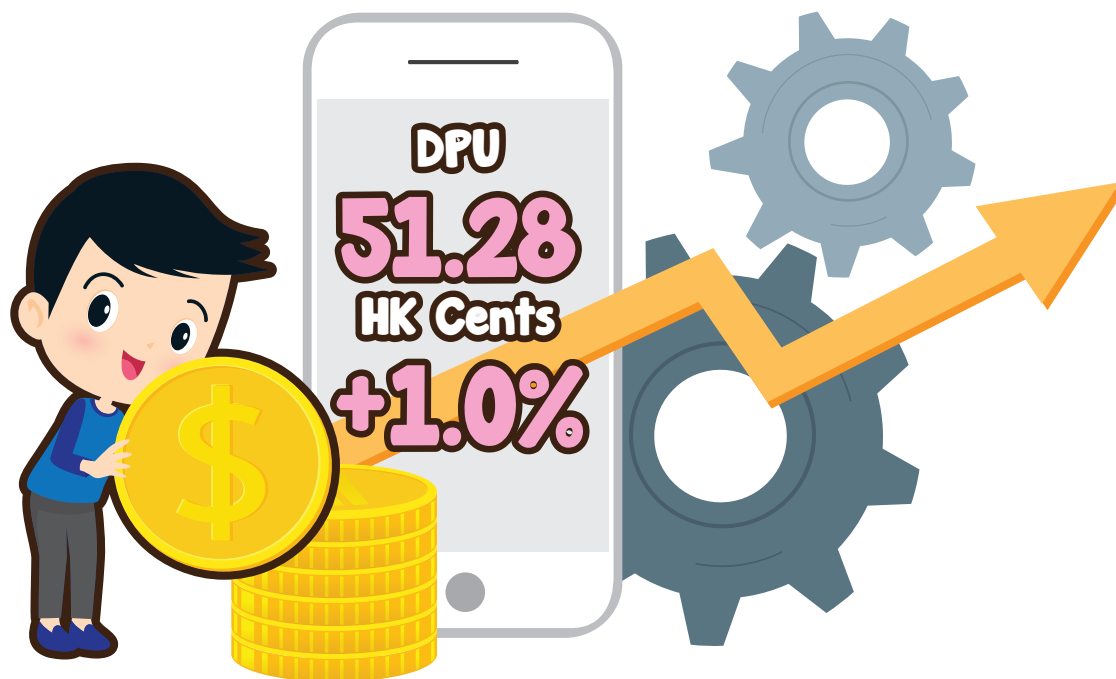
Strengthened Financial Position

The disposal of Provident Square was completed on 28 February 2018. Out of the HK\$2.0 billion divestment proceeds, HK\$1.95 billion was used for debt repayment comprising HK\$1.1 billion upon completion and subsequently another HK\$850 million in July 2018. As a result, Fortune REIT's total committed loan facilities were

¹ Like-for-like basis is calculated by excluding Provident Square (which was divested on 28 February 2018) and Fortune Kingswood (which was undergoing AEIs since June 2018) during the periods under analysis.

NET PROPERTY INCOME
HK\$1,471.8M
reached a record high
15th Consecutive Year
of Growth





reduced to HK\$9,205.1 million (2017: HK\$11,155.1 million) with no refinancing needs until 2020. The gearing ratio and aggregate leverage came down to 20.9% (2017: 27.4%) due to lower borrowing level and higher property valuation. Gross liability as a percentage of its gross assets decreased to 24.9% as at 31 December 2018 (2017: 32.1%).

Fortune REIT has obtained both secured and unsecured loan facilities. As 15 of its 16 investment properties are unencumbered, Fortune REIT possesses good financial flexibility. As at 31 December 2018, approximately 78% of total committed debts were unsecured. The only secured loan facility is secured over Ma On Shan Plaza which carried a fair value of HK\$6,144 million as at 31 December 2018. The Trustee has provided guarantees for all loan facilities.

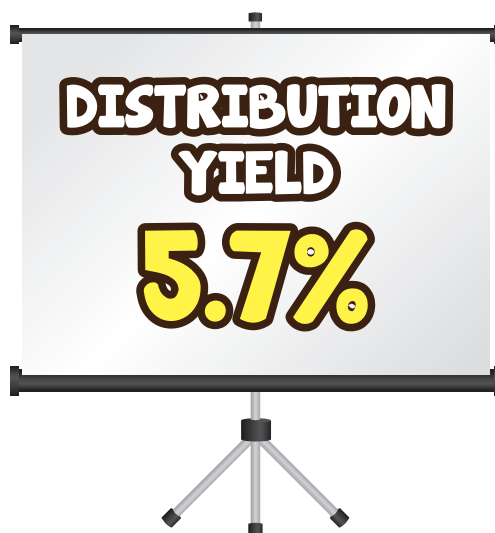
As at 31 December 2018, available liquidity stood at HK\$1,242.9 million (2017: HK\$1,216.0 million), comprising committed but undrawn facilities of HK\$700.0 million (2017: HK\$700.0 million) and cash and deposits of HK\$542.9 million (2017: HK\$516.0 million). Fortune REIT currently possesses sufficient financial capability to satisfy its financial commitments and working capital requirements.

As at 31 December 2018, interest cost for approximately 57% (2017: 60%) of Fortune REIT's outstanding debts was hedged through interest rate swaps and caps.

Net asset value per unit amounted to HK\$16.61 as at 31 December 2018, up 18.2% from HK\$14.05 at the end of 2017.

Portfolio Valuation

Notwithstanding the divestment of Provident Square, Fortune REIT's portfolio valuation increased by 8.2% from HK\$38,812 million as at 31 December 2017 to HK\$42,000 million as at 31 December 2018. Knight Frank Petty Limited, the Principal Valuer, adopted the valuation methodology of income capitalisation approach and cross-referenced with direct comparison approach. As at 31 December 2018, the average capitalisation rate was at 4.28% (2017: 4.53%). The compression of the average capitalisation rate, coupled with improvement in the performance of the underlying assets, has lifted up portfolio valuation and resulted in a revaluation gain of HK\$4,187.6 million for the Reporting Year.





BUSINESS REVIEW

Hong Kong's economy remains in good health and the retail market continues to thrive in 2018, buoyed by a strong increase in tourist arrivals and positive consumer sentiment. We have taken advantage of the retail uptrend and carried out tenant repositioning and AEs to strengthen long term growth of our portfolio.

Portfolio performance continued to be satisfactory for 2018, with a healthy rental reversion of 12.7% for renewals for the Reporting Year. As Fortune Kingswood is undergoing major AEs, portfolio occupancy stood at 93.1% as at 31 December 2018 (2017: 98.1%). Tenant retention rate remained solid at 68% despite the ongoing AEs, reflecting Fortune Malls as tenants' preferred place for business.

The portfolio currently has a total of 1,299 tenants, of which the top 10 together contributed approximately 27.7% of the gross rental income and occupied approximately 18.3% of total gross rentable area ("GRA") as at 31 December 2018. Tenants in the non-discretionary trades such as supermarkets, food and beverages as well as services and education accounted for approximately 69% of total GRA, underpinning Fortune REIT's long-term resilience through economic cycles. The Manager continues to focus on retaining quality tenants, securing early commitment to renewals before leases expire, as well as optimising the tenant mix at opportune times.

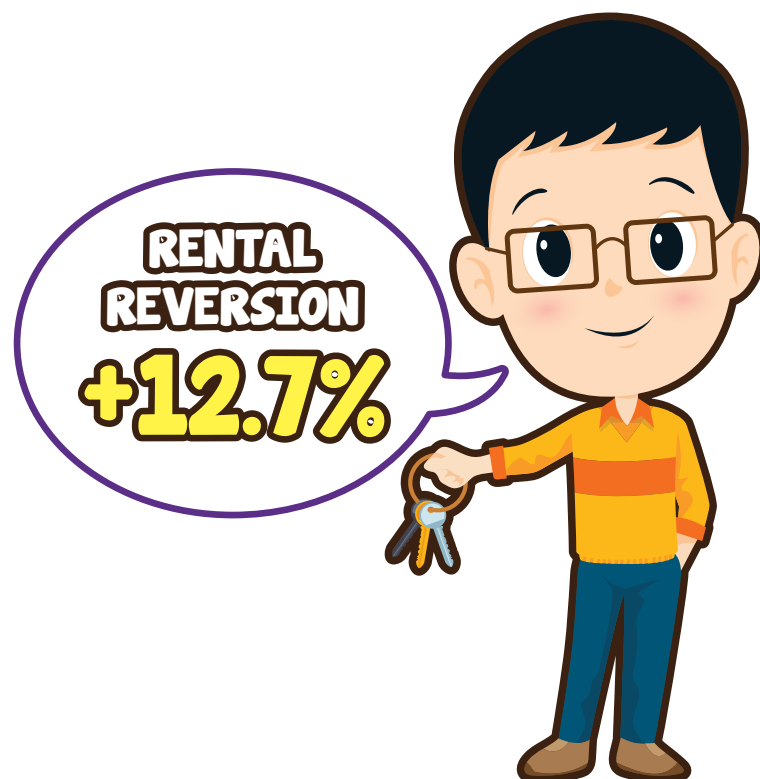
AEIs at Fortune Kingswood has progressed well

Asset enhancement forms part of our overall strategy to periodically upgrade our malls to drive sustainable rental growth. The HK\$150 million enhancement works at the West Block of Fortune Kingswood has commenced in June 2018 and aims to reinforce its position as the leading shopping mall in the neighbourhood by improving the overall layout and shopping ambience with an enriched food and beverages and retail offerings. The project has been progressing smoothly and is scheduled for completion in phases by end of 2019.

Meanwhile, we have been working on the plan to revitalise the East Block, making it a one-stop lifestyle and entertainment destination within the greater Yuen Long area.

Our Commitment to Corporate Social Responsibility

We implemented various initiatives to fulfill our environmental, social and governance ("ESG") responsibility during the Reporting Year. A discussion on our environmental policies, relationships with key stakeholders and compliance with relevant laws and regulations bearing significantly on Fortune REIT are provided in the "Corporate Governance Policies", "Independent Auditors' Report" and "ESG Review" sections of this annual report.





OUTLOOK

Hong Kong's economy grew solidly by 2.9% in the third quarter of 2018 over a year earlier but moderated from the 3.5% growth recorded in the second quarter. Domestic demand held firm while the labour market remained tight as the unemployment rate stayed unchanged at a 20-year low of 2.8%. On the back of resilient domestic spending and a strong resurgence of inbound tourists, Hong Kong retail sales recorded a growth of 9.7% in the first eleven months of 2018. We believe the favourable job and income conditions in Hong Kong will continue to support the business at Fortune Malls which predominantly focuses on non-discretionary retail. However, we are also mindful that weaker stock and housing markets as well as external headwinds such as the US-Mainland China trade conflict could undermine growth momentum.

The US Federal Reserve has hiked its benchmark interest rate four times in 2018. After the December FOMC meeting, the US Federal Reserve has signalled a more patient approach, stating that the upcoming interest rate policy would depend on the evolution of the outlook of the economy. As we remain prudent in capital management, we have lowered our borrowing level during the Reporting Year and have hedging in place for interest cost on 57% of outstanding debt to manage our exposure to interest rate volatility.

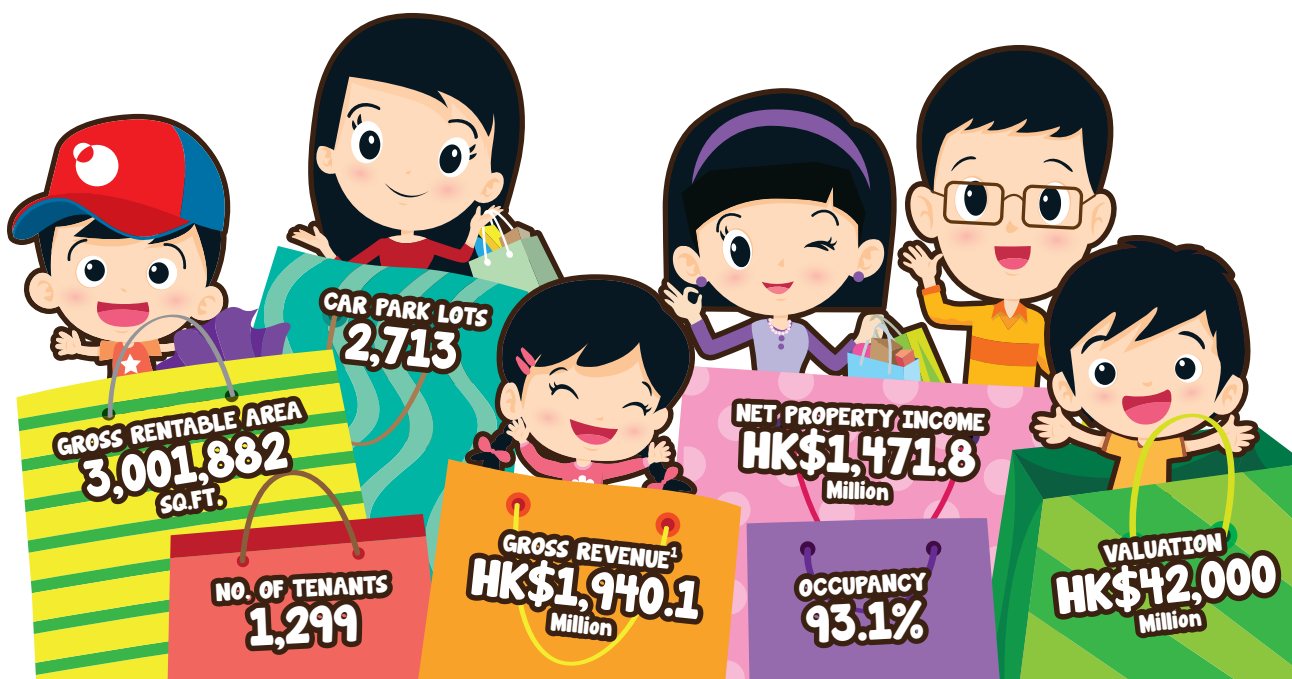
With a resilient portfolio of neighbourhood malls in Hong Kong and a successful track record spanning 15 years, Fortune REIT is well positioned to deliver consistent results and sustainable returns for our Unitholders. We will continue to strengthen our core competencies by executing a proactive leasing strategy, adding value to our malls through AEs, seeking yield-accretive investment opportunities and maintaining a healthy capital structure.



PORTFOLIO KEY STATISTICS



As at 31 December 2018



	Portfolio Top 10 Tenants	Trade Sector	% of Total Gross Rental Income ²	% of Total Rentable Area
1	PARKnSHOP	Supermarkets	7.0%	9.8%
2	Centaline Property Agency Limited	Banking & Real Estate Services	5.7%	0.7%
3	Midland Realty	Banking & Real Estate Services	3.5%	0.5%
4	Ricacorp Properties Limited	Banking & Real Estate Services	2.6%	0.3%
5	Bank of China (Hong Kong) Limited	Banking & Real Estate Services	2.2%	1.2%
6	Fairwood Fast Food	Food & Beverages	1.9%	1.5%
7	Watsons	Services & Education	1.3%	1.1%
8	7-Eleven	Services & Education	1.3%	0.6%
9	Hang Seng Bank	Banking & Real Estate Services	1.2%	0.5%
10	Ho Yin Seafood Restaurant	Food & Beverages	1.0%	2.1%
	Total		27.7%	18.3%

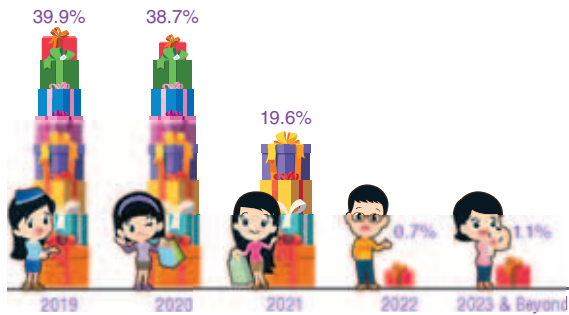
Notes:

1. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
2. Based on gross rental for the month of December 2018. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.



PORTFOLIO KEY STATISTICS

Portfolio Lease Expiry Profile^{1,2}



Breakdown of Portfolio Property Operating Expenses³

3.8%	Advertising and Promotion
51.7%	Building Management Expenses
7.0%	Carpark Operating Expenses
3.2%	Government Rents and Rates
7.0%	Leasing Commission and Marketing Services Fee
1.5%	Legal and Other Professional Fees
11.2%	Property Manager Fee
11.0%	Utilities
3.6%	Others



Portfolio Tenant Trade Mix Analysis¹

21.5%	Banking & Real Estate Services	3.1%	Homewares & Home Furnishings
0.9%	Community Services	1.9%	Leisure & Entertainment, Sports & Fitness
2.0%	Electronics & IT	22.6%	Services & Education
5.3%	Fashion & Shoes	7.8%	Supermarkets
26.5%	Food & Beverages	1.2%	Wet Markets
4.0%	Gifts & Speciality, Hobbies, Toys, Jewellery	3.2%	Others



Portfolio Analysis by Net Property Income³

18.5%	Fortune City One	0.5%	Provident Square ⁴
18.3%	Fortune Kingswood	2.5%	Jubilee Square
15.7%	Ma On Shan Plaza	1.8%	Smartland
9.1%	Metro Town	2.1%	Tsing Yi Square
5.6%	Fortune Metropolis	0.9%	Centre de Laguna
6.6%	Laguna Plaza	0.9%	Hampton Loft
7.5%	Belvedere Square	0.6%	Lido Avenue
5.1%	Waldorf Avenue	0.4%	Rhine Avenue
3.9%	Caribbean Square		



Notes:

1. Based on gross rental for the month of December 2018. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.
2. As at 31 December 2018, the weighted average lease expiry of Fortune REIT was 1.5 years. For the new leases commencing during FY2018, the weighted average lease expiry based on the date of commencement of the leases was 2.0 years and represented 37.3% of the gross rental for the month of December 2018.
3. For the financial year ended 31 December 2018.
4. Provident Square was sold on 28 February 2018.

ADVERTISING AND PROMOTIONS



Fortune REIT strives to create a better operating and shopping environment for tenants by engaging shoppers with a series of exciting marketing programmes. From adorable cartoon characters to awesome festive decorations and activities, Fortune Malls is definitely the destination in the neighbourhood to celebrate with friends and families.







Mom at Supermarket @Fortune Kingswood

October 30, 2018 at 09:00 AM •



778

Like

Comment

Share

Fortune Malls currently houses a total of 14 supermarkets, together with other grocery stores occupying just more than one-tenth of the total GRA. Convenient grocery shopping draws heavy regular crowds to the mall. Complimented with a wide offerings of household products and necessity services under one roof, Fortune Malls is easily the go-to place for daily convenience in the neighbourhood.





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.

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.



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

置富第一城
Fortune City One

置富嘉湖
Fortune Kingswood

置富都會
Fortune Metropolis

PORTFOLIO MALLS

馬鞍山廣場
Ma On Shan Plaza

都會駅
Metro Town

麗港城商場
Laguna Plaza

麗城薈
Belvedere Square

華都大道
Waldorf Avenue

映灣薈
Caribbean Square

銀禧薈
Jubilee Square

荃薈
Smartland

青怡薈
Tsing Yi Square

城中薈
Centre de Laguna

凱帆薈
Hampton Loft

麗都大道
Lido Avenue

海韻大道
Rhine Avenue



FORTUNE REIT'S PORTFOLIO



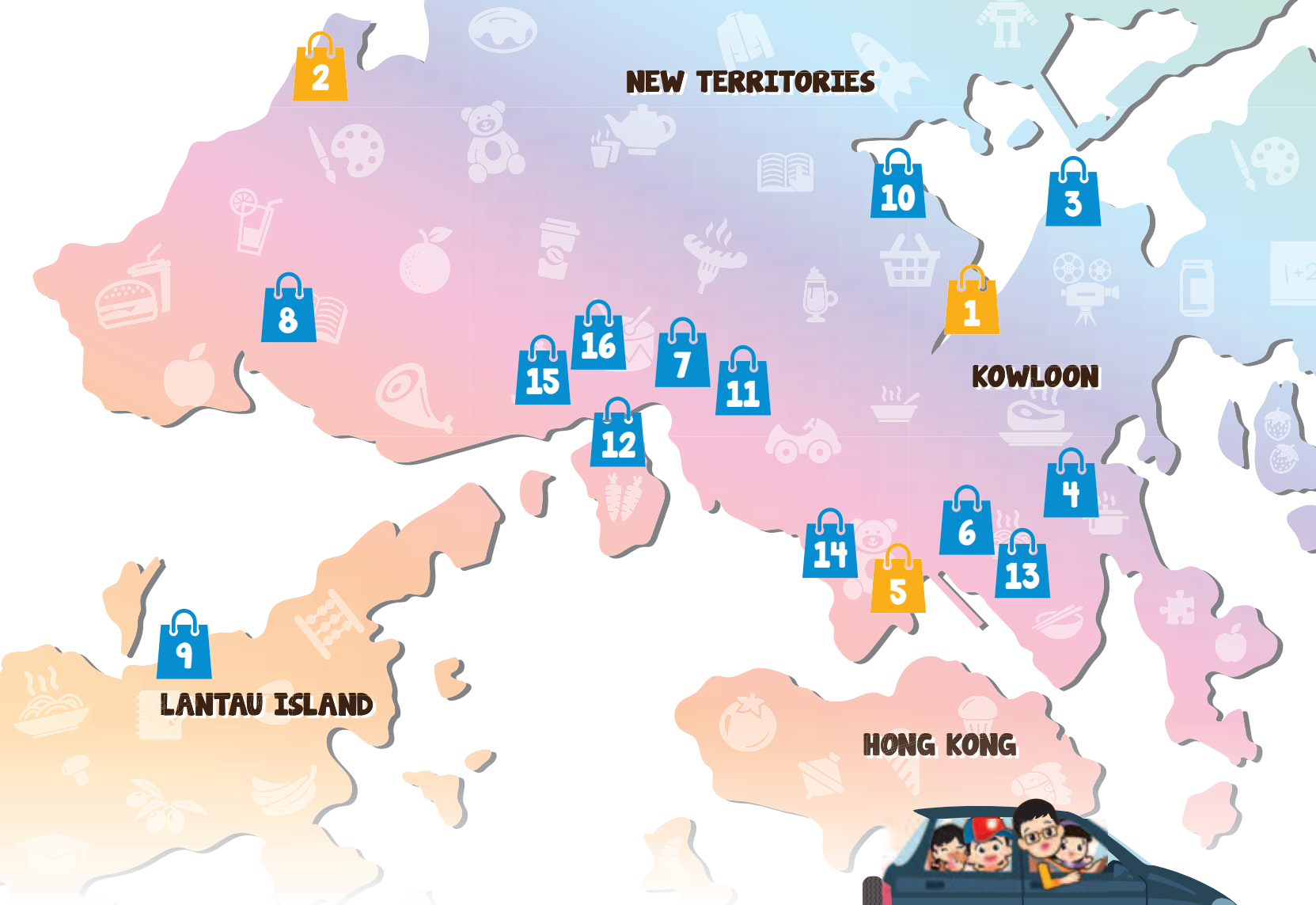
PORTFOLIO AT A GLANCE

Fortune REIT currently holds a portfolio of 16 private housing estate retail properties in Hong Kong, comprising of 3.0 million Sq.ft. of retail space and 2,713 car parking spaces.

As at 31 December 2018	Location	Gross Rentable Area (Sq.ft.)	Occupancy	Number of Car Parking Lots	Valuation (HK\$ million)	FY2018 Net Property Income (HK\$ million)	
1	Fortune City One	Shatin	414,469	99.3%	653	8,788	271.8
2	Fortune Kingswood	Tin Shui Wai	665,244	88.4%	622	8,261	271.3
3	Ma On Shan Plaza	Shatin	310,084	92.2%	290	6,144	231.5
4	Metro Town	Tseung Kwan O	180,822	99.2%	74	3,926	134.3
5	Fortune Metropolis	Hung Hom	332,168	73.1%	179	2,805	82.7
6	Laguna Plaza	Kwun Tong	163,203	99.0%	150	2,683	96.4
7	Belvedere Square	Tsuen Wan	276,862	99.8%	329	2,670	109.7
8	Waldorf Avenue	Tuen Mun	80,842	100%	73	1,832	74.5
9	Caribbean Square	Tung Chung	63,018	100%	117	1,295	57.6
10	Jubilee Square	Shatin	170,616	97.2%	97	995	36.7
11	Smartland	Tsuen Wan	123,544	96.3%	67	809	26.9
12	Tsing Yi Square	Tsing Yi	78,836	100%	27	804	31.3
13	Centre de Laguna	Kwun Tong	43,000	100%	N.A.	339	12.7
14	Hampton Loft	West Kowloon	74,734	100%	35	311	12.5
15	Lido Avenue	Tsuen Wan	9,836	100%	N.A.	208	9.0
16	Rhine Avenue	Tsuen Wan	14,604	100%	N.A.	130	5.4
Total/Overall Average			3,001,882	93.1%	2,713	42,000	1,464.3¹

Note:

1. Including Provident Square, which was sold on 28 February 2018, the total net property income for FY2018 was HK\$1,471.8 million.



NEW TERRITORIES

KOWLOON

LANTAU ISLAND

HONG KONG



1 Fortune City One
2 Fortune Kingswood **5** Fortune Metropolis

3 Ma On Shan Plaza	4 Metro Town	6 Laguna Plaza
7 Belvedere Square	8 Waldorf Avenue	9 Caribbean Square
10 Jubilee Square	11 Smartland	12 Tsing Yi Square
13 Centre de Laguna	14 Hampton Loft	15 Lido Avenue
16 Rhine Avenue		



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.

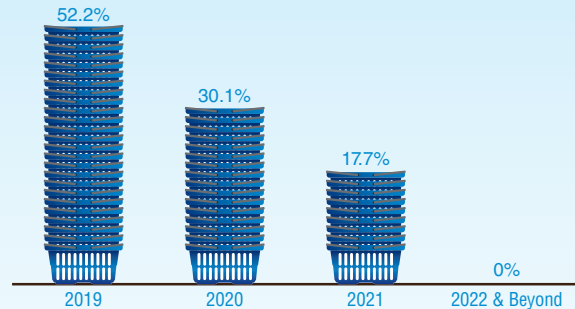


Fortune City One can be easily accessed by private and public transportation. It is strategically located near City One MTR Station and in close proximity to the Shatin MTR Station.





Lease Expiry Profile²



Key Statistics (as at 31 December 2018)

Occupancy	99.3% (2017: 98.4%)
Purchase Price	HK\$2,559 million
Market Valuation	HK\$8,788 million
Gross Revenue ¹	HK\$362.4 million (2017: HK\$351.8 million)
Net Property Income	HK\$271.8 million

Tenant Trade Mix Analysis²

Banking & Real Estate Services	17.8%
Community Services	1.2%
Electronics & IT	2.1%
Fashion & Shoes	4.1%
Food & Beverages	31.9%
Gifts & Speciality, Hobbies, Toys, Jewellery	3.6%
Homeware & Home Furnishing	3.1%
Leisure & Entertainment, Sports & Fitness	1.0%
Services & Education	23.8%
Supermarkets	5.8%
Wet Markets	4.2%
Others	1.4%

Notes:

- Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
- Based on gross rental for the month of December 2018. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.



置富嘉湖

Fortune Kingswood

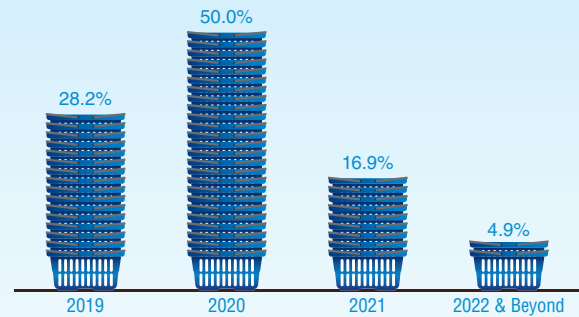


Fortune Kingswood is located in Tin Shui Wai, Yuen Long, New Territories, one of the biggest new towns in Hong Kong. Being the largest shopping center in Tin Shui Wai, the property serves a catchment of close to 288,000 people, the hotel residents of the 1,102-room Harbour Plaza Resort City, as well as visitors from Mainland China due to its close proximity to the border. Fortune Kingswood 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.





Lease Expiry Profile²



Key Statistics (as at 31 December 2018)

Occupancy	88.4% (2017: 95.8%)
Purchase Price	HK\$5,849 million
Market Valuation	HK\$8,261 million
Gross Revenue ¹	HK\$351.8 million (2017: HK\$358.7 million)
Net Property Income	HK\$271.3 million

Tenant Trade Mix Analysis²

Banking & Real Estate Services	22.7%
Community Services	0.3%
Electronics & IT	3.7%
Fashion & Shoes	7.6%
Food & Beverages	23.4%
Gifts & Speciality, Hobbies, Toys, Jewellery	2.6%
Homeware & Home Furnishing	4.5%
Leisure & Entertainment, Sports & Fitness	4.0%
Services & Education	21.4%
Supermarkets	6.2%
Others	3.6%

Notes:

- Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
- Based on gross rental for the month of December 2018. Gross rental includes rental income and licence income due from tenants but excludes turnover rent.



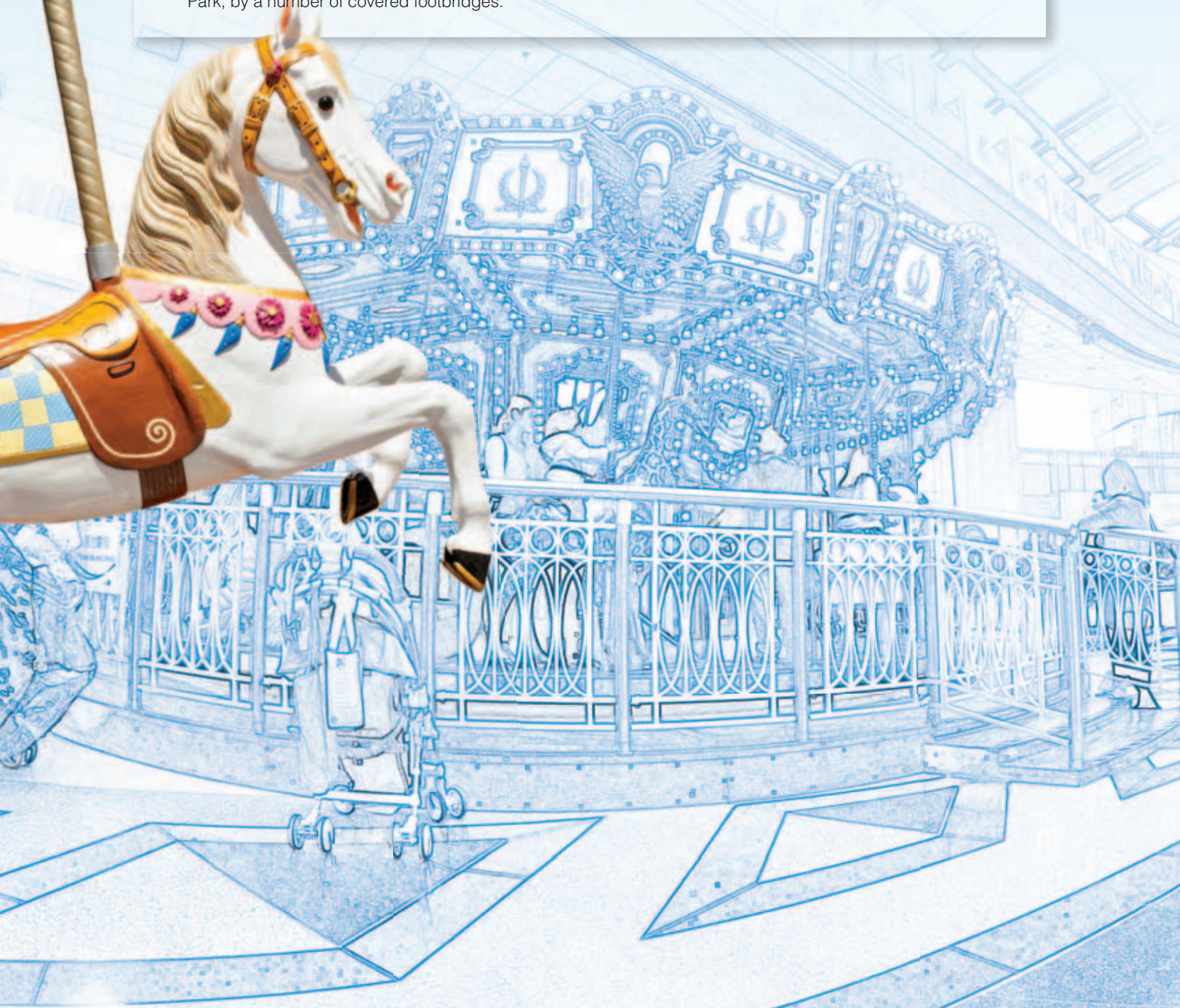
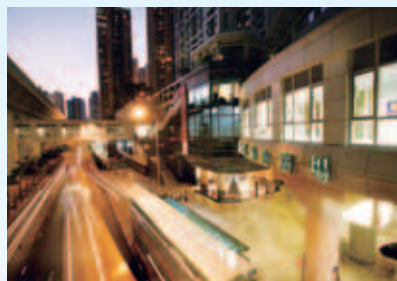
馬鞍山廣場

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.





**290
PARKING
LOTS**

**ADJOINING
MA ON SHAN
PARK**

**HONG KONG'S
ONLY
INDOOR
MERRY-GO-ROUND**



**TOTAL GRA
310,084
Sq.ft.**

**MA ON SHAN
MTR
STATION**

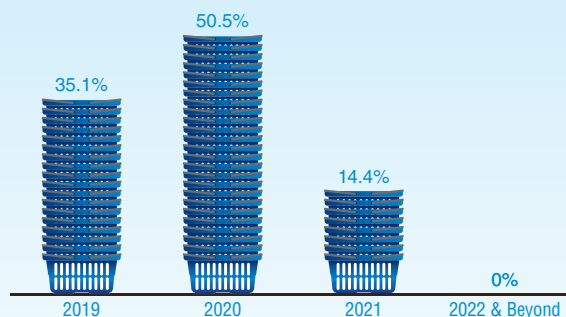
**COMPLETED IN
1994**

**137
TENANTS**

**MALL
FEATURES**



Lease Expiry Profile²



Key Statistics (as at 31 December 2018)

Occupancy	92.2% (2017: 99.0%)
Purchase Price	HK\$934 million
Market Valuation	HK\$6,144 million
Gross Revenue ¹	HK\$290.1 million (2017: HK\$280.6 million)
Net Property Income	HK\$231.5 million

Tenant Trade Mix Analysis²

Banking & Real Estate Services	36.8%
Electronics & IT	2.3%
Fashion & Shoes	6.6%
Food & Beverages	19.8%
Gifts & Speciality, Hobbies, Toys, Jewellery	5.0%
Homeware & Home Furnishing	2.6%
Leisure & Entertainment, Sports & Fitness	0.8%
Services & Education	14.4%
Supermarkets	7.5%
Others	4.2%

Notes:

1. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
2. Based on gross rental for the month of December 2018. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.

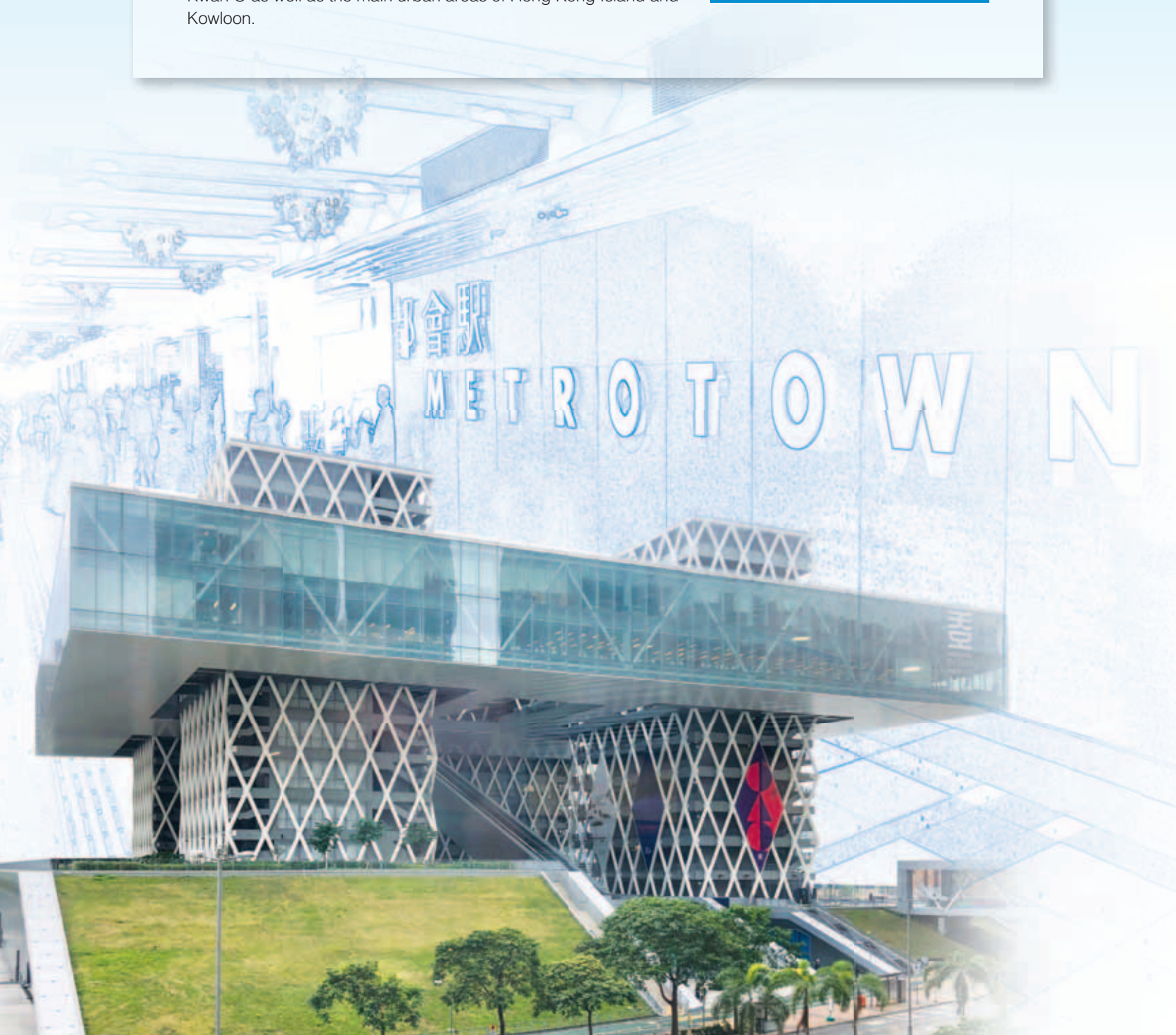


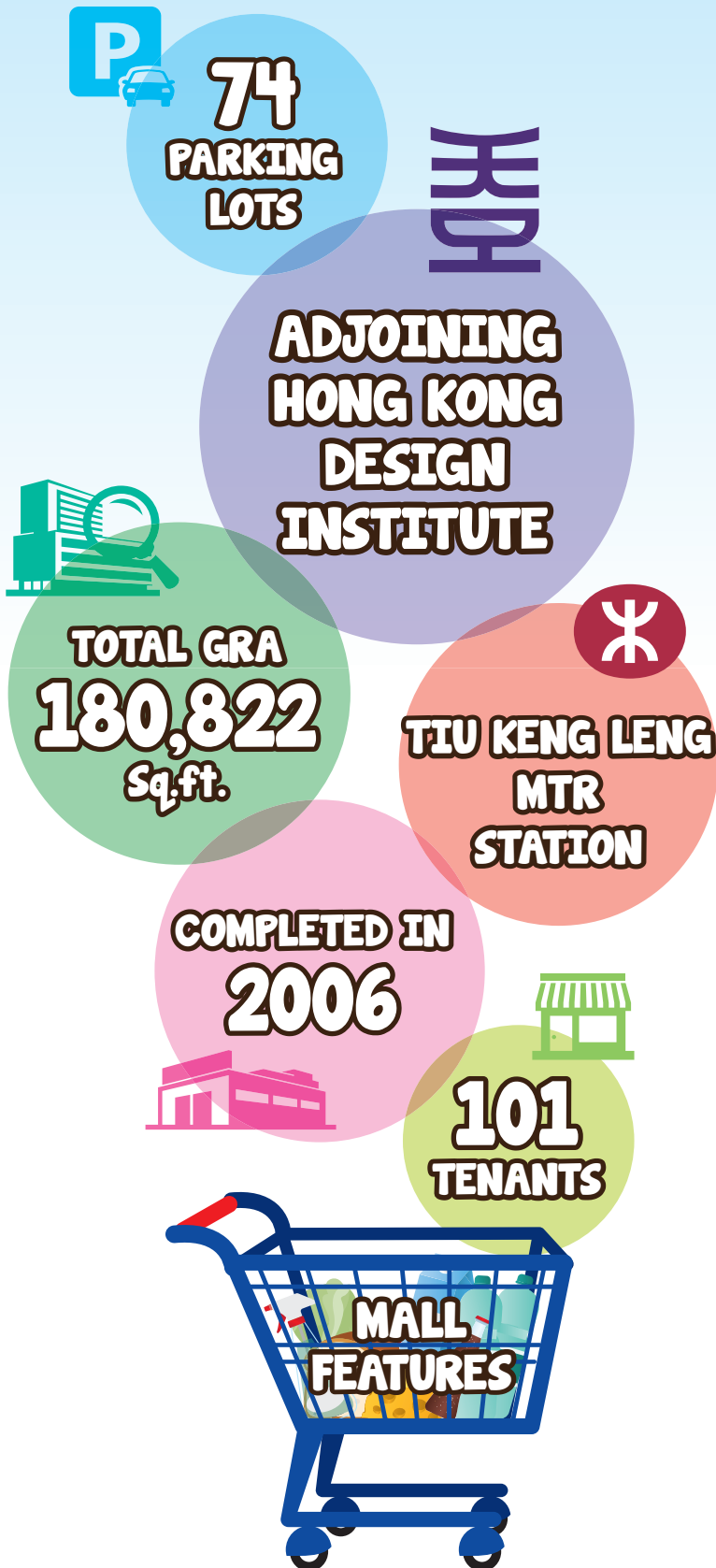
都會駅

Metro Town

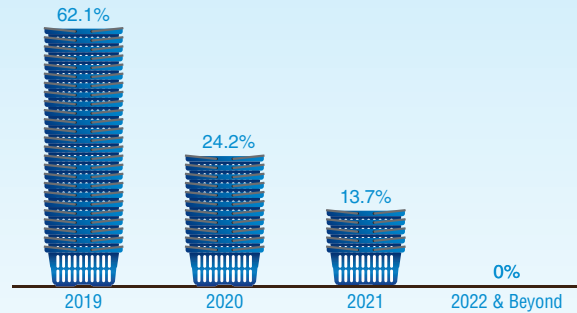


Metro Town is located on top of Tiu Keng Leng MTR Station which is an interchange for the Kwun Tong Line and the Tseung Kwan O Line. It is further connected via several pedestrian bridges to other large residential developments including Ocean Shore, Kin Ming Estate, Shin Ming Estate and Choi Ming Court, and institutions including Hong Kong Design Institute and Caritas Bianchi College of Careers. The ground floor of the mall links to a bus terminal connecting the Tiu Keng Leng area with other parts of Tseung Kwan O as well as the main urban areas of Hong Kong Island and Kowloon.





Lease Expiry Profile²



Key Statistics (as at 31 December 2018)

Occupancy	99.2% (2017: 100%)
Purchase Price	HK\$1,452 million
Market Valuation	HK\$3,926 million
Gross Revenue ¹	HK\$170.0 million (2017: HK\$165.8 million)
Net Property Income	HK\$134.3 million

Tenant Trade Mix Analysis²

Banking & Real Estate Services	27.2%
Electronics & IT	1.0%
Fashion & Shoes	5.6%
Food & Beverages	22.1%
Gifts & Speciality, Hobbies, Toys, Jewellery	5.7%
Homeware & Home Furnishing	1.6%
Leisure & Entertainment, Sports & Fitness	1.2%
Services & Education	23.0%
Supermarkets	10.8%
Others	1.8%

Notes:

- Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
- Based on gross rental for the month of December 2018. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.



置富都會

Fortune Metropolis



Fortune Metropolis is located in the established residential and commercial hub of Hung Hom in South Kowloon. It is the retail portion of The Metropolis, a 1.4 million Sq.ft. complex comprising a retail mall, an office tower, a hotel and serviced apartments. It is directly connected to Hung Hom MTR Station and is in close proximity to the East Tsim Sha Tsui MTR Station. Moreover, Fortune Metropolis is served by the Hung Hom bus terminal and a taxi station, with the Kowloon entrance of the Cross Harbour Tunnel just minutes away.





179
PARKING
LOTS



PART OF
SERVICED
APARTMENT/
OFFICE/HOTEL
COMPLEX



700
SEATS FOOD
COURT

NEXT TO
HONG KONG
COLISEUM



TOTAL GRA
332,168
Sq.ft.



HUNG HOM
MTR
STATION

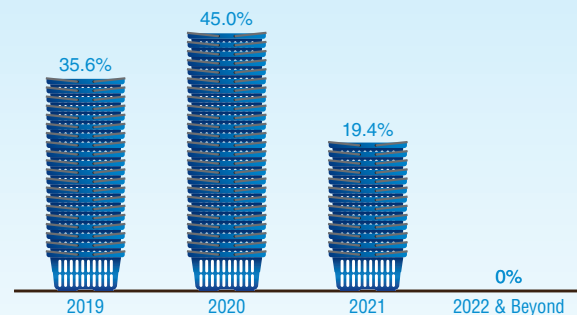
COMPLETED IN
2001



113
TENANTS



Lease Expiry Profile²



Key Statistics (as at 31 December 2018)

Occupancy	73.1% (2017: 98.4%)
Purchase Price	HK\$1,464 million
Market Valuation	HK\$2,805 million
Gross Revenue ¹	HK\$131.4 million (2017: HK\$142.2 million)
Net Property Income	HK\$82.7 million

Tenant Trade Mix Analysis²

Banking & Real Estate Services	13.2%
Community Services	2.6%
Electronics & IT	0.1%
Fashion & Shoes	1.3%
Food & Beverages	50.6%
Gifts & Speciality, Hobbies, Toys, Jewellery	6.9%
Homeware & Home Furnishing	1.1%
Leisure & Entertainment, Sports & Fitness	2.4%
Services & Education	15.3%
Supermarkets	3.1%
Others	3.4%

Notes:

1. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
2. Based on gross rental for the month of December 2018. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.

KEY STATISTICS



(as at 31 December 2018)

Property	Occupancy	Purchase Price (HK\$ million)	Market Valuation (HK\$ million)	Gross Revenue ¹ (HK\$ million)	Net Property Income (HK\$ million)
 <p>6 LAGUNA PLAZA</p>	99.0% (2017: 96.4%)	1,919	2,683	125.1 (2017: 121.8)	96.4
 <p>7 BELVEDERE SQUARE</p>	99.8% (2017: 99.6%)	1,250	2,670	145.2 (2017: 135.1)	109.7
 <p>8 WALDORF AVENUE</p>	100% (2017: 100%)	400	1,832	88.8 (2017: 85.1)	74.5
 <p>9 CARIBBEAN SQUARE</p>	100% (2017: 100%)	428	1,295	71.9 (2017: 61.4)	57.6
 <p>10 JUBILEE SQUARE</p>	97.2% (2017: 97.8%)	218	995	53.6 (2017: 49.9)	36.7
 <p>11 SMARTLAND</p>	96.3% (2017: 97.5%)	258	809	47.5 (2017: 44.9)	26.9



KEY STATISTICS

Property	Occupancy	Purchase Price (HK\$ million)	Market Valuation (HK\$ million)	Gross Revenue ¹ (HK\$ million)	Net Property Income (HK\$ million)
 12 TSING YI SQUARE	100% (2017: 100%)	230	804	41.6 (2017: 37.3)	31.3
 13 CENTRE DE LAGUNA	100% (2017: 98.9%)	135	339	16.9 (2017: 16.3)	12.7
 14 HAMPTON LOFT	100% (2017: 100%)	159	311	16.5 (2017: 10.6)	12.5
 15 LIDO AVENUE	100% (2017: 100%)	75	208	9.9 (2017: 9.5)	9.0
 16 RHINE AVENUE	100% (2017: 100%)	40	130	7.2 (2017: 6.9)	5.4

Note:

1. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.



Daddy at Food Court @Fortune Metropolis

October 30, 2018 at 01:00 PM • 🌐



👍 🤔 ❤️ 778

👍 Like

💬 Comment

➦ Share



...

The food and beverage sector is Fortune Malls' biggest income contributor, presenting 26.5% of gross rental income. As the only food court within Fortune Malls, the 14,000 Sq.ft. The Feast has been a key attraction at Fortune Metropolis. Housing 11 food stalls and 700 seatings, The Feast has been the perfect gourmet place for university students and office workers in the nearby vicinity as well as concert goers to grab a quick but value-for-money meal.

置富都會
Fortune Metropolis

起筷
The Feast

日式牛肉飯
BEEF BOWL RICE

地道煲仔飯
CLAY POT RICE





SUSTAINABILITY

Sustainability has long been an integral part of Fortune REIT's strategy to drive growth, manage risks and create value. In a world where temperatures are rising, natural resources are scarce, energy is expensive, Fortune REIT strives to address these issues in the way we do our business. For example, by reducing consumption of electricity, we reduce costs and carbon footprint. By improving indoor air quality, we create a healthier and more desirable shopping environment for the good of our tenants and shoppers.





RELATIONSHIPS WITH KEY STAKEHOLDERS

Fortune REIT values open, constructive and effective communication with our stakeholders as we believe active stakeholder engagement will steer us towards the future and enable us to be successful over the long run.

- **Employees**

We value our staff as our greatest asset. Our core values of Respect, Excellence, Integrity and Teamwork, underpin our human resources policies. We strive to maintain an equal and fair working environment and to encourage personal development as well as mutual trust among our employees.

- **Tenants**

Fortune REIT coordinates with our tenants proactively to provide quality services to our visitors. We carry out periodic tenant visits and surveys to ensure their needs are identified and addressed. Our proactive attitude towards them fosters cooperation and continuous improvement in our malls.

- **Community**

Our belief in sharing love and care to the community manifests in our continued efforts in organising activities with charity organisations and local NGOs, which builds a strong bonding between Fortune REIT and the community.

OVERVIEW OF ESG RISKS

We have identified ESG risks that we regard as material to Fortune REIT's business and performance. The identification process of ESG risks aligns with the results of Fortune REIT's stakeholders' materiality assessment conducted in the Reporting Year through management interviews, questionnaire and focus groups.



Fortune Volunteer Team actively participated in the corporate social responsibility events throughout 2018.

ACHIEVEMENTS AND AWARDS

Over the years, we strive to uphold the highest standards of corporate governance and our effort has been recognised with Fortune REIT garnering a wide range of awards and accolades from various organisations.





ACHIEVEMENTS AND AWARDS

CORPORATE GOVERNANCE

Asia Pacific Best of the Breeds REITs Awards 2018

- *The Pinnacle Group International* -

- Platinum Award – Hong Kong Retail Category

Asia's Best Companies Poll 2018

- *FinanceAsia* -

- Best Managed Company
- Best at Investor Relations
- Best CEO – Ms. Justina Chiu
- Most Committed to Corporate Governance
- Best at Corporate Social Responsibility

Listed Enterprises of the Year 2018

- Bloomberg Businessweek/Chinese Edition



Outstanding Listed Company Award 2018

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



CORPORATE COMMUNICATION

12 Awards with 5 Golds for Annual Report at

- 2018 International ARC Awards
- 2017 Vision Awards
- Astrid Awards 2018
- Mercury Excellence Awards 2017/18

HKIRA 4th Investor Relations Awards

- *Hong Kong Investor Relations Association* -

- Overall Best IR Company (Mid Cap)
- 3 Years IR Awards Winning Company
- Best IR by CEO – Ms. Justina Chiu (Mid Cap)
- Best IRO – Ms. Jenny Hung (Mid Cap)
- Best IR in Corporate Transaction (Mid Cap)
- Best Investor Meeting (Mid Cap)
- Best Investor Presentation Material (Mid Cap)
- Best Annual Report (Mid Cap)



CORPORATE SUSTAINABILITY

CarbonCare® ESG Label (Level 2)

- *CarbonCare InnoLab* -



5 Years Plus Caring Company Logo

- *Hong Kong Council of Social Service*

Smart Energy Award 2018

- *CLP Power Hong Kong Limited* -

- Energy Saving Outstanding Award – Ma On Shan Plaza

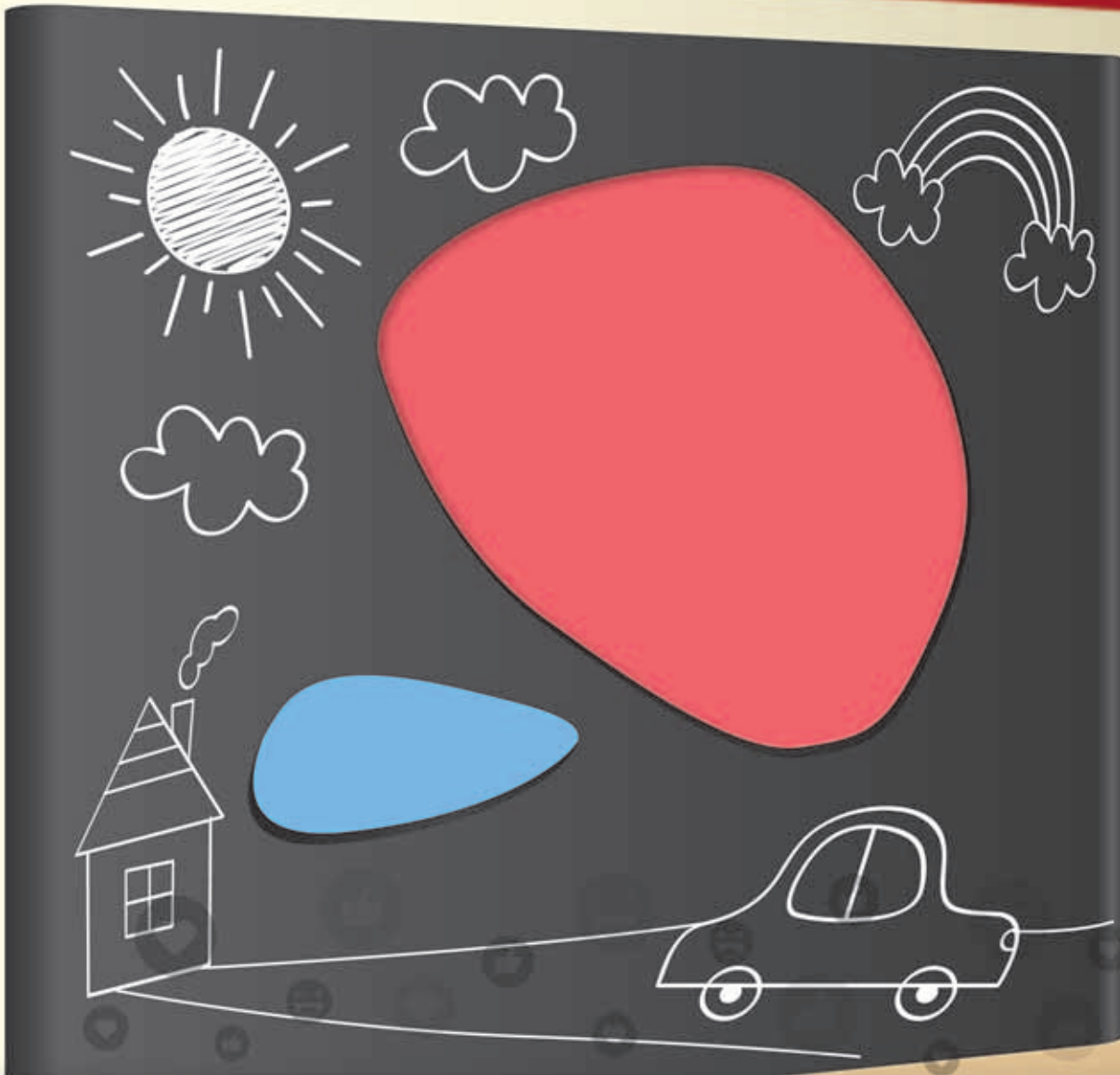


Mom at Kindergarten @Metro Town

October 30, 2018 at 05:00 PM • 🌐



Kindergarten - Tseun



👍 🤔 ❤️ 778

👍 Like

💬 Comment

➦ Share

Fortune Malls has acclaimed great success in drawing a good mix of quality education operators, granting us an unique edge in attracting family crowds with kids. Occupying more than 400,000 Sq.ft within Fortune Malls, there are 16 kindergartens and over a hundred education centers offering a comprehensive range of extracurricular activities for kids. Coupled with the parents-friendly facilities and services, the family customers are now better served than ever at Fortune Malls.



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.





BOARD OF DIRECTORS AND SENIOR MANAGEMENT



Chui Sing Loi
(alias Tsui Sing Loi)



Chiu Kwok Hung, Justin



Lim Hwee Chiang



Yeung, Eirene



Ma Lai Chee, Gerald



Chiu Yu, Justina



Cheng Ai Ping



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 70, 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. 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 68, 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. 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). Dr. Chiu is a Director of ARA Fund Management (Asia Dragon) Limited as the manager of the ARA Asia Dragon Fund. He is also the Founding Chairman and Director of ARA, the holding company of the Manager. Dr. Chiu was 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 is a Fellow of The Royal Institution of Chartered Surveyors, a Council Member and a Fellow of The Hong Kong Institute of Directors, a Fellow of Hong Kong Institute of Real Estate Administrators, a Vice Chairman 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 also a Senior Visiting Fellow of the Department of Land Economy at University of Cambridge, an Honorary Professor of School of Pharmaceutical Sciences of Sun Yat-sen University and an Adjunct Professor in the School of Business of Hong Kong Baptist University.



BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Chiu has more than 30 years of international experience in real estate in Hong Kong and various countries 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, an Executive Committee Member and a member of the Nomination Committee 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 Bachelor of Arts degree in Sociology and Economics from Trent University, Canada, 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.

Lim Hwee Chiang

Non-Executive Director

Mr. John Lim, aged 62, has been a Director of the Manager since the Manager’s incorporation in 2003. He is also the Co-Founder, Group Chief Executive Officer and Executive Director of ARA (which was delisted from the Singapore Stock Exchange on 19 April 2017), the holding company of the Manager. He has been a Director of ARA since its establishment. He is also a Non-executive Director of ARA Trust Management (Suntec) Limited (the manager of Suntec REIT which is listed in Singapore), ARA Asset Management (Prosperity) Limited and Hui Xian Asset Management Limited (the manager of Prosperity REIT and Hui Xian REIT which are listed in Hong Kong). Mr. Lim is also the Chairman of APM Property Management Pte. Ltd. and Suntec Singapore International Convention & Exhibition Services Pte. Ltd. Mr. Lim was formerly a Non-executive Director of ARA Trust Management (Cache) Limited which is listed in Singapore.

Mr. Lim is Chairman of the Asia Pacific Real Estate Association (“**APREA**”), the Consultative Committee to the Department of Real Estate, National University of Singapore, Straits Real Estate and Lim Hoon Foundation. He is a Patron of Jurong Spring Citizens’ Consultative Committee and the Securities Investors Association of Singapore (“**SIAS**”). He is also the chairman of the property management committee and a Council Member of Singapore Chinese Chamber of Commerce and Industry and an Independent Director and Chairman of the remuneration committee of Singapore-listed Teckwah Industrial Corporation Limited.

Mr. Lim has more than 30 years of experience in the real estate industry and has received many notable corporate awards. These include the PERE Global Awards 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, is also 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.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT



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 58, 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 and Company Secretary, and General Manager of Company Secretarial Department 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 currently heads the corporate legal and secretarial team that oversees listing, regulatory and origination compliance, and advises and drives mergers and acquisitions, property investments and acquisitions, securities placement and investments, private equity investment, fund investment, bond and note issue and other financing exercises, as well as derivative and swap transactions and investment in structured products. CK Asset, CK Infrastructure and CK Life Sciences are listed on the Main Board of the SEHK.

She has been a solicitor of the High Court of the Hong Kong Special Administrative Region (“**HKSAR**”) from 1986 and a non-practising solicitor of the Senior Courts of England and Wales from 1990.

Ms. Yeung is the Acting Chairman and a member of the Financial Reporting Council, a member of the SFC (HKEC Listing) Committee of the Securities and Futures Commission of Hong Kong, a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption and Vice Chairman of the General Committee of The Chamber of Hong Kong Listed Companies. Ms. Yeung was a member of the Listing Committee of the Main Board and Growth Enterprise Market of the SEHK.

Ms. Yeung is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. 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.



BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Ma Lai Chee, Gerald

Non-Executive Director

Mr. Ma, aged 50, has been appointed 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 and 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 is also a director of aircraft leasing companies, Accipiter Holdings Designated Activity Company, Accipiter Investments Holdings Designated Activity Company and Vermillion Aviation Holdings Limited, members of CK Asset.

Mr. Ma has over 29 years of experience in finance, investment and portfolio management, real estate development and marketing and managing IT related ventures and services. He is a member of the Hospitality Services Committee of Caritas Hong Kong. He is also a member of the President’s Circle, the Dean’s Advisory Board for the Faculty of Arts and the Faculty Advisory Board of the UBC 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 38, 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 and the Designated 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 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.



Cheng Ai Phing

Independent Non-Executive Director

Ms. Cheng, aged 61, 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 Executive Director and a member of GIG Consulting Pte. Ltd. which provides consulting services and a Non-Executive Partner of Aric Partners LLP which is an accounting firm providing taxation, accounting, corporate and consulting services.

Ms. Cheng was a Senior Partner in Assurance at a Big Four International Accounting Firm for 36 years before her retirement in 2015. 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.

Ms. Cheng is a Fellow Chartered Accountant of The Institute of Singapore Chartered Accountants ("ISCA") and a Fellow Certified Public Accountant of CPA Australia.

Ms. Cheng currently sits on various governmental bodies and professional associations in Singapore. She is a member of the Accounting Standards Council of Singapore, a member of the Board of Trustees of the Education and Training Fund of the National Trade Union Congress, a member of the Technical Advisory Panel of Accounting and Corporate Regulatory Authority and a member of the Disciplinary Committee of SGX-ST.

From 2012, Ms. Cheng has been appointed as a member of the Financial Reporting Committee of ISCA and became a member of its Investigation and Disciplinary Panel in 2016.

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 72, has been appointed as an Independent Non-Executive Director and a member of the Audit Committee of the Manager from 1 February 2017.

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.



BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Koh Poh Wah

Independent Non-Executive Director

Ms. Koh, aged 62, 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. 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 organization, 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. and Minds@Work Ventures working extensively on Information Technology/Business Re-engineering consultancy areas. Ms. Koh also spent 15 years in AIA 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 and Singapore including the day-to-day operations of Fortune REIT, investment proposals, strategic planning and marketing.

Hung Yuen Chun

Director, Investments and Investor Relations

Ms. Hung joined the Manager in 2006. She is the Director, Investments and Investor Relations 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 16 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 the 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.



Guided by the 'REIT' spirit of RESPECT, EXCELLENCE, INTEGRITY AND, TEAMWORK, the Board resolves to continue adhering to the highest standards of corporate governance, business ethics, and corporate social responsibility, thus ensuring solid leadership is in place for creating long-term returns for its stakeholders.

With the objectives of establishing and maintaining high standards of corporate governance, certain policies and procedures have been put in place to promote the operation of Fortune REIT in a transparent manner and with built-in checks and balances. The Manager has adopted a compliance manual ("**Compliance Manual**") which sets out the key processes, systems, measures, and certain corporate governance policies and procedures applicable for governing the management and operation of Fortune REIT and for compliance with the applicable Hong Kong regulations and legislation.

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

The Manager confirms that it has in material terms complied with the provisions of the Compliance Manual and has adhered to the principles and guidelines set out in the CG Code and Singapore Code which are applicable to Fortune REIT and/or the Manager throughout the Reporting Year and has provided explanations in cases of deviations (if any) in this 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. Set out below is 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.

During the Reporting Year, the Compliance Manual and the Trust Deed had been amended to reflect the changes made to the scope of the investment policy of Fortune REIT in respect of Geographical Scope, Property Development and Related Activities and Relevant Investment, and for the purpose to enhance clarity and consistency. For details of the expansion of the scope of the investment policy of Fortune REIT, please refer to the circular dated 21 March 2018 and the poll results announcement dated 27 April 2018 published on Fortune REIT's website at www.fortunereit.com and the SEHK's website at www.hkexnews.hk.

AUTHORISATION STRUCTURE

Fortune REIT is a collective investment scheme authorised by:

- (i) the Monetary Authority of Singapore ("**MAS**") under Section 286 of the Securities and Futures Act (Cap. 289) (the "**SFA**") and regulated by the provisions of the Code on Collective Investment Schemes (the "**CIS Code**") issued pursuant to Sections 284 and 321 of the SFA; and
- (ii) the Securities and Futures 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 Code on Real Estate Investment Trusts (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 of which Ms. Chiu Yu, Justina is also an Executive Director of the Manager pursuant to the requirements of Section 125 of the SFO and Chapter 5.4 of the REIT Code.

The Manager is also licensed by MAS to conduct the regulated activity of REIT management under the SFA. Ms. Chiu Yu, Justina, Ms. Hung Yuen Chun, Mr. Teo Wei En and Ms. Lim Wei Yen are the appointed representatives of the Manager pursuant to Regulation 10 of the Securities and Futures (Licensing and Conduct of Business) Regulations (“SFLCBR”).

The Trustee is qualified to act as a trustee for collective investment schemes authorised under the SFO pursuant to the REIT Code. The Trustee is also qualified to act as a trustee for collective investment schemes authorised under the SFA.

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 Manager gives recommendations to the Trustee on acquisitions, divestments and enhancement of the assets of Fortune REIT in accordance with the stated investment strategy of Fortune REIT.





BOARD OF DIRECTORS OF THE MANAGER

The Board is responsible for corporate governance and the overall management of the Manager including establishing goals for management and monitoring the achievement of these goals. All Board members participate in matters relating to corporate governance, business operations and risks, financial performance and the nomination and review of the performance of the directors of the Manager (the “**Directors**”). The Board has established a framework for the management of Fortune REIT and the Manager, including a system of internal controls and business risk management processes.

The Board meets to review the Manager’s key activities. Board meetings are held once every quarter (or more often if necessary) to discuss and review the strategies and policies of Fortune REIT, including any significant acquisitions and disposals, annual budget, financial performance of Fortune REIT and to approve the release of the financial results. The Board also reviews the risks to Fortune REIT’s assets, and acts upon any comments from the auditors of Fortune REIT (the “**Auditors**”). Ad-hoc Board meetings will be held, as and when necessary, to address significant transactions or issues that may arise in between scheduled meetings. In lieu of physical meetings, written resolutions may also be circulated for approval by the Board.

The Board also reviews major financial decisions and the performance of the Manager. Subject to the matters specifically reserved for the Board as set out in the Compliance Manual such as to approve any significant acquisitions and disposals, the annual budget and the release of financial results, the Board delegates day-to-day management and certain supervisory functions to the relevant management teams and the committees of the Board.

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 the experience in property industry; and
- at least one-third of the Board should comprise INEDs, with a minimum of three INEDs.

The Board comprises 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 external and expert perspectives of the Directors who collectively possess the core competencies relevant to the direction and growth of Fortune REIT and its subsidiaries (the “**Group**”). The Board is responsible for the review of its structure, size and composition as well as new appointment of directors from time to time 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.

In reviewing the Board composition, the Board will from time to time consider the benefits of all aspects of diversity including but not limited to gender, age, cultural, educational background and professional experience, in order to maintain an appropriate range and balance of skills, experience and background of the Board. The Board is of the view that its current Board size of nine members is appropriate, taking into account the nature and scope of operations of the Group.

The Non-Executive Directors 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. When



challenging management's proposals or decisions they bring independent judgement to bear on business activities and transactions involving conflicts of interest and complexities.

The independence of Directors is reviewed at the time of their appointment and thereafter the Board 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 Board 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 2018. The Board 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 Board will continue to assess the composition of the Board to meet the independence requirements as per the applicable regulatory requirements and remains committed to a progressive renewal of its Board membership, where necessary.

A Director is considered to be independent if he/she is (a) independent from management and business relationships with the Manager and Fortune REIT (Reg. 13F and 13G of the SFLCBB) and (b) independent from the substantial shareholder of the Manager and substantial Unitholder of Fortune REIT (Reg. 13H of the SFLCBB) using the criteria set out in the SFLCBB and if the INEDs have not served on the Board for a period of 9 years or longer. The Board has reviewed the independence of each Director according to SFLCBB and received confirmation from each Independent Director that they have no relationships with Fortune REIT, the Trustee, or the Manager (or its related corporations, its 5% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent judgement).

The Board 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 substantial Unitholder of Fortune REIT. All INEDs have not served on the Board for 9 years or more.

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. 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.

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. He promotes high standards of corporate governance and maintains effective communication with the Unitholders. 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.



The Singapore Code recommends the appointment of an independent Director to be the Lead Independent Director where the Chairman is not an independent Director. The Manager presently does not have any Lead Independent Director, given that the Chairman is not a part of the management team and is an independent Director, the Chairman and the CEO are not the same person and are not immediate family members.

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 external training courses, arranges and funds their training as and when required and their attendance records of external 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. In FY2018, all Directors have participated in continuous professional development programmes. All directors are given formal appointment letters providing the terms of their appointment, duties and obligations.

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.

The Manager has not established its own nominating committee because this function is performed by the Board. The Board performs the functions of the nominating committee, including reviewing the structure, size, composition, performance and renewal of the Board and reviewing the independence of Board members.

In considering persons for appointment or re-appointment as Directors, the Board 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, 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 in accordance with the Fit and Proper Criteria.

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

Management provides the Board with timely and adequate information on Board matters and issues requiring the Board's deliberation. Management also provides monthly updates to the Board on Fortune REIT's performance. All Directors are also provided with ongoing 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.

Board meetings for each year are scheduled in advance to facilitate Directors' individual administrative arrangements in respect of their ongoing commitments. 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. Such explanatory information may also be in the form of briefings to Directors or formal presentations by senior management staff in attendance at Board meetings, or by external professionals.

The Board has separate and independent access to the Company Secretary and to senior management staff at all times. The Company Secretary, or her authorised designate(s), will attend all meetings of the Board and Board committees and prepares minutes of Board proceedings. She assists the Chairman to ensure that Board procedures



CORPORATE GOVERNANCE POLICIES

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 long-term Unitholders' value.

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

Subsequent to the publication of the Interim Report 2018 of Fortune REIT, the Manager received notifications regarding the following changes of Directors' information:

- Mr. Lim Hwee Chiang ceased to be a director of ARA Trust Management (Cache) Limited (the manager of Cache Logistics Trust which is listed in

Singapore) with effect from 1 January 2019. He has also been appointed as a Patron of Jurong Spring Citizen's Consultative Committee and the Securities Investors Association of Singapore and resigned as the Chairman of the management council of the Management Corporation Strata Title Plan No. 2197 (Suntec City).

- Dr. Chiu Kwok Hung, Justin was appointed as a member of the Nomination Committee of CK Asset with effect from 1 January 2019.
- Ms. Eirene Yeung was appointed as the Acting Chairman of the Financial Reporting Council with effect from 1 December 2018.

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	4/4
	Ms. Yeung, Eirene	3/4
	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 Non-Executive Directors (including INEDs) without the presence of Executive Directors during the Reporting Year.

Following the amendments to the SFLCBB relating to the independence of the Board, the Board is required to comprise at least (a) half independent directors; or (b) one-third independent directors if the Unitholders have right to vote on the appointment of directors. As more than one-third but less than half of the Directors are independent, in order to comply with the amendments to the SFLCBB, the Unitholders will be given the right to endorse the appointment of the relevant Directors at each annual general meeting ("AGM") of the Unitholders, commencing from 2017.

AUDIT COMMITTEE

The Board has established an Audit Committee with clear terms of reference to assist it in discharging its responsibilities. The role of the Audit Committee is to, among other things, safeguard the assets of the Manager and Fortune REIT, assist the Board with discharging its responsibility in maintaining adequate accounting records, develop, maintain and review the effectiveness of the financial reporting systems, internal controls and risk management systems and the internal audit function, ensure integrity of financial statements and provide arrangements whereby concerns on financial improprieties or other matters raised by "whistleblowers" are investigated and appropriate follow up action taken.



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

The Audit Committee also, among other things, monitors the procedures established to regulate transactions with “connected person” (as defined in the REIT Code) and transactions with “interested party” (as defined in Appendix 6 – Investment: Property Funds of the CIS Code) and provides oversight over the property management services provided by the property manager.

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 had:

- (i) reviewed the risk management and internal control systems, and the effectiveness of the internal and external audit plans, including the nature and scope of work before commencement of these audits;

- (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 and approved the consolidated statements of profit or loss and other comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows and independent external Auditors’ reports;
- (iv) reviewed the aggregate amount of fees paid to the external Auditors for the Reporting Year and the breakdown of the fees paid in total for audit and non-audit services respectively. It is satisfied that such non-audit services would not affect the independence of the external Auditors. The external Auditors have also affirmed their independence in this respect to the Audit Committee;

The Audit Committee, with the concurrence of the Board, has recommended the re-appointment of Deloitte & Touche LLP and Deloitte Touche Tohmatsu as external Auditors at the forthcoming AGM of the Unitholders;

- (v) 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 the conduct and performance of the Directors or members of the governing bodies of the special purpose vehicles of Fortune REIT; and
- (vi) reviewed the connected party transactions.

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	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 (appointed on 2 May 2018)	2/2



CORPORATE GOVERNANCE POLICIES

The Audit Committee 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.

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**”) are incurred in accordance with the internal control procedures of the Manager and the nature of the PR Expenses are 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 Auditors at Audit Committee meetings.

The Audit Committee has put in place a whistle-blowing policy, which has been extended to persons other than staff of the Manager. Under this policy, the Audit Committee reviews arrangements by which staff 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 whistle-blowing 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 participation by other persons. There have been no whistle-blowing incidents reported during the Reporting Year.

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 Ping, an INED. Ms. Chiu Yu, Justina is the Chairman of the Disclosures Committee.

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

Members of the Disclosures Committee	Attendance
Ms. Yeung, Eirene	2/2
Ms. Chiu Yu, Justina	2/2
Ms. Cheng Ai Ping	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. One Designated Committee meeting was formally held in the Reporting Year to discuss on the hedging strategies and refinancing needs of Fortune REIT. All the members attended the meeting.

REMUNERATION MATTERS

The Manager has not established its own remuneration committee as it adopts the remuneration policies and practices of its holding company, ARA. Accordingly, the Manager has assessed ARA's remuneration policies and practices and deemed such remuneration policies and practices to be appropriate and adopted its remuneration framework for the Directors and key management personnel of the Manager.

The remuneration framework follows a formal and transparent process in developing policy on all aspects of remuneration to align with the long term interest of the Unitholders, attract and retain talented staff for growth and commensurate with the staff responsibilities and achievements.

During the Reporting Year, the remuneration of Non-Executive Directors is as follows:

Name of Non-Executive Director	Salary (%)	Bonus (%)	Directors'		Total (%)
			Fee ⁽¹⁾ (%)	Others (%)	
Below S\$250,000					
Dr. Chiu Kwok Hung, Justin ⁽²⁾	–	–	–	–	–
Mr. Lim Hwee Chiang ⁽³⁾	–	–	–	–	–
Ms. Yeung, Eirene ⁽²⁾	–	–	–	–	–
Mr. Ma Lai Chee, Gerald ⁽²⁾	–	–	–	–	–
Mr. Chui Sing Loi (alias Tsui Sing Loi)	–	–	100	–	100
Ms. Cheng Ai Phing	–	–	100	–	100
Ms. Yeo Annie (alias Yeo May Ann)	–	–	100	–	100
Ms. Koh Poh Wah	–	–	100	–	100

⁽¹⁾ The annual directors' fee for INEDs is a fixed sum of S\$60,000 (effective from their respective date of appointment or up to their date of resignation) and is paid in cash only. The Executive Director does not receive directors' fees.

⁽²⁾ Dr. Chiu Kwok Hung, Justin, Ms. Yeung, Eirene and Mr. Ma Lai Chee, Gerald are full time employees of CK Asset Holdings Limited which is deemed to be a significant holder of Fortune REIT and had offered to waive their directors' fee for FY2018.

⁽³⁾ Mr. Lim Hwee Chiang is the full time employee of ARA Asset Management Limited, the holding company of the Manager and had offered to waive his director's fee for FY2018.



Under the remuneration policy and practice adopted by the Manager, a comprehensive and structured performance assessment is carried out annually for the CEO and executives of the Manager. At the start of the year, key performance indicators for the CEO and executives are discussed and agreed upon to ensure that such indicators are specific, measurable, result-oriented and time bound. Such key performance indicators reflect organisational goals and are linked to Fortune REIT's and the individual's performance.

A mid-year review is carried out to monitor the performance and relevance of these indicators and a year-end review is carried out to measure actual performance against the key performance indicators. Based on these reviews, the variable year-end bonus for the CEO and executives is determined.

The CEO and the top five executives are entitled to a monthly salary and a variable year-end bonus, both payable in cash, based on performance review. In addition, the CEO and designated executives of the Manager (the "**Participants**") participate in a pool of incentive payments based on certain performance indicators for the transactions with the independent third parties under the ARA group's performance based bonus scheme (the "**Scheme**") as approved by the remuneration committee of the ARA group. The payments under the Scheme take into account the Participants' seniority, length of service and their performance and contributions to Fortune REIT. ARA group or Fortune REIT currently does not have any share option scheme or share plan.

Given the confidentiality and sensitivity of remuneration matters, the Board believes that disclosing the remuneration of the Executive Director and the top five executives on a named basis (whether in exact quantum or in bands of S\$250,000) is prejudicial to the best interests of Fortune REIT and its Unitholders. The current management team has been serving the Manager and Fortune REIT for a

considerable period of time and it is a stable team. It is important for the Manager to retain talent for the long-term interests of Fortune REIT and its Unitholders and ensure stability and continuity of business operations with a competent and experienced management team in place. In view of the competitive conditions in the real estate and fund management industries, such disclosure of remuneration of the management team may potentially result in staff movement. Therefore, the Board believes that not disclosing their remuneration will be in the best interests of Fortune REIT and the Unitholders' interests will not be prejudiced as a result of such non-disclosure. Currently, save as disclosed, there are no employees of the Manager who are immediate family members of a Director or the CEO and whose remuneration exceeds S\$100,000 during FY2018.

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, the 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 internal controls 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 of the Manager's staff carrying out Fortune REIT's accounting, compliance and financial reporting functions, their training programmes and budget.

The Manager has engaged BDO Financial Services Limited, an independent third party, which is a member firm of BDO International, to conduct internal audit reviews of Fortune REIT's operations. 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 the management on administrative matters.

The Audit Committee reviews and approves the annual internal audit plan and 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 the 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.

The Audit Committee and the Board meet half-yearly, or more often if necessary to review the financial performance 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 with the concurrence of the Audit Committee, considers the economic environment and the property industry risk. The management meets regularly to review the operations of Fortune REIT and discuss continuous disclosure issues.

Key risks, control measures and management actions are continually identified, reviewed and monitored by the management as part of Fortune REIT's enterprise-wide risk management framework. The internal Auditor assists and guides the management in the formulation of risk policies and processes to effectively identify, evaluate and manage significant risks.

The Manager has established a risk identification and management process. In Fortune REIT, risks are proactively identified and addressed. The risk profiles 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 mitigatory controls supporting the residual risks. The ownership of these risks lies with the respective business functions with stewardship residing with the Board.

Action plans to manage the risks are continually being monitored and refined by the 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 and compliance 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 Auditors perform 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 Auditors report 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 the Group 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 Assistant 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 Assistant 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.
- (b) The entry into any connected party transaction of Fortune REIT must be reviewed and/or approved by the Audit Committee by a majority vote.
- (c) Newly appointed Director is 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 comprise 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.



INTERESTS OF, AND DEALINGS IN UNITS BY DIRECTORS, THE MANAGER OR THE SIGNIFICANT UNITHOLDERS

The Manager has adopted the Units Dealing Code governing dealings in the securities of Fortune REIT by Directors, the Manager and senior executives, officers or other employees of the Manager (collectively, the “**Management Persons**”) on terms no less exacting than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Hong Kong Listing Rules. 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 Hong Kong 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;
- (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;
- (c) at any time whilst in possession of price-sensitive information; and
- (d) for short-term considerations,

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 chief executive of the Manager (the “**Chief Executive**”) and the Manager. The relevant provisions of the SFO shall be deemed to apply to the Manager, the Directors, the Chief Executive 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).

COMMUNICATION BETWEEN FORTUNE REIT'S HONG KONG AND SINGAPORE OFFICES

As the management and operations of Fortune REIT are overseen and conducted by the Manager's management teams and staff located in Hong Kong and Singapore, the Manager will ensure that both offices work as a fully integrated team and communicate regularly and work closely together in meeting the investment objectives of Fortune REIT.

COMMUNICATION WITH UNITHOLDERS

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 upholds a strong culture of continuous disclosure and transparent communication with the Unitholders and the investing community. The CEO together with the Director, Investments and Investor Relations, oversee this function. The Manager's disclosure policy requires timely and full disclosure of all material information relating to Fortune REIT by way of public releases or announcements through the SEHK and the SGX-ST and at the first instance and then including the said releases or announcements on Fortune REIT's website at www.fortunereit.com.

The Manager also conducts regular briefings for analysts and media representatives, which will generally coincide with the release of Fortune REIT's results. During these briefings, the management will review Fortune REIT's most recent performance as well as discuss the business outlook for Fortune REIT.

GENERAL MEETINGS

Fortune REIT will hold an AGM each year in addition to any other general meetings in that year. The AGM would provide the Unitholders with a platform for dialogue with the Manager. The Manager ensures that Unitholders are able to participate effectively at the Unitholders meeting. The Directors and Chairmen of the respective Board committees and external Auditors would be in attendance at the AGM to answer questions from the Unitholders.

Under the Trust Deed, the Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 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. Any such meeting shall be held in Hong Kong or Singapore (as may be determined by the Manager) with an alternate mode of engagement such as video conference.

For greater transparency and fairness in the voting process, voting at the general meetings are conducted by 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 and an extraordinary general meeting (“**EGM**”) were held during the Reporting Year. The attendance record of the Directors at the AGM and EGM is as follows:

Name of Directors		Attendance	
		AGM	EGM
Chairman and Independent Non-Executive Director	Mr. Chui Sing Loi (alias Tsui Sing Loi)	1/1	1/1
Non-Executive Directors	Dr. Chiu Kwok Hung, Justin	1/1	1/1
	Mr. Lim Hwee Chiang	1/1	1/1
	Ms. Yeung, Eirene	0/1	0/1
	Mr. Ma Lai Chee, Gerald	0/1	0/1
CEO and Executive Director	Ms. Chiu Yu, Justina	1/1	1/1
Independent Non-Executive Directors	Ms. Cheng Ai Phing	1/1	1/1
	Ms. Yeo Annie (alias Yeo May Ann)	1/1	1/1
	Ms. Koh Poh Wah	1/1	1/1

The external Auditors of Fortune REIT had attended the AGM to answer questions from the Unitholders.

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 Auditors and appointment of other auditors; (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.

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 to the Unitholders no later than three months following each financial year end and the interim report no later than two months following each financial half year.

It is the aim of the Board to provide the Unitholders with a balanced and comprehensive assessment of Fortune REIT’s financial position and prospects. The 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.



DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of a true and fair presentation of the financial statements for the year ended 31 December 2018. 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 Auditors about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report.

COMPLIANCE WITH THE COMPLIANCE MANUAL

The Manager has in material terms complied with the provisions of the Compliance Manual and has adhered to all the applicable corporate governance practices throughout the Reporting Year.

REVIEW OF ANNUAL REPORT

The annual report of Fortune REIT for the year ended 31 December 2018 has been reviewed by the Audit Committee and the Disclosures Committee.

NEW UNITS ISSUED

As at 31 December 2018, the total number of issued units of Fortune REIT was 1,924,399,370. As compared with the position as at 31 December 2017, a total of 13,123,263 new units were issued during the Reporting Year in the following manner:

- On 2 January 2018, 3,072,278 new units were issued to the Manager at a price of HK\$9.5526 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's base fee of approximately HK\$29.3 million payable by Fortune REIT for the period from 1 October 2017 to 31 December 2017.

- On 6 April 2018, 2,946,649 new units were issued to the Manager at a price of HK\$9.4770 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's base fee of approximately HK\$27.9 million payable by Fortune REIT for the period from 1 January 2018 to 31 March 2018.
- On 9 November 2018, 7,104,336 new units were issued to the Manager at a price of HK\$8.6334 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's base fee of approximately HK\$61.3 million payable by Fortune REIT for the period from 1 April 2018 to 30 September 2018.

REPURCHASE, SALE OR REDEMPTION OF UNITS

During the Reporting Year, other than the disposal of 13,569,000 units by the Manager, there was no repurchase, sale or redemption of units of Fortune REIT by Fortune REIT or its subsidiaries.

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 2018.

CONNECTED PARTY TRANSACTIONS



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

CONNECTED PARTY TRANSACTIONS – INCOME

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

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Income for the year ended 31 December 2018 HK\$'000	Rental deposit received as at 31 December 2018 HK\$'000
ARA Asset Management (Fortune) Limited	Manager	Licensing transactions	886	241
A.S. Watson Retail (HK) Limited	Associated company of a significant holder ¹	Leasing and licensing transactions	37,130	2,859
BIGBOXX.com Limited	Associated company of a significant holder ¹	Leasing transactions	2,448	–
Cheung Kong Property Development Limited	Associate of a significant holder ¹	Licensing transactions	31,091	–
Citybase Property Management Limited	Associate of a significant holder ¹	Leasing transactions	2,102	633
Hutchison Telecommunications Services Limited	Associated company of a significant holder ¹	Leasing transactions	136	–
Hutchison International Limited	Associated company of a significant holder ¹	Leasing transactions	2,990	–
Hutchison Telephone Company Limited	Associated company of a significant holder ¹	Licensing transactions	9,339	1,662
PARKnSHOP (HK) Limited	Associated company of a significant holder ¹	Leasing and licensing transactions	144,505	7,936
Sino China Enterprises Limited	Associate of a significant holder ¹	Licensing transactions	18	5
Towerich Limited	Associate of a significant holder ¹	Licensing transactions	70	19
Total			230,715	13,355

Note:

1. Significant holder being Focus Eagle Investments Limited (“**Focus Eagle**”).



CONNECTED PARTY TRANSACTIONS

CONNECTED PARTY TRANSACTIONS – EXPENSES

The following table sets forth information in relation to property management arrangements, third party services and other operational transactions provided by the connected parties for the properties of Fortune REIT during the Reporting Year:

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Expenses for the year ended 31 December 2018 HK\$'000
Citybase Property Management Ltd	Associate of a significant holder ¹	Property management and operations	1,018
E-Park Parking Management Limited	Associate of a significant holder ¹	Carpark lease agency fee	9,243
Goodwell-Fortune Property Services Limited	Associate of a significant holder ¹	Property and lease management fee and marketing service fee	75,839
Goodwell Property Management Limited	Associate of a significant holder ¹	Property management and operations	177
Metro Broadcast Corporation Limited	Associated company of a significant holder ¹	Advertising and promotion expenses	736
Whampoa Property Management Limited	Associate of a significant holder ¹	Property management and operations	108
Total			87,121

Note:

1. The significant holder being Focus Eagle.

CONNECTED PARTY TRANSACTIONS



CONNECTED PARTY TRANSACTIONS – OTHERS

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

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Expenses for the year ended 31 December 2018 HK\$'000
ARA Asset Management (Fortune) Limited	Manager	Manager's fee	176,730
HSBC Institutional Trust Services (Singapore) Limited	Trustee	Trustee's fee	13,930
Knight Frank Petty Limited	Principal valuer	Valuation fees	524
Total			191,184

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 31 December 2018 HK\$'000	Rental deposit received as at 31 December 2018 HK\$'000
Hang Seng Bank Limited	Trustee Connected Persons	Leasing and licensing transactions	19,975	5,403
The Hongkong and Shanghai Banking Corporation Limited (“HSBC”)	Trustee Connected Persons	Leasing and licensing transactions	9,871	2,138
Total			29,846	7,541

Note:

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



PROVISION OF ORDINARY BANKING AND FINANCIAL SERVICES

Fortune REIT has engaged HSBC Group to provide ordinary course of banking and financial services (namely, bank deposits and interest earned therefrom and loan facilities including interest and charges paid thereto) within the Reporting 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 no 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 Unitholders as a whole.

REPORT FROM AUDITOR OF FORTUNE REIT

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 "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 70 to 73 of this Annual Report in accordance with the waiver from strict compliance with disclosure requirements under Chapter 8 of the REIT Code. A copy of the auditor's letter will be provided by Fortune REIT to the SFC.

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.

DISCLOSURE OF INTERESTS



UNIT CAPITAL

The total number of issued units as at 31 December 2018 is 1,924,399,370 units.

HOLDINGS OF SIGNIFICANT UNITHOLDERS AND OTHER UNITHOLDERS

As at 31 December 2018, each of the following persons was considered a “significant Unitholder”, and hence a “connected person” of Fortune REIT, for the purpose of the REIT Code:

Name	Direct interest		Deemed interest	
	Number of Units Held Long Position	Percentage of Unit Holdings	Number of Units Held Long Position	Percentage of Unit Holdings
Focus Eagle ¹	413,074,684	21.46%	–	–
CK Asset	–	–	525,630,684	27.31%
Schroders Plc ²	–	–	208,898,448	10.86%

In addition to the significant Unitholders as disclosed above, each of the following persons held, or was deemed to hold 5% or more of the issued units as at 31 December 2018:

Name	Direct interest		Deemed interest	
	Number of Units Held Long Position	Percentage of Unit Holdings	Number of Units Held Long Position	Percentage of Unit Holdings
Ballston Profits Limited ¹	112,556,000	5.85%	–	–

Notes:

- Focus Eagle and Ballston Profits Limited were indirect wholly-owned subsidiaries of CK Asset. Therefore, 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.
- Schroders Plc was deemed to be interested in 208,898,448 units of which:
 - 72,925,400 units were held by Schroder Investment Management Limited;
 - 66,081,000 units were held by Schroder Investment Management (Singapore) Limited;
 - 69,094,000 units were held by Schroder Investment Management (Hong Kong) Limited; and
 - 798,048 units were held by Schroder & Co (Asia) Limited.



INTERESTS OF THE MANAGER

As at 31 December 2018, the Manager held 3,043,074 units, or approximately 0.16% of the issued units of Fortune REIT.

INTERESTS OF THE DIRECTORS AND SENIOR EXECUTIVES

Details of the unitholding interests of the Directors and senior executives of Fortune REIT as at 31 December 2018 were as follows:

Name	Direct interest		Deemed interest	
	Number of Units Held Long Position	Percentage of Unit Holdings	Number of Units Held Long Position	Percentage of Unit Holdings
Directors				
Lim Hwee Chiang ¹	1,000,000	0.05%	2,100,000	0.11%

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 Group, being the Trustee Connected Persons of Fortune REIT, did not hold any beneficial interest in any units of Fortune REIT as at 31 December 2018.

Save 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 2018.

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 2018 and 31 December 2017:

- (a) Schroders Plc was beneficially interested in 208,898,448 units as at 31 December 2018 and 227,613,698 units as at 31 December 2017;
- (b) The Manager was beneficially interested in 3,043,074 units as at 31 December 2018 and 3,488,811 units as at 31 December 2017;
- (c) HSBC Group did not hold any beneficial interest in any units as at 31 December 2018 but held 5,159,000 units as at 31 December 2017; and
- (d) Mr. Richard Waichi Chan, a director of Focus Eagle and his associate were beneficially interested in 100,000 units as at 31 December 2018 and 31 December 2017.



Our Ref: GV/TL/CF/CH/ck/03-0446/10142(134)

HSBC Institutional Trust Services (Singapore) Limited
(in its capacity as trustee of Fortune Real Estate Investment Trust) (the “**Trustee**”)
21 Collyer Quay
#03-01, HSBC Building
Singapore 049320

c/o ARA Asset Management (Fortune) Limited
(in its capacity as manager of Fortune Real Estate Investment Trust) (the “**Manager**”)
Unit 5508–5510, 55/F
The Center
99 Queen’s Road Central
Central
Hong Kong

11 January 2019

VALUATION IN RESPECT OF 16 RETAIL PROPERTIES FOR “FORTUNE REIT”

Instructions

In accordance with your instructions for us to value the Properties owned by Fortune REIT, we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 31 December 2018 (referred to as the “**Valuation Date**”) for accounting purposes.

The Properties

- 1 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 and Various Ground Floor Shops of Residential Towers, City One Shatin, Shatin, New Territories, Hong Kong
- 2 Fortune Kingswood**
Commercial Development 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 (the “**Kingswood Ginza Mall**”, the “**Locwood Court Property**”, the “**Sherwood Court Property**”, the “**Chestwood Court Property**”, the “**Maywood Court Property**”, the “**Kenswood Court Property**”, and the “**Lynwood Court Property**”), within Kingswood Development, Tin Shu 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 **Fortune Metropolis**
Fortune Metropolis, The Metropolis, 6–10 Metropolis Drive, Hung Hom, Kowloon, Hong Kong
- 6 **Laguna Plaza**
Commercial Development at Laguna Plaza, 88 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong
- 7 **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, 530–590 Castle Peak Road – Tsuen Wan; Belvedere Garden Phase 2, 620 Castle Peak Road – Tsuen Wan; Belvedere Garden Phase 3, 625 Castle Peak Road – Tsuen Wan, Tsuen Wan, New Territories, 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, Nos 2–18 Lok King Street, Shatin, New Territories, Hong Kong
- 11 **Smartland**
Various Portions in Smartland, East Asia Gardens, 16 Tsuen Wah Street, Tsuen Wan, New Territories, Hong Kong
- 12 **Tsing Yi Square**
Various Portions in Tsing Yi Square, Tsing Yi Garden, 7–19 Tsing Luk Street, Tsing Yi, 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

(Collectively referred to as the “**Properties**”)



Basis of Valuation

Our valuation is our opinion of the market values of the Properties which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale or purchase, and without offset for any associated taxes.

We have prepared this valuation report pursuant to Chapter 6.8 of the Code on Real Estate Investment Trusts (the “**REIT Code**”) issued by the Securities and Futures Commission of Hong Kong and “The HKIS Valuation Standards 2017” published by The Hong Kong Institute of Surveyors (“**HKIS**”).

Valuation Methodologies

We have valued the Properties subject to their respective tenancies. In undertaking our valuation of the Properties, Income Approach and Market Approaches are adopted. Income Approach is considered to be the most appropriate method to assess market value of leased properties, particularly taking into consideration of the property’s type of use and condition. Apart from Income Approach, Market Approach is also adopted for cross referencing purposes.

Income Approach

By this approach, the existing net rental income, i.e. rent exclusive of rates, government rents, management fees, air-conditioning charges and other tenants’ outgoings, of all lettable units of a property are capitalised for its unexpired term of contractual tenancies. Upon reversion, i.e. at the expiry of the existing tenancy, each unit is assumed to be let at its market rent as at the Valuation Date, which is in turn capitalised at market yield as expected by investors for each type of property. Due consideration has been given to expectations of the renewal of Government leases upon their expiries. Any vacant units are assumed to be let at their respective market rents at the Valuation Date.

The market rentals of all lettable units of each property are determined by reference to the rentals achieved by other units in the property and by reference to the lettings of similar properties in the neighbourhood. The Capitalisation rate adopted is determined by reference to the yields achieved in analysed market sales transactions and our knowledge of the market expectation from property investors. This expected return reflects implicitly the quality of the investment, the expectation of the potential for future rental growth and Capital appreciation, operating costs, risk factors and the like.

The market value of each of the Properties is the total of the capitalised value of the term income and the capitalised value of the reversion income, as appropriately deferred.

Market Approach

As a cross-reference, sales evidences of shopping arcade and carpark transaction records have been collected and analysed in terms of unit price per square foot and unit rate per space respectively. As there were limited shopping arcade transactions, where appropriate, we have also made reference to strata titled transactions.



Valuation Assumptions and Conditions

Our valuation is subject to the following assumptions and conditions.

Title Documents and Encumbrances

We have not been provided with any title documents of the Properties or extracts thereof but we have caused sample searches to be made at the Land Registry. We have not, however, searched the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us.

No allowance has been made in our valuation for any charge, mortgage or amount owing on the Properties. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, premiums, restrictions, title defects and outgoings of an onerous nature which could affect their values.

Whilst we have taken reasonable care to investigate the titles of the Properties valued, we do not accept liability for any interpretation which we have placed on such information, which is more properly within the sphere of your legal advisers.

Source of Information

We have relied to a very considerable extent on information given by the Manager or his representatives and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupancies, lettings, incomes, expenditures, site and floor areas and all other relevant matters. We have not verified the information provided to us and have assumed that they are correct. We do not undertake to certify the authenticity of the information provided to us and we have no reason to doubt the truth and accuracy of this information which is material to the valuation. We were also advised by the Manager that no material facts have been omitted from the information provided. We take no responsibility for inaccurate data provided to us and subsequent conclusions derived from such data.

Inspection and Measurement

We have inspected the exterior and where possible, the interior of the Properties. However, we have not carried out on-site measurement to verify the correctness of the site areas and/or floor areas of the Properties valued and have assumed that the site areas and floor areas shown on the documents handed to us are correct.

Tenancy and Rental Information

Our valuation is carried out subject to the existing tenancy arrangements and tenancy renewal agreements. In accordance with the tenancy schedule provided by the Manager, majority of the tenancies are exclusive of rates, Government rent, management fees, promotional levy and air-conditioning charges.

In accordance with the standard tenancy agreement, the landlord is responsible for structural repairs and the landlord's fixtures and fittings and to keep the conduits in tenanted repair whilst the tenants are responsible for internal repairs to the Properties.

We have not examined the lease documentation for each specific tenancy and our assessment is based on the assumption that all leases are executed and are in accordance with the provisions stated in the tenancy schedule provided to us.

The estimated net property yield is based on the monthly net rental incomes, licence fees and miscellaneous incomes of the Properties as at the Valuation Date and the average monthly net income receivable from parking lots, turnover rents, etc during the period from January 2018 to December 2018, unless otherwise stated.

Structural Condition

We have not undertaken any structural survey or tested the services of the Properties. Our valuation has therefore been undertaken on the basis that the Properties were all in satisfactory repair and condition with services functioning satisfactorily and are free from rot, infestation or any other structural defect.



Contamination

We have not arranged for any investigation to be carried out to determine whether any deleterious or hazardous material has been used in the construction of the Properties and have therefore assumed in our valuation that none of the said material was contained in the Properties.

Compliance with Relevant Ordinances and Regulations

We have assumed that the Properties had been developed, constructed, occupied and used in full compliance with, and without contravention of any Ordinances, except only where otherwise stated. We further assume that, for any use of the Properties upon which this report is based, any and all required licences, permits, certificates, and authorization have been obtained, except only where otherwise stated.

Valuer's Interest

We hereby confirm that our valuers undertaking this valuation are authorised to practise as valuers and have the necessary expertise and experience in valuing similar types of properties.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions. We have no present or prospective interest in the Properties and are not a related corporation of nor do we have a relationship with the Manager, the Trustee or any other party or parties who Fortune REIT is contracting with.

Summary of Values

We are of the opinion that the market values of the Properties subject to their respective tenancies as at the Valuation Date are as follows:

Property	Approximate Gross Rentable Area (sq.ft.)	No of Parking Lots	Market value in existing state as at 31 December 2018
1 Fortune City One	414,469	653	HK\$8,788,000,000
2 Fortune Kingswood	665,244	622	HK\$8,261,000,000
3 Ma On Shan Plaza	310,084	290	HK\$6,144,000,000
4 Metro Town	180,822	74	HK\$3,926,000,000
5 Fortune Metropolis	332,168	179	HK\$2,805,000,000
6 Laguna Plaza	163,203	150	HK\$2,683,000,000
7 Belvedere Square	276,862	329*	HK\$2,670,000,000
8 Waldorf Avenue	80,842	73	HK\$1,832,000,000
9 Caribbean Square	63,018	117	HK\$1,295,000,000
10 Jubilee Square	170,616	97	HK\$995,000,000
11 Smartland	123,544	67	HK\$809,000,000
12 Tsing Yi Square	78,836	27	HK\$804,000,000
13 Centre de Laguna	43,000	N/A	HK\$339,000,000



Property	Approximate Gross Rentable Area (sq.ft.)	No of Parking Lots	Market value in existing state as at 31 December 2018
14 Hampton Loft	74,734	35	HK\$311,000,000
15 Lido Avenue	9,836	N/A	HK\$208,000,000
16 Rhine Avenue	14,604	N/A	HK\$130,000,000
Total	3,001,882	2,713*	HK\$42,000,000,000

* including 15 motor cycle parking spaces

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

Limiting Conditions

The valuer on behalf of Knight Frank, with the responsibility for this report is Cyrus Fong, MRICS MHKIS RICS Registered Valuer. We confirm that the valuer meets the requirements of The HKIS Valuation Standards and The RICS Valuation – Global Standards, having sufficient current knowledge of the particular market and the skills under understanding to undertake the valuation competently.

Our valuation is undertaken by the qualified valuer with relevant experiences as an independent valuer. Our valuation is prepared in unbiased and professional manner.

This report is for the use of the Manager, the Board of Directors of the Manager and the Trustee in connection with the annual valuation of the Properties, as required under the REIT Code. No responsibility is accepted to any other party for the whole or any part of its contents.

Yours faithfully
Knight Frank Petty Limited

Cyrus Fong
MRICS MHKIS RPS(GP) RICS Registered Valuer
Director, Valuation & Advisory

Notes:

Cyrus Fong is a Chartered Surveyor who has solid experiences in property valuation and consultancy services in Hong Kong, Macau and China.

Thomas Lam is a Chartered Surveyor who has extensive experiences in market research, valuation and consultancy in China, Hong Kong, Macau and Asia Pacific Region.

This report and valuation have been prepared on the basis of information available as at 31 December 2018. Knight Frank Petty Limited accepts no responsibility for subsequent changes in information as to income, expenditures or market conditions.

Neither the whole or any part of the valuation report nor any reference thereto may be included in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any web-site) without our prior written approval of the form and context in which it may appear.

Use by, or reliance upon this document by anyone other than the Manager and the Trustee are not authorized by Knight Frank Petty Limited, and Knight Frank Petty Limited together with the valuers are not liable for any loss arising from such unauthorized use or reliance. This document should not be reproduced without our prior written authority.

Reviewed (but not undertaken) by:

Thomas Lam
FRICS FHKIS RPS(GP) RICS Registered Valuer
Executive Director, Head of Valuation & Advisory



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 below residential tower blocks 34-36 on Ground Floor; and – various single shops and non-domestic units dispersed throughout the development on the Ground Floor level of 12 individual tower blocks. <p>The total gross rentable area of the property is approximately 38,505.11 sq.m. (414,469 sq.ft.).</p> <p>The property also comprises 653 parking lots within the development.</p>
Land Tenure	<p>The property comprises portion of shares of and in Sections B, C, L and the Remaining Portion of Section A of 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 which thereafter was statutorily extended to 30 June 2047. The Government rent payable for the property is at 3% of the rateable value for the time being of the property.</p>
Monthly Rental and Licence Income as at 31 December 2018	Approximately HK\$26,167,000 exclusive of rates and Government rent, management fees and utility charges.
Average Monthly Turnover Rent and Atrium Income for January 2018 to December 2018	Approximately HK\$141,000
Average Monthly Car Parking Income for January 2018 to December 2018	Approximately HK\$1,110,000
Market Value in Existing State as at 31 December 2018	HK\$8,788,000,000 (Hong Kong Dollars Eight Billion Seven Hundred and Eighty Eight Million)
Estimated Net Property Yield	3.7%



Fortune Kingswood

Fortune Kingswood is 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, 12 and 18 Tin Yan Road, Tin Shui Wai, Yuen Long, New Territories (the “**Kingswood Ginza Mall**”)

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, 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, 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, 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, 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, 2 Tin Lung Road, Tin Shui Wai, Yuen Long, New Territories (the “**Kenswood Court Property**”)

Common Areas and Common Services Facilities of Lynwood Court, Kingswood Villas, 3 Tin Kwai Road, Tin Shui Wai, Yuen Long, New Territories (the “**Lynwood Court Property**”)

(hereinafter collectively referred to as the “**Fortune Kingswood**”)

Description

Kingswood Villas is a large-scale private residential development comprising six phases with associated commercial, hotel, recreational and car parking facilities completed in 1990s.

Fortune Kingswood comprises a commercial development (including loading and unloading spaces) known as Kingswood Ginza, a retail shop and 5 kindergartens with ancillary parking spaces, loading and unloading bays, external walls and reserve shares within the development.

Details of the property are set out below:

The Kingswood Ginza Mall

Comprises the commercial development known as Kingswood Ginza which includes a shopping arcade on Ground, 1st and 2nd Floors, ancillary areas on 3rd and 5th Floors, 604 car parking spaces and certain loading and unloading 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 the development. This property also includes the reserve shares of Locwood Court.



The Sherwood Court Property

Comprises a kindergarten premises and 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 the development.

The Chestwood Court Property

Comprises a kindergarten and common areas and common service facilities in Chestwood Court of the development.

The Maywood Court Property

Comprises two kindergartens known as Kindergarten A and Kindergarten B and 8 kindergarten car parking spaces at Basement and common areas and common service facilities in Maywood Court of the development.

The Kenswood Court Property

Comprises a kindergarten premises and 5 kindergarten car parking spaces and 2 kindergarten loading and unloading bays on Ground Floor and common areas and facilities in Kenswood Court of the development.

The Lynwood Court Property

Comprises the common areas and common service facilities of Lynwood Court of the development.

The total gross rentable area of the property is approximately 61,802.68 sq.m. (665,244 sq.ft.).

Land Tenure

The property comprises portion of shares of and in the Remaining Portion of Tin Shui Wai Town Lot No 1, the Remaining Portion of Tin Shui Wai Town Lot No 2, the Remaining Portion of Tin Shui Wai Town Lot No 3, Tin Shui Wai Town Lot No 4, the Remaining Portion of Tin Shui Wai Town Lot No 5, Tin Shui Wai Town Lot No 6 and the Remaining Portion of Tin Shui Wai Town Lot No 7.

Tin Shui Wai Town Lot Nos 1, 2, 3, 4, 5, 6 and 7 are all held under New Grant No YL3466 for a term which expired on 27 June 1997 and was extended upon expiry until 30 June 2047. The Government rent payable is at 3% of the rateable value for the time being of the property.

Monthly Rental and Licence Income as at 31 December 2018

Approximately HK\$22,969,000 exclusive of rates, Government rent, management fees and utility charges.

Average Monthly Turnover Rent and Atrium Income for January 2018 to December 2018

Approximately HK\$342,000

Average Monthly Car Parking Income for January 2018 to December 2018

Approximately HK\$1,572,000

Market Value in Existing State as at 31 December 2018

HK\$8,261,000,000 (Hong Kong Dollars Eight Billion Two Hundred and Sixty One Million)

Estimated Net Property Yield

3.6%



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 and 3 of a 5-storey podium (including a Basement, Ground Floor and Level 1) of the development.</p> <p>The total gross rentable area of the property is approximately 28,807.51 sq.m. (310,084 sq.ft.).</p> <p>The property also comprises 290 parking lots on the Basement Floor of the commercial podium.</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 Government rent payable is at 3% of the rateable value for the time being of the property.</p>
Monthly Rental and Licence Income as at 31 December 2018	Approximately HK\$20,404,000 exclusive of rates and Government rent, management fees and utility charges.
Average Monthly Turnover Rent and Atrium Income for January 2018 to December 2018	Approximately HK\$79,000
Average Monthly Car Parking Income for January 2018 to December 2018	Approximately HK\$773,000
Market Value in Existing State as at 31 December 2018	HK\$6,144,000,000 (Hong Kong Dollars Six Billion One Hundred and Forty Four Million)
Estimated Net Property Yield	4.2%



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 comprehensive private residential cum commercial development completed in two phases in 2006 and 2007.</p> <p>The property comprises the entire retail premises on the Ground Level, Level 1, Level 2, Level 3 and Level 5, and the covered footbridge of a 5-storey commercial podium of the development.</p> <p>The total gross rentable area of the property is approximately 16,798.77 sq.m. (180,822 sq.ft.).</p> <p>The property also comprises 74 parking lots on Level 2 of the commercial podium of the development.</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 from 11 February 2003 to 10 February 2053. The Government rent payable is at 3% of the rateable value for the time being of the property.</p>
Monthly Rental and Licence Income as at 31 December 2018	Approximately HK\$12,104,000 exclusive of rates and Government rent, management fees and utility charges.
Average Monthly Turnover Rent and Atrium Income for January 2018 to December 2018	Approximately HK\$134,000
Average Monthly Car Parking Income for January 2018 to December 2018	Approximately HK\$305,000
Market Value in Existing State as at 31 December 2018	HK\$3,926,000,000 (Hong Kong Dollars Three Billion Nine Hundred and Twenty Six Million)
Estimated Net Property Yield	3.8%



Fortune Metropolis

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

Description	<p>The Metropolis Mall 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 the L7, L8 and L9 Floors of the multi-storey podium of the development.</p> <p>The total gross rentable area of the property is approximately 30,859.16 sq.m. (332,168 sq.ft.).</p> <p>The property also comprises 179 parking lots on L5 and L6 of the commercial podium of the development.</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 Conditions of Grant No 12444 for a term from 14 February 1997 to 30 June 2047. The Government rent payable is at 3% of the rateable value for the time being of the property.</p>
Monthly Rental and Licence Income as at 31 December 2018	Approximately HK\$6,283,000 exclusive of rates and Government rent, management fees and utility charges.
Average Monthly Turnover Rent and Atrium Income for January 2018 to December 2018	Approximately HK\$109,000
Average Monthly Car Parking Income for January 2018 to December 2018	Approximately HK\$544,000
Market Value in Existing State as at 31 December 2018	HK\$2,805,000,000 (Hong Kong Dollars Two Billion Eight Hundred and Five Million)
Estimated Net Property Yield	3.0%



Laguna Plaza

Commercial Development at 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 a 5-storey commercial/parking podium of the development.</p> <p>The total gross rentable area of the property is approximately 15,161.93 sq.m. (163,203 sq.ft.).</p> <p>The property also comprises 150 parking lots on Basement 1 and Basement 2 of the commercial podium.</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 Conditions of Exchange No UB12004 for a term which expired on 27 June 1997 and was extended upon expiry until 30 June 2047. The Government rent payable is at 3% of the rateable value for the time being of the property.</p>
Monthly Rental and Licence Income as at 31 December 2018	Approximately HK\$7,757,000 exclusive of rates and Government rent, management fees and utility charges.
Average Monthly Turnover Rent and Atrium Income for January 2018 to December 2018	Approximately HK\$332,000
Average Monthly Car Parking Income for January 2018 to December 2018	Approximately HK\$689,000
Market Value in Existing State as at 31 December 2018	HK\$2,683,000,000 (Hong Kong Dollars Two Billion Six Hundred and Eighty Three Million)
Estimated Net Property Yield	3.9%



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, 530–590 Castle Peak Road – Tsuen Wan; Belvedere Garden Phase 2, 620 Castle Peak Road – Tsuen Wan; Belvedere Garden Phase 3, 625 Castle Peak Road – Tsuen Wan, Tsuen Wan, New Territories, Hong Kong.

Description	<p>Belvedere Garden is a private residential cum commercial development comprising three phases with associated commercial, recreational and carparking facilities completed in phases between 1987 and 1991.</p> <p>The retail portion of property comprises various commercial areas within Belvedere Garden. Descriptions of the said commercial areas are set out below:</p> <p>Belvedere Garden Phase 1 Shops Nos 1 to 7 on the Ground Floor, Clinics Nos 1-4 and the kindergarten on the Mezzanine Floor of the commercial podium of Phase 1 of the development.</p> <p>Belvedere Garden Phase 2 Shops Nos 1-10 and 12 and the kindergarten on the Ground Floor; Shops on the 1st and 2nd Floors of the commercial podium of Phase 2 of the development.</p> <p>Belvedere Garden Phase 3 Shops on Basement 2, Shops and the Market on the Ground Floor and the kindergarten on the Podium Level of the commercial podium of Phase 3 of the development.</p> <p>The total gross rentable area of the property is approximately 25,721.11 sq.m. (276,862 sq.ft.).</p> <p>The property also comprises a total of 329 parking lots on the Basement 2, Basement 1 and Ground Floors of the commercial podiums of the development.</p>
Land Tenure	<p>The property comprises portion of shares of and in Tsuen Wan Town Lot Nos 308 and 316.</p> <p>Tsuen Wan Town Lot Nos 308 and 316 are held under New Grant Nos TW6583 and TW6639 respectively each for a term which expired on 27 June 1997 and was extended upon expiry until 30 June 2047. The Government rent payable is at 3% of the rateable value for the time being of the property.</p>
Monthly Rental and Licence Income as at 31 December 2018	Approximately HK\$9,846,000 exclusive of rates and Government rent, management fees and utility charges.
Average Monthly Turnover Rent and Atrium Income for January 2018 to December 2018	Approximately HK\$88,000
Average Monthly Car Parking Income for January 2018 to December 2018	Approximately HK\$689,000
Market Value in Existing State as at 31 December 2018	HK\$2,670,000,000 (Hong Kong Dollars Two Billion Six Hundred and Seventy Million)
Estimated Net Property Yield	4.8%



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 the Level 3 of a 4-storey commercial/parking/recreational podium of the development.</p> <p>The total gross rentable area of the property is approximately 7,510.41 sq.m. (80,842 sq.ft.).</p> <p>The property also comprises 73 parking lots on Level 1 and Level 2 of the commercial podium.</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 which expired on 27 June 1997 and was extended upon expiry until 30 June 2047. The Government rent payable is at 3% of the rateable value for the time being of the property.</p>
Monthly Rental and Licence Income as at 31 December 2018	Approximately HK\$6,565,000 exclusive of rates and Government rent, management fees and utility charges.
Average Monthly Turnover Rent Income for January 2018 to December 2018	Approximately HK\$5,000
Average Monthly Car Parking Income for January 2018 to December 2018	Approximately HK\$191,000
Market Value in Existing State as at 31 December 2018	HK\$1,832,000,000 (Hong Kong Dollars One Billion Eight Hundred and Thirty Two Million)
Estimated Net Property Yield	4.4%



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 entire retail premises, a wet market and a kindergarten on the Ground Floor of a 3-storey commercial podium (including two basements) of the development.</p> <p>The total gross rentable area of the property is approximately 5,854.52 sq.m. (63,018 sq.ft.).</p> <p>The property also comprises 117 parking lots on the 1st Floor of the commercial podium of the development.</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 from 26 June 1997 to 30 June 2047. The Government rent payable is at 3% of the rateable value for the time being of the property.</p>
Monthly Rental and Licence Income as at 31 December 2018	Approximately HK\$5,179,000 exclusive of rates and Government rent, management fees and utility charges.
Average Monthly Turnover Rent Income for January 2018 to December 2018	Approximately HK\$21,000
Average Monthly Car Parking Income for January 2018 to December 2018	Approximately HK\$232,000
Market Value in Existing State as at 31 December 2018	HK\$1,295,000,000 (Hong Kong Dollars One Billion Two Hundred and Ninety Five Million)
Estimated Net Property Yield	5.0%



Jubilee Square

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

Description	<p>Jubilee Square is the commercial centre of a private residential cum commercial development known as Jubilee Garden completed in 1986.</p> <p>The property mainly comprises a free-standing 7-storey shopping centre and a wet market on the 1st Floor of the podium of Jubilee Garden.</p> <p>The total gross rentable area of the property is approximately 15,850.61 sq.m. (170,616 sq.ft.).</p> <p>The property also comprises 97 parking lots within the development.</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 which expired on 27 June 1997 and was extended upon expiry until 30 June 2047. The Government rent payable is at 3% of the rateable value for the time being of the property.</p>
Monthly Rental and Licence Income as at 31 December 2018	Approximately HK\$3,127,000 exclusive of rates and Government rent, management fees and utility charges.
Average Monthly Turnover Rent and Atrium Income for January 2018 to December 2018	Approximately HK\$39,000
Average Monthly Car Parking Income for January 2018 to December 2018	Approximately HK\$423,000
Market Value in Existing State as at 31 December 2018	HK\$995,000,000 (Hong Kong Dollars Nine Hundred and Ninety Five 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 the commercial portion of a private residential cum commercial development known as East Asia Gardens completed in 1981.</p> <p>The property comprises various retail portions 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) of a 4-storey podium (including the Basement), of the development.</p> <p>The total gross rentable area of the property is approximately 11,477.52 sq.m. (123,544 sq.ft.).</p> <p>The property also comprises 67 parking lots on the Basement of the commercial podium of the development.</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 TW5591 for a term which expired on 27 June 1997 and was extended upon expiry until 30 June 2047. The Government rent payable is at 3% of the rateable value for the time being of the property.</p>
Monthly Rental and Licence Income as at 31 December 2018	Approximately HK\$2,964,000 exclusive of rates and Government rent, management fees and utility charges.
Average Monthly Turnover Rent Income for January 2018 to December 2018	Approximately HK\$16,000
Average Monthly Car Parking Income for January 2018 to December 2018	Approximately HK\$222,000
Market Value in Existing State as at 31 December 2018	HK\$809,000,000 (Hong Kong Dollars Eight Hundred and Nine Million)
Estimated Net Property Yield	4.8%



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 and 1st Floors in the shopping centre of the development.</p> <p>The total gross rentable area of the property is approximately 7,324.04 sq.m. (78,836 sq.ft.).</p> <p>The property also comprises 27 parking lots within the development.</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 which expired on 27 June 1997 and was extended upon expiry until 30 June 2047. The Government rent payable is at 3% of the rateable value for the time being of the property.</p>
Monthly Rental Income as at 31 December 2018	Approximately HK\$3,049,000 exclusive of rates and Government rent, management fees and utility charges.
Average Monthly Car Parking Income for January 2018 to December 2018	Approximately HK\$50,000
Market Value in Existing State as at 31 December 2018	HK\$804,000,000 (Hong Kong Dollars Eight Hundred and Four Million)
Estimated Net Property Yield	4.6%



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 one of the commercial centres of a comprehensive private residential cum commercial development known as Laguna City completed in 1992.</p> <p>The property comprises the commercial area on the Ground Floor and Upper Ground Floor of the commercial centre of Blocks 32 to 38 of the development and the kindergarten on Ground Floor at 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 New Kowloon Inland Lot No 6100.</p> <p>Kowloon Inland Lot No 6100 is held under Conditions of Exchange No 12071 for a term from 31 October 1989 to 30 June 2047. The Government rent payable is at 3% of the rateable value for the time being of the property.</p>
Monthly Rental and Licence Income as at 31 December 2018	Approximately HK\$1,219,000 exclusive of rates and Government rent, management fees and utility charges.
Market Value in Existing State as at 31 December 2018	HK\$339,000,000 (Hong Kong Dollars Three Hundred and Thirty Nine Million)
Estimated Net Property Yield	4.3%



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 entire retail premises on the 5th and 6th Floors of the commercial podium of the development.</p> <p>The total gross rentable area of the property is approximately 6,942.96 sq.m. (74,734 sq.ft.).</p> <p>The property also comprises 35 parking lots on the 1st Floor of the commercial podium of the development.</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 from 13 December 1999 to 12 December 2049. The Government rent payable is at 3% of the rateable value for the time being of the property.</p>
Monthly Rental and Licence Income as at 31 December 2018	Approximately HK\$1,095,000 exclusive of rates and Government rent, management fees and utility charges.
Average Monthly Car Parking Income for January 2018 to December 2018	Approximately HK\$104,000
Market Value in Existing State as at 31 December 2018	HK\$311,000,000 (Hong Kong Dollars Three Hundred and Eleven Million)
Estimated Net Property Yield	4.6%



Lido Avenue

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

Description	Lido Garden is a private residential cum commercial development completed in 1989. The property comprises various shops units on the Ground Floor of the development. The total gross rentable area of the property is approximately 913.79 sq.m. (9,836 sq.ft.).
Land Tenure	The property comprises portion of shares of and in Tsuen Wan Marine Lot No 4. Tsuen Wan Marine Lot No 4 is held under Conditions of Sale No 2309 for a term which expired on 27 June 1997 and was extended upon expiry until 30 June 2047. The Government rent payable is at 3% of the rateable value for the time being of the property.
Monthly Rental Income as at 31 December 2018	Approximately HK\$837,000 exclusive of rates and Government rent, management fees and utility charges.
Market Value in Existing State as at 31 December 2018	HK\$208,000,000 (Hong Kong Dollars Two Hundred and Eight Million)
Estimated Net Property Yield	4.8%

Rhine Avenue

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

Description	Rhine Garden is a private residential cum commercial development completed in 1992. The property comprises various shops units on the Ground Floor and AHU Room on Podium Level 1 of the development. The total gross rentable area of the property is approximately 1,356.74 sq.m. (14,604 sq.ft.).
Land Tenure	The property comprises portion of shares of and in Lot No 261 in Demarcation District No 390. Lot No 261 in Demarcation District No 390 is held under New Grant No TW6771 for a term from 1 September 1990 to 30 June 2047. The Government rent payable is at 3% of the rateable value for the time being of the property.
Monthly Rental Income as at 31 December 2018	Approximately HK\$501,000 exclusive of rates and Government rent, management fees and utility charges.
Market Value in Existing State as at 31 December 2018	HK\$130,000,000 (Hong Kong Dollars One Hundred and Thirty Million)
Estimated Net Property Yield	4.6%

The valuation report contains herein is in summary form. A full version in English is available for public inspection at the registered office of the Manager.

REPORT OF THE TRUSTEE



HSBC Institutional Trust Services (Singapore) Limited (the “**Trustee**”) is under a duty to take into custody and hold the assets of Fortune Real Estate Investment Trust (“**Fortune REIT**”) and its subsidiaries in trust for the holders (“**Unitholders**”) of units in Fortune REIT.

Fortune REIT is constituted by the trust deed dated 4 July 2003 between the Manager and the Trustee, 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 and the Third Amending and Restating Deed dated 8 June 2018 and may be further amended or supplemented to from time to time (collectively, the “**Trust Deed**”).

In accordance with, inter alia, the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting year and report thereon to Unitholders in an annual report.

Under the Code on Real Estate Investment Trusts published by the Hong Kong Securities and Futures Commission, the Trustee shall, among other things, oversee the activities of the Manager for compliance with the Trust Deed, and regulatory requirements applicable to Fortune REIT, and shall issue a report to the Unitholders, to be included in the annual report, on whether in the Trustee’s opinion, the Manager has in all material respects, managed Fortune REIT in accordance with the provisions of the Trust Deed.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed Fortune REIT and its subsidiaries during the financial year covered by these financial statements in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed. The Trustee further confirms that, in its opinion, the Manager has, in all material respects, managed Fortune REIT in accordance with the provisions of the Trust Deed during the financial year ended 31 December 2018.

For and on behalf of the Trustee,

HSBC Institutional Trust Services (Singapore) Limited

Singapore
28 January 2019



STATEMENT BY THE MANAGER

In the opinion of the Directors of ARA Asset Management (Fortune) Limited (the “**Manager**”), the consolidated financial statements of Fortune Real Estate Investment Trust (“**Fortune REIT**”) and its subsidiaries (collectively referred to as the “**Group**”) and separate financial statements of Fortune REIT set out on pages 106 to 165, which comprise the consolidated and Fortune REIT’s statements of financial position as at 31 December 2018, and statements of profit or loss and other comprehensive income, statements of changes in net assets attributable to unitholders, statements of cash flows of the Group and Fortune REIT and distribution statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies are properly drawn up in accordance with the International Financial Reporting Standards and the Trust Deed so as to give a true and fair view of the financial disposition of the Group and of Fortune REIT as at 31 December 2018 and of their financial transactions and cash flows for the year then ended. At the date of this statement, there are reasonable grounds to believe that Fortune REIT will be able to meet its financial obligations as and when they materialise.

The consolidated and separate financial statements on pages 106 to 165 were approved and authorised for issue by the Manager on 28 January 2019.

For and on behalf of the Manager,

ARA Asset Management (Fortune) Limited

Chiu Yu, Justina

Director

28 January 2019



Deloitte.

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To the Unitholders of Fortune Real Estate Investment Trust

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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**”) and separate financial statements of Fortune REIT set out on pages 106 to 165, which comprise the consolidated and Fortune REIT’s statements of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, statements of changes in net assets attributable to unitholders, statements of cash flows of the Group and Fortune REIT and distribution statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial disposition of Fortune REIT and of the Group as at 31 December 2018, and of their financial transactions and cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standard 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 Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standard Board for Accountants’ Code of Ethics for Professional Accountants (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 financial statements of the current period. These matters were addressed in the context of our audit of the 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 for the audit of the consolidated financial statements of the Group

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 2018 and significant judgement is required in determining their fair value.

As disclosed in note 14 to the financial statements, investment properties of the Group are retail properties in Hong Kong comprise of retail space and car parking spaces. The carrying amounts of investment properties amounted to HK\$42,000 million as at 31 December 2018 and their change in fair value included in the profit for the year was HK\$4,188 million. As disclosed in note 14(ii) to the financial statements, 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 model.

As disclosed in notes 4(a) and 14 to the 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 and management fees) of all lettable units of each property are capitalised for the respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at their respective market rents as at the valuation date. 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 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 competence, capabilities and objectivity of the Valuer;
- Obtaining an understanding of the valuation process and significant assumptions and critical judgement areas 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 rate based on our knowledge of the property market in Hong Kong; 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, capital expenditures details and size of the properties on a sampling basis.

We have determined that there are no key audit matters for the separate financial statements of Fortune REIT to communicate in our 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 financial statements and our auditors' report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

The Manager is responsible for the preparation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Group's and Fortune REIT'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, Fortune REIT or to cease operations, or has no realistic alternative but to do so.

In addition, the Manager is required to ensure that the financial statements have been properly prepared in accordance with the relevant provision of the trust deed dated 4 July 2003 (as amended) (the "**Trust Deed**"), the relevant requirements of the Code on Collective Investment Schemes (the "**CIS Code**") issued by the Monetary Authority of Singapore 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.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 financial statements. In addition, we are required to assess whether the financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant requirements of the CIS Code 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 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 or Fortune REIT's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Group or Fortune REIT to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT



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 ethical 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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

Report on matters under the relevant provisions of the Trust Deed and the relevant requirements of the CIS Code and the relevant disclosure provisions of Appendix C of the REIT Code

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

The engagement partners on the audit resulting in this independent auditors' report are Cheung Chung Yin Lawrence and Jeremy Toh Yew Kuan.

Deloitte Touche Tohmatsu

Certified Public Accountants
Hong Kong

28 January 2019

Deloitte & Touche LLP

Public Accountants and Chartered Accountants
Singapore

28 January 2019

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STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME



For the year ended 31 December 2018

	Notes	Group		Fortune REIT	
		2018 HK\$'000	2017 HK\$'000 (Restated) (Note 33)	2018 HK\$'000	2017 HK\$'000
Revenue	6	1,940,106	1,935,440	990,237	974,853
Property operating expenses	7	(422,616)	(433,618)		
Net property income (before manager's performance fee)		1,517,490	1,501,822		
Manager's performance fee		(45,711)	(45,076)		
Net property income		1,471,779	1,456,746		
Manager's base fee		(121,019)	(112,654)	(121,019)	(112,654)
Foreign currency exchange (loss)/gain		(38)	397	(38)	397
Interest income		6,370	706	152	–
Trust expenses	8	(18,197)	(17,109)	(28,197)	(21,961)
Change in fair value of investment properties	14	4,187,648	2,391,549	–	–
Gain on disposal of a property company	14	941,060	–	–	–
Finance costs	9	(255,612)	(299,298)	–	–
Profit before taxation and transactions with unitholders	10	6,211,991	3,420,337	841,135	840,635
Income tax expense	11	(221,224)	(219,347)	(26)	–
Profit for the year, before transactions with unitholders		5,990,767	3,200,990	841,109	840,635
Distributions to unitholders		(986,188)	(970,760)	(986,188)	(970,760)
Profit/(loss) for the year, after transactions with unitholders		5,004,579	2,230,230	(145,079)	(130,125)
Total comprehensive income/(expense) for year		5,004,579	2,230,230	(145,079)	(130,125)
Income available for distribution to unitholders		986,188	970,760		
Basic earnings per unit (HK cents)	12	311.78	167.70		



DISTRIBUTION STATEMENT

For the year ended 31 December 2018

		Group	
		2018	2017
Notes		HK\$'000	HK\$'000
Profit for the year, before transactions with unitholders		5,990,767	3,200,990
Adjustments:			
Manager's base fee		121,019	112,654
Gain on disposal of a property company		(941,060)	–
Change in fair value of investment properties		(4,187,648)	(2,391,549)
Change in fair value of derivative financial instruments		(10,949)	31,210
Front end fees		–	4,852
Foreign currency exchange loss/(gain)		38	(397)
Other non-tax deductible trust expenses		14,021	13,000
Income available for distribution	(i)	986,188	970,760
Distributions to unitholders			
26.34 HK cents (2017: 25.53 HK cents) per unit for the six months ended 30 June	(ii)	505,181	487,324
24.94 HK cents (2017: 25.25 HK cents) per unit for the six months ended 31 December	(iii)	481,007	483,436
Income available for distribution		986,188	970,760
Distribution per unit (HK cents)		51.28	50.78

No distribution statement of Fortune Real Estate Investment Trust (“**Fortune REIT**”) is presented as the amount of distribution to unitholders is determined based on consolidated results of the Group.

Notes:

- (i) The distribution policy of Fortune REIT has been amended on 26 March 2010 pursuant to the extraordinary resolution passed on the same date for the purpose of allowing Fortune REIT to comply with the relevant Hong Kong regulatory requirements, including the Code on Real Estate Investment Trusts (the “**REIT Code**”) issued by The Securities and Futures Commission of Hong Kong (“**SFC**”). The current distribution policy, as amended, obliges Fortune REIT to distribute to unitholders on a semi-annual basis, the higher of (a) 100% of its tax-exempt income (exclude dividends paid out of interest income and gains, if any, which are distributable at the discretion of ARA Asset Management (Fortune) Limited (the “**Manager**”)) after deduction of applicable expenses (“**Net Tax-Exempt Income**”); and (b) 90% of consolidated net profit after tax (before transactions with unitholders) for the relevant financial period adjusted to eliminate the effects of certain adjustments in the REIT Code (“**Net Profit After Tax**”).
- Net Tax-Exempt Income and Net Profit After Tax for the year ended 31 December 2018 is HK\$986.2 million (2017: HK\$970.8 million) and HK\$912.5 million (2017: HK\$901.4 million), respectively. Accordingly, the income available for distribution, based on the Net Tax-Exempt Income, of HK\$986.2 million (2017: HK\$970.8 million) would be distributed to unitholders for the year ended 31 December 2018.
- (ii) The distribution of 26.34 HK cents for the six months ended 30 June 2018 is calculated based on the income available for distribution for the period of HK\$505.2 million over the issued units as at 30 June 2018 of 1,917,295,034 units. The distribution amounting to HK\$505.2 million for the six months ended 30 June 2018 was paid on 29 August 2018.
- The distribution per unit of 25.53 HK cents for the six months ended 30 June 2017 was calculated based on the income available for distribution for the period of HK\$487.3 million over 1,908,173,581 units, represented issued units as at 30 June 2017 of 1,905,208,839 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 2017 of 2,964,742 units. The distribution amounted to HK\$487.3 million for the six months ended 30 June 2017 was paid on 29 August 2017.
- (iii) The distribution per unit of 24.94 HK cents for the six months ended 31 December 2018 (six months ended 31 December 2017: 25.25 HK cents) is calculated based on the income available for distribution for the period of HK\$481.0 million (six months ended 31 December 2017: HK\$483.4 million) over 1,927,905,503 units (31 December 2017: 1,914,348,385 units), representing issued units as at 31 December 2018 of 1,924,399,370 units (31 December 2017: 1,911,276,107 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 2018 of 3,506,133 units (fourth quarter of 2017: 3,072,278 units). The distribution amounting to HK\$481.0 million (six months ended 31 December 2017: HK\$483.4 million) will be paid on 1 March 2019 (six months ended 31 December 2017: 28 February 2018).

STATEMENTS OF FINANCIAL POSITION



As at 31 December 2018

	Notes	Group		Fortune REIT	
		2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
ASSETS AND LIABILITIES					
Non-current assets					
Investments in subsidiaries	13	–	–	6,817,589	6,817,589
Investment properties	14	42,000,000	37,751,000	–	–
Derivative financial instruments	15	18,816	19,279	–	–
Total non-current assets		42,018,816	37,770,279	6,817,589	6,817,589
Current assets					
Trade and other receivables	16	64,459	266,958	4,869	2,253
Bank balances and cash	17	542,899	516,036	488,641	485,638
Derivative financial instruments	15	6,290	668	–	–
		613,648	783,662	493,510	487,891
Assets of a disposal company classified as held for sale	18	–	1,068,187	–	–
Total current assets		613,648	1,851,849	493,510	487,891
Total assets		42,632,464	39,622,128	7,311,099	7,305,480
Non-current liabilities					
Derivative financial instruments	15	–	5,790	–	–
Borrowings	19	8,459,456	9,286,423	–	–
Deferred tax liabilities	20	471,334	444,146	–	–
Total non-current liabilities		8,930,790	9,736,359	–	–
Current liabilities					
Trade and other payables	21	790,411	967,726	44,853	12,771
Borrowings	19	400,000	1,496,788	–	–
Distribution payable		481,007	483,436	481,007	483,436
Provision for taxation		16,891	11,324	43	17
		1,688,309	2,959,274	525,903	496,224
Liabilities directly associated with assets of a disposal company classified as held for sale	18	–	38,728	–	–
Total current liabilities		1,688,309	2,998,002	525,903	496,224
Total liabilities, excluding net assets attributable to unitholders		10,619,099	12,734,361	525,903	496,224
Net assets attributable to unitholders		32,013,365	26,887,767	6,785,196	6,809,256
Units in issue and to be issued (‘000)	22	1,927,905	1,914,348		
Net asset value per unit attributable to unitholders (HK\$)	23	16.61	14.05		



STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 31 December 2018

GROUP

	Units in issue and to be issued HK\$'000	Unit issue costs HK\$'000	Retained Profits HK\$'000	Total HK\$'000
Net assets attributable to unitholders as at 1 January 2017	7,879,828	(286,279)	16,951,334	24,544,883
OPERATIONS				
Profit for the year, before transactions with unitholders	–	–	3,200,990	3,200,990
Distribution paid and payable of 25.53 HK cents per unit for the six months ended 30 June 2017	–	–	(487,324)	(487,324)
Distribution payable of 25.25 HK cents per unit for the six months ended 31 December 2017	–	–	(483,436)	(483,436)
Total comprehensive income for the year	–	–	2,230,230	2,230,230
UNITHOLDERS' TRANSACTIONS				
Creation of units – Manager's base fee paid/payable in units	112,654	–	–	112,654
Increase in net assets resulting from unitholders' transactions	112,654	–	–	112,654
Net assets attributable to unitholders as at 31 December 2017	7,992,482	(286,279)	19,181,564	26,887,767
OPERATIONS				
Profit for the year, before transactions with unitholders	–	–	5,990,767	5,990,767
Distribution paid and payable of 26.34 HK cents per unit for the six months ended 30 June 2018	–	–	(505,181)	(505,181)
Distribution payable of 24.94 HK cents per unit for the six months ended 31 December 2018	–	–	(481,007)	(481,007)
Total comprehensive income for the year	–	–	5,004,579	5,004,579
UNITHOLDERS' TRANSACTIONS				
Creation of units – Manager's base fee paid/payable in units	121,019	–	–	121,019
Increase in net assets resulting from unitholders' transactions	121,019	–	–	121,019
Net assets attributable to unitholders as at 31 December 2018	8,113,501	(286,279)	24,186,143	32,013,365

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS



For the year ended 31 December 2018

FORTUNE REIT

	Units in issue and to be issued HK\$'000	Unit issue costs HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Net assets attributable to unitholders as at 1 January 2017	7,879,828	(286,279)	(766,822)	6,826,727
OPERATIONS				
Profit for the year, before transactions with unitholders	–	–	840,635	840,635
Distribution paid and payable of 25.53 HK cents per unit for the six months ended 30 June 2017	–	–	(487,324)	(487,324)
Distribution payable of 25.25 HK cents per unit for the six months ended 31 December 2017	–	–	(483,436)	(483,436)
Total comprehensive expense for the year	–	–	(130,125)	(130,125)
UNITHOLDERS' TRANSACTIONS				
Creation of units				
– Manager's base fee paid/payable in units	112,654	–	–	112,654
Increase in net assets resulting from unitholders' transactions	112,654	–	–	112,654
Net assets attributable to unitholders as at 31 December 2017	7,992,482	(286,279)	(896,947)	6,809,256
OPERATIONS				
Profit for the year, before transactions with unitholders	–	–	841,109	841,109
Distribution paid and payable of 26.34 HK cents per unit for the six months ended 30 June 2018	–	–	(505,181)	(505,181)
Distribution payable of 24.94 HK cents per unit for the six months ended 31 December 2018	–	–	(481,007)	(481,007)
Total comprehensive expense for the year	–	–	(145,079)	(145,079)
UNITHOLDERS' TRANSACTIONS				
Creation of units				
– Manager's base fee paid/payable in units	121,019	–	–	121,019
Increase in net assets resulting from unitholders' transactions	121,019	–	–	121,019
Net assets attributable to unitholders as at 31 December 2018	8,113,501	(286,279)	(1,042,026)	6,785,196



STATEMENTS OF CASH FLOWS

For the year ended 31 December 2018

	Group		Fortune REIT	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Operating activities				
Profit before taxation and transactions with unitholders	6,211,991	3,420,337	841,135	840,635
Adjustments for:				
Manager's base fee paid/payable in units	121,019	112,654	121,019	112,654
Change in fair value of investment properties	(4,187,648)	(2,391,549)	–	–
Gain on disposal of a property company	(941,060)	–	–	–
Interest income	(6,370)	(706)	(152)	–
Finance costs	266,561	268,088	–	4,852
Change in fair value of derivative financial instruments	(10,949)	31,210	–	–
Operating cash flows before movement in working capital	1,453,544	1,440,034	962,002	958,141
Decrease/(increase) in trade and other receivables	3,344	(4,571)	(2,616)	4,735
Increase/(decrease) in trade and other payables	7,725	39,489	31,853	(6,115)
Cash generated from operations	1,464,613	1,474,952	991,239	956,761
Income tax paid	(187,707)	(193,090)	–	–
Net cash from operating activities	1,276,906	1,281,862	991,239	956,761
Investing activities				
Upgrading of investment properties	(61,352)	(52,451)	–	–
Proceeds from disposal of a property company	1,985,005	–	–	–
Interest received	6,370	708	152	–
Net cash from/(used in) investing activities	1,930,023	(51,743)	152	–
Financing activities				
Drawdown of borrowings	790,000	2,530,000	–	–
Repayment of borrowings	(2,740,000)	(2,626,300)	–	–
Distribution paid	(988,388)	(952,788)	(988,388)	(952,788)
Interest paid	(243,972)	(235,918)	–	–
Payment of front end fees	–	(12,000)	–	–
Net cash used in financing activities	(3,182,360)	(1,297,006)	(988,388)	(952,788)
Net increase/(decrease) in cash and cash equivalents	24,569	(66,887)	3,003	3,973
Cash and cash equivalents at beginning of the year	518,330	585,217	485,638	481,665
Cash and cash equivalents at end of the year	542,899	518,330	488,641	485,638
Represented by:				
Cash at bank and in hand	514,899	516,036	488,641	485,638
Cash at bank included in assets classified as held for sale	–	2,294	–	–
Fixed deposits with original maturity date less than 3 months	28,000	–	–	–
	542,899	518,330	488,641	485,638

NOTES TO THE FINANCIAL STATEMENTS



For the year ended 31 December 2018

1 GENERAL

Fortune Real Estate Investment Trust (“**Fortune REIT**”) is a real estate investment trust constituted by a trust deed entered into on 4 July 2003 (as amended) (the “**Trust Deed**”) made between ARA Asset Management (Fortune) Limited, as the manager of Fortune REIT (the “**Manager**”), and HSBC Institutional Trust Services (Singapore) Limited, as the trustee of Fortune REIT (the “**Trustee**”). Fortune REIT is primary listed on the The Stock Exchange of Hong Kong Limited and secondary listed on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

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 Units 5508-5510, 55th Floor, The Center, 99 Queen’s Road Central, Hong Kong, respectively.

The registered office and principal place of business of the Trustee is 21 Collyer Quay #13-02, HSBC Building, Singapore 049320.

The consolidated and Fortune REIT’s separate 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 with the primary objective of producing stable distributions for unitholders and to achieve long term growth in the net asset value per unit.

The consolidated and separate financial statements on pages 106 to 165 were authorised for issue by the Manager on 28 January 2019.

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 (“**Property Management Agreement**”), Goodwell-Fortune Property Services Limited (the “**Property Manager**”), which is a connected party of Fortune REIT, will receive from each of the property holding subsidiaries (the “**Property Companies**”) a fee of 3.0% per annum of gross property revenue for the provision of property management services and lease management services.

In respect of Provident Square sold in 2018, the Property Manager engaged Whampoa Property Management Limited, which was a connected party of Fortune REIT, to provide part of the property management services.

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

Marketing services fee

For marketing services, the Property Companies will pay the 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;



1 GENERAL (Continued)

(a) Property management fees (Continued)

Marketing services fee (Continued)

- 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.

(b) Trustee's fees

The Trustee's fees are 0.035% 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 (Clause 15.1.1), 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 and in the form of units in Fortune REIT during the first five years after the units are listed on the SGX-ST. Thereafter, the base fee shall be paid to the Manager in the form of cash or units as the Manager may elect.

Performance fee

Under the Trust Deed (Clause 15.1.2), 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 adjustment.

(d) Acquisition fee and divestment fee

The Manager is entitled to receive the following fees:

Acquisition fee

Under the Trust Deed (Clause 15.2.1), 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 (Clause 15.2.1), 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



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1 GENERAL (Continued)

(d) Acquisition fee and divestment fee (Continued)

Divestment fee (Continued)

(a) (Continued)

(B) has engaged third party agent(s) or broker(s) and the aggregate fees payable to such third party agent(s) or broker(s) therefor 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) therefor 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 NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

New and amendments to International Financial Reporting Standards (“IFRSs”) that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) for the first time in the current year:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
Amendments to IAS 40	Transfers of Investment Property

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

IFRS 9 Financial Instruments and the related amendments

In the current year, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses (“ECL”) for financial assets and other items (for example, lease receivables) and (3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018, if any, is recognised in the opening retained profits and other components of equity, without restating comparative information.

The Manager reviewed and assessed the Group’s financial assets and liabilities as at 1 January 2018 and 31 December 2018 based on the facts and circumstances that existed at that dates. There was no material impact on initial application of IFRS 9 as all financial assets and financial liabilities continue to be measured on the same bases as were previously measured under IAS 39 *Financial Instruments: Recognition and Measurement* and no impairment was recognised at the initial date of application, 1 January 2018.

Accounting policies resulting from applications of IFRS 9 are disclosed in Note 3.



2 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

New and amendments to International Financial Reporting Standards (“IFRSs”) that are mandatorily effective for the current year (Continued)

IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. IFRS 15 applies to all contracts with customers except for leases which are within the scope of IAS 17 *Leases*.

The Group currently invests in a portfolio of retail shopping malls in Hong Kong for earning stable rental income under operating leases. It receives leasing rental income, charge-out collections and other income from tenants. IFRS 15 does not apply to the leasing component of base rental and other rental which are under the scope of IAS 17. Charge-out collections (e.g. management fee income and air conditioning income) are non-lease components which fall within IFRS 15. Each of these incomes has a stand-alone selling price for the services which are observable under the lease contracts and they are recognised as revenue only when the performance obligation is satisfied.

Information about the Group’s accounting policies and performance obligations resulting from application of IFRS 15 are disclosed in Notes 3 and 6 respectively.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 16	Leases ¹
IFRIC 23	Uncertainty over Income Tax Treatments ¹
Amendments to IAS 1 and IAS 8	Definition of Material ²

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2020

The Manager anticipates that the new and amendments to IFRSs that are not yet effective will not have any material impact on the Group’s consolidated and Fortune REIT’s separate financial statements when they become effective.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 and the related interpretations when it becomes effective.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

The consolidated and Fortune REIT's separate financial statements have been prepared on historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values at the end of each reporting period.

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 share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and the measurements that have same similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

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 financial instruments and investment properties which are transacted at fair value and a valuation technique which involves unobservable inputs to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the result of the valuation technique equals 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 substantially observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are substantially unobservable inputs for the asset or liability.

The consolidated and Fortune REIT's separate financial statements have been prepared in accordance with IFRSs issued by IASB, and are drawn up in accordance with the relevant provisions of the Trust Deed, the relevant requirements of the Code on Collective Investment Schemes (the "**CIS Code**") issued by the Monetary Authority of Singapore ("**MAS**") and the Code on Real Estate Investment Trust (the "**REIT Code**") issued by the Securities and Futures Commission of Hong Kong ("**SFC**").

The Manager is of the opinion that, taking into account the headroom of the fair value of investment properties, presently available undrawn banking facilities and internal financial resources of the Group and Fortune REIT, the Group and Fortune REIT has sufficient working capital for its present requirements within one year from the end of the reporting period. Hence, the financial statements have been prepared on a going concern basis.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) 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. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date Fortune REIT gains control until the date when Fortune REIT ceases to control the subsidiary.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. Income and expenses of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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 intra-group assets and liabilities, income, expenses and cashflow relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9/IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(c) Acquisition of assets not constituting a business

When the Group acquires an asset or a group of assets and liabilities that does not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Investments in subsidiaries

Investments in subsidiaries are included in Fortune REIT's statement of financial position at cost less any identified impairment loss. Results of subsidiaries are accounted for by Fortune REIT on the basis of dividends received or receivable during the year.

Dividend income from subsidiaries is recognised when Fortune REIT's right to receive payment has been established.

(e) Investment properties

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

Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

(f) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. 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 since 1 January 2018. 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 and financial liabilities at fair value through profit or loss) 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 fair value through profit or loss 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.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

- (l) Upon application of IFRS 9 in accordance with transitions in Note 2

Financial assets

Classification and 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.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (“**FVTOCI**”):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; 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 fair value through profit or loss (“**FVTPL**”), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in FVTOCI 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.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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



For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

- (l) Upon application of IFRS 9 in accordance with transitions in Note 2 (Continued)

Financial assets (Continued)

Classification and measurement of financial assets (Continued)

- (i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and receivables subsequently measured at FVTOCI. 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.

- (ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset.

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“**12m ECL**”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group recognises lifetime ECL for trade receivables and the ECL on these assets are assessed individually for debtors.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(l) Upon application of IFRS 9 in accordance with transitions in Note 2 (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(l) Upon application of IFRS 9 in accordance with transitions in Note 2 (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default to have occurred when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the debtor;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(l) Upon application of IFRS 9 in accordance with transitions in Note 2 (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 *Leases*.

The Group recognises an impairment gain or loss for all financial instruments by adjusting their carrying amount with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

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

Debt 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.



For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(I) Upon application of IFRS 9 in accordance with transitions in Note 2 (Continued)

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.

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.

Derecognition/non-substantial modification 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.

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(II) Before application of IFRS 9 on 1 January 2018

Financial assets

Classification and subsequent measurement of financial assets

Financial assets are classified into “financial assets at FVTPL” and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at FVTPL

Financial assets at FVTPL are financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(II) Before application of IFRS 9 on 1 January 2018 (Continued)

Loans and receivables (Continued)

Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. 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.

The Group's financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

A financial liability carried at FVTPL when the financial liability is held for trading.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- on initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(II) Before application of IFRS 9 on 1 January 2018 (Continued)

Other financial liabilities

Debt 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 *IAS 32 Financial Instruments: Presentation* ("IAS 32"). 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.

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.

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownerships of the financial assets to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or has expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS



For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (Continued)

(II) Before application of IFRS 9 on 1 January 2018 (Continued)

Derivative financial instruments (Continued)

Derecognition (Continued)

For non-substantial modifications of financial liabilities that do not result in derecognition, at the point of modification, the carrying amount of the relevant financial liabilities is revised for directly attributable transaction costs and any consideration paid to or received from the counterparty. The effective interest rate is then adjusted to amortise the difference between the revised carrying amount and the expected cash flows over the life of the modified instrument.

When the contractual terms of financial liability are modified such that the revised terms would result in a substantial modification from the original terms, after taking into account all relevant facts and circumstances including qualitative factors, such modification is accounted for as derecognition of the original financial liability and the recognition of new financial liability. The difference between the carrying amount of financial liability derecognised and the fair value of consideration paid or payable, including any liabilities assumed and derivative components recognised, is recognised in profit or loss.

(g) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or 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. Other than investment properties measured under fair value model, such costs are recognised as an expense on a straight-line basis over the lease term. Rental income which are derived from the Group's ordinary course of business are presented as revenue.

Rental income under operating leases, except for contingent rentals, is recognised in the profit or loss on a straight-line basis over the term of the relevant lease. In the event that lease incentives, including rent free periods, are given to enter into operating leases, such incentives are recognised in accrued rent receivables. The aggregate benefit of incentives is recognised as a reduction of rental income on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Contingent rentals, which include gross turnover rental, are recognised as income in the accounting period on a receipt basis. No contingent rentals are recognised if there are uncertainties due to the possible return of amounts received.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in Note 2)

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation for charge-out collections is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group’s performance in transferring control of services.

(i) Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the course of the ordinary activities, net of discounts.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group’s activities, as described below.

Charge-out collections, which consist of payments in respect of the operation of the properties which are payable by the tenants and licensees, are recognised as income when the services and facilities are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

Dividend income from subsidiaries is recognised when Fortune REIT’s right to receive payment has been established.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Foreign currencies

The functional currency (the currency of the primary economic environment in which the entity operates) of Fortune REIT and its subsidiaries is Hong Kong dollar.

In preparing the financial statements of each individual entity, transactions in currencies other than Hong Kong dollar are recorded in Hong Kong dollar 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.

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.

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Front-end fees incurred are amortised on a straight-line basis over the contractual term of the borrowings in the separate financial statements. These fees are treated as transaction costs of the Group's borrowings and included in determining the effective interest rate on initial recognition of the borrowings in the consolidated financial statements.

(l) Impairment of investments in subsidiaries

At the end of the reporting period, Fortune REIT reviews the carrying amounts of its investments in subsidiaries to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of investments in subsidiaries is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of investments in subsidiaries is estimated to be less than its carrying amount, the carrying amount of investments in subsidiaries is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of investments in subsidiaries is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss is recognised as income immediately.

(m) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the statements of profit or loss and other comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.



3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(n) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Non-current assets held for sale (Continued)

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets which are within the scope of IFRS 9/IAS 39 and investment properties, which continue to be measured in accordance with the accounting policy as set out in the respective sections.

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 associated 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 financial statements other than as follows:

(a) Valuation of investment properties

As described in Notes 3(e) and 14, the fair value is based on the valuation performed by an independent qualified external valuer using income capitalisation approach which is a method of valuation whereby the existing net rental incomes (i.e. exclusive of rates, government rent and management fees) of all lettable units of each property are capitalised for the respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at their respective market rents as at the valuation date. 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 adjusted to take account of the valuer's knowledge of the market expectation from property investors to reflect factors specific to the investment properties of the Group. The carrying amount of the investment properties at 31 December 2018 is HK\$42,000 million (2017: HK\$38,812 million (of which HK\$1,061 million is included in assets of a disposal company classified as held for sale as disclosed in Note 18)).

(b) Valuation of derivative financial instruments

As described in Note 15, 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 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 2018 represented assets amounting to HK\$25.1 million (2017: HK\$19.9 million) and liabilities amounting to nil (2017: HK\$5.8 million).



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

5 SEGMENTAL REPORTING

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

The Group owns 16 (2017: 17) properties as at 31 December 2018 which are located in Hong Kong. Revenue and net property income of each property (which constitutes an operating segment) is the measure reported to the Manager for the purposes of resource allocation and performance assessment. The Manager considers that all existing properties held by the Group, consisting of retail shopping malls, have similar economic characteristics and have similar nature in providing leasing service to similar type of retail tenants for rental income. In addition, the cost structure and the economic environment in which they operate are similar. Therefore, the Manager concluded that each of the properties or operating segments are aggregated into a single reportable segment and no further analysis for segment information is presented.

6 REVENUE

	Group		Fortune REIT	
	2018 HK\$'000	2017 HK\$'000 (Restated) (Note 33)	2018 HK\$'000	2017 HK\$'000
Base rental	1,508,126	1,480,874	–	–
Other rental (note (i))	186,565	196,361	–	–
Other income	1,527	3,994	–	–
Total rental income	1,696,218	1,681,229	–	–
Charge-out collections (note (ii))	243,888	254,211	–	–
Dividend income from subsidiaries	–	–	990,237	974,853
	1,940,106	1,935,440	990,237	974,853

notes:

- (i) The other rental mainly includes contingent rents of HK\$7.9 million (2017: HK\$12.2 million), licence fees of HK\$58.2 million (2017: HK\$70.2 million) and car park revenue of HK\$112.5 million (2017: HK\$105.9 million).
- (ii) Revenue from contracts with customers represented charge-out collections, which consist of payments in respect of the operation of the properties in Hong Kong which are payable by the tenants and licensees, are recognised over time as income when the services and facilities are provided. The Group applied the practical expedient in IFRS 15 by recognising revenue in the amount to which the Group has right to invoice, since the Group is entitled to bill a fixed amount in advance for each month according to the terms of the relevant lease. As permitted under IFRS 15, the aggregate amount of the transaction price allocated to the unsatisfied contracts is not disclosed.

NOTES TO THE FINANCIAL STATEMENTS



For the year ended 31 December 2018

7 PROPERTY OPERATING EXPENSES

	Group	
	2018 HK\$'000	2017 HK\$'000 (Restated) (Note 33)
Advertising and promotion	16,214	16,634
Building management expenses	218,218	218,921
Carpark operating expenses	29,693	28,092
Government rents and rates	13,390	12,602
Leasing commission and marketing services fee	29,389	36,204
Legal and other professional fees	6,521	8,730
Property management fee	47,512	47,277
Utilities	46,561	51,350
Others	15,118	13,808
	422,616	433,618

8 TRUST EXPENSES

	Group		Fortune REIT	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Trustee's fee	13,930	13,000	13,930	13,000
Divestment fee (Note 14(i))	–	–	10,000	–
Amortisation of front end fees (note)	–	–	–	4,852
Other charges	4,267	4,109	4,267	4,109
	18,197	17,109	28,197	21,961

note: Included in the amortisation of front end fees of HK\$4.9 million for the year ended 31 December 2017 was an amount of HK\$4.2 million representing front end fees written off upon early repayment of term loans during that year. Front end fees incurred by Fortune REIT in respect of its subsidiaries' bank borrowings are not recharged to the subsidiaries.

9 FINANCE COSTS

	Group	
	2018 HK\$'000	2017 HK\$'000 (Restated) (Note 33)
Interest expenses on bank borrowings	227,884	184,576
Front end fees	26,245	31,544
Commitment fee	1,727	3,292
Interest rate swaps and caps expenses realised	10,705	48,676
	266,561	268,088
Change in fair value of derivative financial instruments	(10,949)	31,210
	255,612	299,298



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

10 PROFIT BEFORE TAXATION AND TRANSACTIONS WITH UNITHOLDERS

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

	Group		Fortune REIT	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Audit fees to external auditors	1,689	1,845	309	451
Non-audit services fee to external auditors	1,229	1,136	–	–
Fee to internal auditor	350	330	–	–
Valuation fees (paid to principal valuer)	524	640	–	–
Bank charges	484	406	8	10
Public relation and non-deal roadshow expenses	1,162	1,215	327	454

11 INCOME TAX EXPENSE

	Group		Fortune REIT	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Current tax:				
– Hong Kong	195,352	189,036	–	–
– Singapore	26	–	26	–
– Over provision in prior years	(1,830)	(431)	–	–
	193,548	188,605	26	–
Deferred taxation (Note 20)				
– Current year	26,471	30,711	–	–
– Under provision in prior years	1,205	31	–	–
	27,676	30,742	–	–
	221,224	219,347	26	–

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Fortune REIT, which is established in Singapore, is subject to Singapore income tax at 17% (2017: 17%). No provision for Singapore income tax had been made for Fortune REIT in 2017 as it had no assessable profit for that year.

At present, Fortune REIT has not been accorded the tax transparency treatment and income earned will be subject to Singapore income tax at the prevailing corporate tax rate.

The Ministry of Finance of Singapore (“MOF”) has issued a tax ruling on the taxation of Fortune REIT for income earned and expenditure incurred after its listing on 12 August 2003. Subject to meeting the terms and conditions of tax ruling, the Singapore taxation of Fortune REIT is described below:



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

11 INCOME TAX EXPENSE (Continued)

(i) Tax-Exempt Income

Fortune REIT is exempt from Singapore income tax on the dividends received from its subsidiaries that are distributed out of income (including interest income and gains from the sale of properties) which have been subject to Hong Kong Profits Tax at a rate of not less than 15%.

(ii) Taxable Income

Fortune REIT is subject to Singapore income tax on dividends received from its subsidiaries that are paid out of income or gains which are not subject to Hong Kong Profits Tax (except for gains from the sale of investments in Property Companies that are capital in nature), and on all income derived from or accrued in Singapore, or received in Singapore from outside Singapore.

(iii) Non-Taxable Capital Gain

Fortune REIT is not subject to Singapore income tax on the gains from the disposal of investments in its subsidiaries that have been confirmed by MOF to be capital gains.

The income tax varied from the amount of income tax determined by applying the applicable Hong Kong profits tax rate of 16.5% (2017: 16.5%) and Singapore income tax rate of 17% (2017: 17%) for the Group and Fortune REIT respectively to the profit before taxation and transactions with unitholders as a result of the following differences:

	Group		Fortune REIT	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Profit before taxation and transactions with unitholders	6,211,991	3,420,337	841,135	840,635
Tax at the applicable income tax rate	1,024,979	564,356	142,993	142,908
Tax effect of expenses not deductible for tax purpose	45,938	49,202	25,373	22,817
Tax effect of income not taxable for tax purpose	(849,068)	(394,789)	(168,340)	(165,725)
Over provision in prior years	(625)	(400)	–	–
Others	–	978	–	–
Taxation for the year	221,224	219,347	26	–

Hong Kong Profits Tax rate is used as it is the jurisdiction where the operations of the Group are substantially based.



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12 EARNINGS PER UNIT

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

	Group	
	2018 HK\$'000	2017 HK\$'000
Profit for the year, before transactions with unitholders	5,990,767	3,200,990
Weighted average number of units outstanding during the year Number of units ('000)	1,921,476	1,908,732
Basic earnings per unit (HK cents)	311.78	167.70

The weighted average number of units outstanding during the year takes into account the 3,506,133 (2017: 3,072,278) units issuable as Manager's base fee for the period from 1 October 2018 to 31 December 2018 (2017: 1 October 2017 to 31 December 2017), which were issued to the Manager on 4 January 2019 (2017: 2 January 2018).

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.

13 INVESTMENTS IN SUBSIDIARIES

	Fortune REIT	
	2018 HK\$'000	2017 HK\$'000
Unquoted ordinary shares, at cost	3,033,109	3,033,109
Unquoted preference shares, at cost	3,784,270	3,784,270
Unquoted deferred shares, at cost	210	210
	6,817,589	6,817,589



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For the year ended 31 December 2018

13 INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries which are wholly owned by Fortune REIT as at 31 December 2018 and 2017 are as follows:

Name of company	Country/Place of incorporation	Effective equity interest held by Fortune REIT		Issued and fully paid capital			Principal activities
		2018	2017	Ordinary shares	Redeemable preference shares	Non-voting deferred shares	
		%	%	HK\$	HK\$	HK\$	
Direct subsidiaries							
Ace Courage Limited	British Virgin Islands ("BVI")	100	100	8	56,058,600		– Property investment in Centre de Laguna
Brilliant Crystal Enterprises Limited	BVI	100	100	8	–		– Financing
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
Genuine Joy Limited	BVI	100	100	8	394,690,000		– Property investment in Caribbean Square
Lion Year Holdings Limited	BVI	100	100	8	–		– Financing
Max Dynamic Investments Limited	BVI	100	100	8	–		– Financing
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
Prolific Rainbow Limited	BVI	100	100	8	–		– Financing
Proven Effort Limited	BVI	100	100	8	17,495,400		– Property investment in Rhine Avenue
Quick Switch Limited	BVI	100	100	8	79,000,000		– Property investment in Smartland
Smart Growth Enterprises Limited	BVI	100	100	8	872,625,000		– Investment holding
Team Challenge Limited	BVI	100	100	8	95,620,200		– Property investment in Tsing Yi Square
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
Indirect subsidiaries							
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
Bisky Limited	Hong Kong	100	100	2	–		– Property investment in part of the Belvedere Square



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For the year ended 31 December 2018

13 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Country/Place of incorporation	Effective equity interest held by Fortune REIT		Issued and fully paid capital			Principal activities
		2018	2017	Ordinary shares	Redeemable preference shares	Non-voting deferred shares	
		%	%	HK\$	HK\$	HK\$	
Fullforce Limited	Hong Kong	100	100	2	–	–	Property investment in part of the Belvedere Square
LGF Investment Limited	Hong Kong	100	100	807,000,000	–	–	Property investment in Laguna Plaza (transferred to Advance Castle Investment Limited on 21 March 2017)
Maulden Investments Limited	BVI	–	100	8	–	–	Property investment in Provident Square (sold on 28 February 2018)
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
Quebostar Limited	Hong Kong	100	100	100,000	–	–	Property investment in part of the Belvedere Square
Swinley Investments Limited	BVI	100	100	8	–	–	Financing
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 Fortune Kingswood

Notes:

- (i) Information about the composition of the Group at the end of the reporting period is as follows:

Principal activity	Place of incorporation	Number of wholly-owned subsidiaries	
		2018	2017
Property investment	Hong Kong	16	16
Property investment	BVI	9	10
Financing	Hong Kong	1	1
Financing	BVI	5	5
Investment holding or inactive	Cayman Islands	1	1
Investment holding or inactive	Hong Kong	6	6
Investment holding or inactive	BVI	9	9
		47	48

- (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;

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For the year ended 31 December 2018

13 INVESTMENTS IN SUBSIDIARIES (Continued)

Notes: (Continued)

- (d) 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
 - (e) 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:
- (a) They do not carry any right to dividend;
 - (b) They do not have any voting rights at general meetings of the subsidiary; and
 - (c) 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 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 place of operations of all the above property investment subsidiaries is Hong Kong.
- (v) Interests in certain subsidiaries were pledged as securities for the loan and credit facility granted by the banks to the subsidiaries as disclosed in Note 19.

14 INVESTMENT PROPERTIES

	Group	
	2018 HK\$'000	2017 HK\$'000
FAIR VALUE		
At beginning of year	37,751,000	36,368,000
During the year:		
Capital expenditure incurred in upgrading investment properties	61,352	52,451
Transfer to assets of a disposal company classified as held for sale (Note 18)	—	(1,061,000)
Change in fair value of investment properties	4,187,648	2,391,549
At end of year	42,000,000	37,751,000

Investment properties of the Group are retail properties in Hong Kong comprise of retail space and car parking spaces. Details of the investment properties as at the end of the reporting period are set out below:



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14 INVESTMENT PROPERTIES (Continued)

Description of property	Tenure of land	Terms of leases	Remaining term of lease	Location	Valuation	
					2018 HK\$'000	2017 HK\$'000
Fortune City One	Leasehold	149 years	28.5 years	No. 1 & 2 Ngan Shing Street, 8 Lok Shing Street, Shatin, New Territories, Hong Kong	8,788,000	7,939,000
Fortune Kingswood	Leasehold	149 years	28.5 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	8,261,000	7,462,000
Ma On Shan Plaza	Leasehold	55.5 years	28.5 years	No. 608 Sai Sha Road, Ma On Shan, Shatin, New Territories, Hong Kong	6,144,000	5,489,000
Metro Town	Leasehold	50 years	34 years	No. 8 King Ling Road, Tseung Kwan O, Hong Kong	3,926,000	3,590,000
Fortune Metropolis	Leasehold	50.5 years	28.5 years	No. 6-10 Metropolis Drive, Kowloon, Hong Kong	2,805,000	2,557,000
Laguna Plaza	Leasehold	149 years	28.5 years	88 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong	2,683,000	2,450,000
Belvedere Square	Leasehold	149 years	28.5 years	No. 530-590, 620 & 625, Castle Peak Road, Tsuen Wan, New Territories, Hong Kong	2,670,000	2,370,000
Waldorf Avenue	Leasehold	149 years	28.5 years	No. 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong	1,832,000	1,651,000
Caribbean Square	Leasehold	50 years	28.5 years	No. 1 Kin Tung Road, Tung Chung, New Territories, Hong Kong	1,295,000	1,080,000
Provident Square	Leasehold	150 years	53 years	No. 21-53 Wharf Road, North Point, Hong Kong	N/A	1,061,000
Jubilee Square	Leasehold	149 years	28.5 years	No. 2-18 Lok King Street, Fo Tan, Shatin, New Territories, Hong Kong	995,000	892,000
Smartland	Leasehold	149 years	28.5 years	No. 16 Tsuen Wah Street, Tsuen Wan, New Territories, Hong Kong	809,000	723,000

NOTES TO THE FINANCIAL STATEMENTS



For the year ended 31 December 2018

14 INVESTMENT PROPERTIES (Continued)

Description of property	Tenure of land	Terms of leases	Remaining term of lease	Location	Valuation	
					2018 HK\$'000	2017 HK\$'000
Tsing Yi Square	Leasehold	149 years	28.5 years	No. 7-19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong	804,000	656,000
Centre de Laguna	Leasehold	58 years	28.5 years	93/99 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong	339,000	299,000
Hampton Loft	Leasehold	50 years	31 years	No. 11 Hoi Fan Road, Kowloon, Hong Kong	311,000	283,000
Lido Avenue	Leasehold	149 years	28.5 years	No. 41-63 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong	208,000	190,000
Rhine Avenue	Leasehold	57 years	28.5 years	No. 38 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong	130,000	120,000
					42,000,000	38,812,000
Less: Assets of a disposal company classified as held for sale					-	(1,061,000)
					42,000,000	37,751,000

- (i) On 28 February 2018, Fortune REIT completed the disposal of Provident Square to an independent third party through disposal of the entire equity interest in Maulden Investments Limited for a consideration of HK\$2,000.0 million minus adjustment on the net liabilities of HK\$12.4 million as at completion date of disposal.

The sales proceeds, net of expenses, have been used to repay part of the banking facilities as disclosed in Note 19(i). The disposal results in a gain of approximately HK\$941.1 million.

- (a) Analysis of assets and liabilities over which control was lost:

	HK\$'000
Investment properties	1,061,000
Trade and other receivables	4,048
Bank balances and cash	2,603
Trade and other payables	(19,043)
Provision for taxation	(274)
Deferred tax liabilities	(13,886)
Net assets disposed of	1,034,448



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For the year ended 31 December 2018

14 INVESTMENT PROPERTIES (Continued)

(i) (Continued)

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

	HK\$'000
Consideration received	1,987,608
Less: Transaction cost incurred	(2,100)
Less: Divestment fee	(10,000)
Less: Net assets disposed of	(1,034,448)
	941,060

(c) Net cash inflow arising on disposal is as follows:

	HK\$'000
Consideration received	1,987,608
Less: Cash and cash equivalents disposed of	(2,603)
	1,985,005

(ii) In estimating the fair value of investment properties (including the investment property of a disposal company classified as held for sale as at 31 December 2017), 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 2018 and 2017, independent valuations were undertaken by Knight Frank Petty Limited ("Knight Frank"). 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 valuation of the properties was 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 and management fees) of all lettable units of each property are capitalised for the respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at their respective market rents as at the valuation date. In the valuation, which falls under Level 3 of fair value hierarchy, the market rentals of all lettable units of the properties are assessed and capitalised at market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The market yield which is the capitalisation rate adopted is made by reference to the yields derived from analysing the sales transactions of similar properties in Hong Kong and adjusted to take account of the valuer's knowledge of the market expectation from property investors to reflect factors specific to the Group's investment properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The adopted capitalisation rates in the valuation range from 4.0% – 4.8% (2017: 4.3% – 5.0%). The capitalisation rate is one of the key parameters in the valuation method of income capitalisation and they involve 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.

- (iii) All of the Group's property interests in properties located in Hong Kong are held under medium-term leases which are finance lease in nature. The properties have been leased out under operating leases, most of which contain tenancy periods ranging from two to three years. Subsequent renewals are negotiated with the lessees at prevailing market rates.
- (iv) As at 31 December 2018, properties with total fair value of HK\$6,144 million (2017: HK\$10,283 million) have been mortgaged as collaterals for credit facilities granted by the banks as disclosed in Note 19.

NOTES TO THE FINANCIAL STATEMENTS



For the year ended 31 December 2018

15 DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2018 HK\$'000	2017 HK\$'000
Derivative financial instruments are analysed as:		
Derivatives not under hedge accounting:		
Interest rate swaps and caps	25,106	14,157
Reflected on consolidated statement of financial position based on remaining contractual maturity as:		
Current assets	6,290	668
Non-current assets	18,816	19,279
Non-current liabilities	–	(5,790)
	25,106	14,157

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

Derivatives not under hedge accounting:

Contracts not under hedge accounting with total notional amount of HK\$5,048.2 million (31 December 2017: HK\$6,463.2 million) as at 31 December 2018 will mature from March 2019 to April 2021 (31 December 2017: April 2018 to April 2021). These contracts have fixed interest payments at rates ranging from 0.665% to 1.85% (31 December 2017: 0.665% to 1.85%) per annum and have floating interest receipts at one or three months Hong Kong Inter-bank Offered Rate (“HIBOR”) or at three months HIBOR minus 1.50% if HIBOR is within a pre-determined range (if applicable) with HIBOR being repriced every three months.

The change in fair value of the derivative financial instruments not under hedge accounting amounting to a gain of HK\$10,949 million (2017: loss of HK\$31.2 million), is recognised in the profit or loss for the year ended 31 December 2018.

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.



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16 TRADE AND OTHER RECEIVABLES

	Group		Fortune REIT	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
(a) Trade receivables				
Outside parties	29,469	29,849	–	–
Related parties (Note 32)	822	4,880	–	–
	30,291	34,729	–	–
(b) Other receivables and prepayments				
Security deposits	25,669	25,669	–	–
Other receivables	5,901	204,431	4,841	2,223
Prepayments	2,598	2,129	28	30
	34,168	232,229	4,869	2,253
	64,459	266,958	4,869	2,253

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

	Group	
	2018 HK\$'000	2017 HK\$'000
0 – 30 days	29,531	34,548
31 – 90 days	760	170
Over 90 days	–	11
	30,291	34,729

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. Interest will be charged on the outstanding amount overdue for more than 10 days at the rate of 12% per annum. The balances of trade receivables include accrued rentals in respect of rent free periods amounted to HK\$27.4 million (2017: HK\$27.8 million).

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$2.9 million which are past due as at the reporting date. Out of the past due balances, nil amount has been past due 90 days or more and considered as in default. The Group does not hold any collateral over these balances. 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. Full allowance will be made on the balance overdue for 90 days after setting off the relevant tenant's deposits. Accordingly, the Manager believes that there is no further credit allowance required in excess of the allowance for doubtful debts.

As at 31 December 2017, included in the Group's trade receivable balance are debtors with a carrying amount of HK\$7.0 million which are past due as at the end of the reporting period for which the Group has not provided for doubtful debts as there has not been a significant change on credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. In addition, a deposit of HK\$200 million in relation to the disposal of all interest in Provident Square held by the Manager's solicitors as stakeholders was included in the Group's other receivables.

NOTES TO THE FINANCIAL STATEMENTS



For the year ended 31 December 2018

16 TRADE AND OTHER RECEIVABLES (Continued)

The ageing of the debtors which are past due but not impaired are as follows:

	Group
	2017 HK\$'000
1 – 30 days	6,790
31 – 90 days	170
Over 90 days	11
	6,971

Other receivables and prepayments which are not denominated in the functional currency of the relevant Group entities are as follows:

	Group and Fortune REIT	
	2018 HK\$'000	2017 HK\$'000
Denominated in: Singapore dollar	4,359	2,020

17 BANK BALANCES AND CASH

	Group		Fortune REIT	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Cash at bank and in hand	514,899	516,036	488,641	485,638
Fixed deposits with original maturity date less than 3 months	28,000	–	–	–
Cash and cash equivalents	542,899	516,036	488,641	485,638
Effective interest rate per annum	0.13%	–	–	–

The cash and cash equivalents which are not denominated in the functional currency of the relevant Group entities are as follows:

	Group and Fortune REIT	
	2018 HK\$'000	2017 HK\$'000
Denominated in: Singapore dollar	3,737	3,852



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

18 ASSETS OF A DISPOSAL COMPANY CLASSIFIED AS HELD FOR SALE AND RELATED LIABILITIES

On 19 December 2017, Fortune REIT (through its special purpose vehicle) entered into a share purchase agreement with an independent third party (the “Purchaser”) in relation to the disposal of (through the sale of the shares in Maulden Investments Limited, a subsidiary of Fortune REIT) all interests in Provident Square. The consideration payable by the Purchaser shall be the adjusted asset value, being the acquisition value of HK\$2,000 million plus the amount of net current assets or minus the amount of net current liability (as the case may be) of the disposal company as at completion. The Manager considered that the acquisition value of HK\$2,000 million included a significant premium of approximately 88.5% over than the fair value of Provident Square as at 31 December 2017. As a result, the fair value of Provident Square using income capitalisation approach as disclosed in Note 14 was the relevant measure to reflect the property’s value as at 31 December 2017.

An amount of HK\$200 million was received and held by the Manager’s solicitors as deposit which was included as deposit and the corresponding amount was included in other payables as set out in Note 21. The Manager considered that the assets and liabilities of Maulden Investments Limited should be classified as held-for-sale as at 31 December 2017 in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* on the basis that the disposal is highly probable. The disposal was completed in 2018.

Details of the assets and liabilities of Maulden Investments Limited as at 31 December 2017, which have been classified as “Assets of a disposal company classified as held for sale” and “Liabilities directly associated with assets of a disposal company classified as held for sale”, are as follows:

Assets classified as held for sale:

	HK\$'000
Non-current assets	
Investment properties	1,061,000
Current assets	
Trade and other receivables	4,893
Bank balance and cash	2,294
	7,187
Total assets of a disposal company classified as held for sale	1,068,187

Liabilities directly associated with assets classified as held for sale:

	HK\$'000
Non-current liabilities	
Deferred tax liabilities	13,398
Current liabilities	
Trade and other payables	25,330
Total liabilities directly associated with assets of a disposal company classified as held for sale	38,728

Note: The above amounts do not include amounts due to group companies, which were eliminated on consolidation and will be repaid by the Purchaser at completion.

NOTES TO THE FINANCIAL STATEMENTS



For the year ended 31 December 2018

19 BORROWINGS

	Group	
	2018 HK\$'000	2017 HK\$'000
Secured term loans	2,000,000	3,100,000
Unsecured term loans	6,505,060	7,355,060
Unsecured revolving loans	400,000	400,000
	8,905,060	10,855,060
Less: unamortised front end fees	(45,604)	(71,849)
	8,859,456	10,783,211
Carrying amount repayable:		
Within one year	400,000	1,496,788
More than one year, but not more than two years	3,491,056	–
More than two years, but not more than five years	4,968,400	9,286,423
	8,859,456	10,783,211
Less: Amount due within one year shown under current liabilities	(400,000)	(1,496,788)
	8,459,456	9,286,423

- (i) Existing secured loan facilities amounting HK\$1,100 million and HK\$850 million were early repaid in February and July 2018 respectively from the sales proceeds of the disposal of Provident Square as disclosed in Note 14(i).

As at 31 December 2018, total committed loan facilities amounted to HK\$10,055.1 million (2017: HK\$11,155.1 million), bear interest at HIBOR plus a margins ranging from 0.98% to 1.30% (2017: HIBOR plus a margins ranging from 0.98% to 1.40%). The committed loan facilities with aggregate amounts of, HK\$4,355.1 million, HK\$4,500.0 million and HK\$1,200.0 million will mature in 2020, 2021 and 2022 respectively.

The secured term loan facilities are secured by, inter alia, interests in certain subsidiaries of Fortune REIT and mortgages over certain investment properties of the Group and as disclosed in Notes 13 and 14 respectively. In addition, the Trustee (in its capacity as Trustee of Fortune REIT) has provided guarantee for all the loan facilities.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

19 BORROWINGS (Continued)

- (ii) The Group paid front end fees of HK\$12.0 million during the year ended 31 December 2017 to the banks to secure the loan facilities. The front end fees are amortised over the respective loan periods. The movements in the front end fees and accumulated amortisation are as follow:

	Group	
	2018 HK\$'000	2017 HK\$'000
At beginning of year	116,088	130,000
Addition	–	12,000
Reversal during the year	(23,275)	(25,912)
At end of year	92,813	116,088
Movement in accumulated amortisation:		
At beginning of year	(44,239)	(38,607)
Amortised during the year	(20,445)	(24,940)
Reversal during the year	17,475	19,308
At end of year	(47,209)	(44,239)
Net book values	45,604	71,849

- (iii) The effective interest rates:

	Weighted average effective interest rate		Principal amount	
	2018 %	2017 %	2018 HK\$'000	2017 HK\$'000
Interest bearing borrowing				
Fixed rate *	2.65	2.60	4,086,150	5,501,150
Variable rate	2.70	1.68	4,818,910	5,353,910
			8,905,060	10,855,060

- * 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.

NOTES TO THE FINANCIAL STATEMENTS



For the year ended 31 December 2018

20 DEFERRED TAX LIABILITIES

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The followings are the major component of deferred tax liabilities/(assets) recognised and movements therein during the year:

	Accelerated tax depreciation		Tax losses		Total	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Group						
At beginning of year	447,513	430,169	(3,367)	(3,367)	444,146	426,802
Charged to profit or loss for the year	27,676	30,742	–	–	27,676	30,742
	475,189	460,911	(3,367)	(3,367)	471,822	457,544
Disposal of a property company/transfer to liabilities directly associated with assets of a disposal company classified as held for sale (Note 14(i)) (2017: Note 18)	(488)	(13,398)	–	–	(488)	(13,398)
At end of year	474,701	447,513	(3,367)	(3,367)	471,334	444,146

The investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and hence the presumption that the carrying amounts are recovered entirely through sale is not rebutted.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

21 TRADE AND OTHER PAYABLES

	Group		Fortune REIT	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
(a) Trade payables				
Tenants' deposits				
– Outside parties	495,195	495,950	–	–
– Related parties (Note 32)	20,896	15,184	–	–
Rental received in advance				
– Outside parties	29,384	27,247	–	–
	545,475	538,381	–	–
(b) Other payables				
Trustee's fee	2,422	2,232	2,422	2,232
Deposits receivable for assets of a disposal company classified as held for sale	–	200,000	–	–
Other expenses				
– Outside parties	127,142	120,053	8,765	3,423
– Related parties (Note 32)	66,345	55,719	–	–
– Manager (Note 32)	45,711	45,076	–	–
– Subsidiaries	–	–	30,570	4,726
Interest payable	219	3,875	–	–
Others	3,097	2,390	3,096	2,390
	244,936	429,345	44,853	12,771
Total	790,411	967,726	44,853	12,771

Trade and other payables comprise deposits refundable to tenants upon termination or cancellation of operating lease arrangements and amounts outstanding for ongoing costs. The tenants' deposits are refundable to tenants within 30 days upon the termination of the tenancy agreement.

The tenants' deposits to be settled after twelve months from the end of the reporting period based on lease term amounted to HK\$323.3 million (2017: HK\$308.7 million) as at 31 December 2018.

Included in Fortune REIT's other payable balance are amount due to subsidiaries of HK\$30.6 million (2017: HK\$4.7 million) which are unsecured, interest-free and repayable on demand.

Trade and other payable which are not denominated in the functional currency of the respective Group entities are as follows:

	Group and Fortune REIT	
	2018 HK\$'000	2017 HK\$'000
Denominated in:		
– Singapore dollar	5,909	1,636

NOTES TO THE FINANCIAL STATEMENTS



For the year ended 31 December 2018

22 UNITS IN ISSUE AND TO BE ISSUED

Before the amendment of Trust Deed on 26 March 2010, Fortune REIT has no contractual obligation to pay or declare distribution of which is entirely at the discretion of the Manager pursuant to the Trust Deed. Accordingly, the issued units were classified as equity in accordance with IAS.

As a consequence of the primary listing on the SEHK, Fortune REIT has to comply with the distribution requirements set in the REIT Code issued by the SFC. In accordance with the amended Trust Deed, Fortune REIT's current distribution policy provides the unitholders with a right to receive distribution which Fortune REIT has a contractual obligation to distribute to unitholders at the higher of 100% Net Tax-Exempt Income or 90% of consolidated Net Profit After Tax (defined in Note (i) to the distribution statement).

Accordingly, the issued units as at 31 December 2018 and 2017 are compound instruments in accordance with IAS 32. The Manager considers the equity component of the issued units to be insignificant and that the net assets attributable to unitholders presented on the statements of financial position as at 31 December 2018 and 2017 mainly represents financial liabilities.

	Number of units '000	HK\$'000
Balance as at 1 January 2017	1,902,128	7,879,828
Issue of new units during the year:		
As payment of Manager's base fee for the period from 1 January to 30 September 2017	9,148	83,306
Balance in issue as at 31 December 2017	1,911,276	7,963,134
Issue of new units during the year:		
As payment of Manager's base fee for the period from 1 October to 31 December 2017 (Note (i))	3,072	29,348
Balance as at 31 December 2017	1,914,348	7,992,482
Issue of new units during the year:		
As payment of Manager's base fee for the period from 1 January to 30 September 2018	10,051	89,260
Balance in issue as at 31 December 2018	1,924,399	8,081,742
New units to be issued:		
As payment of Manager's base fee for the period from 1 October to 31 December 2018 (Note (i))	3,506	31,759
Balance as at 31 December 2018	1,927,905	8,113,501

Note:

- (i) Manager's base fee payable to the Manager is in the form of units. On 4 January 2019, Fortune REIT issued 3,506,133 units at an issue price of HK\$9.0581 per unit to the Manager as base fee for the period from 1 October 2018 to 31 December 2018. On 2 January 2018, Fortune REIT issued 3,072,278 units at an issue price of HK\$9.553 per unit to the Manager as base fee for the period from 1 October 2017 to 31 December 2017.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

23 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\$32,013.4 million (2017: HK\$26,887.8 million) and the total number of 1,927,905,503 (2017: 1,914,348,385) units in issue and to be issued, including the new units to be issued as payment of Manager's base fee.

24 NET CURRENT LIABILITIES

As at 31 December 2018, the Group's net current liabilities, defined as current liabilities less current assets, amounted to HK\$1,074.7 million (2017: HK\$1,146.2 million).

25 TOTAL ASSETS LESS CURRENT LIABILITIES

As at 31 December 2018, the Group's total assets less current liabilities amounted to HK\$40,944.2 million (2017: HK\$36,624.1 million).

26 CAPITAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The Group and Fortune REIT 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. Fortune REIT and the Group are required to maintain the aggregate borrowing not exceeding 45% (2017: 45%) and 45% (2017: 45%) of the gross asset value of the Group in accordance with the CIS Code issued by MAS and the REIT Code issued by SFC, respectively. As at 31 December 2018, the Group has aggregate borrowings with principal amount of HK\$8,905 million (2017: HK\$10,855 million) and it represents 21% (2017: 27%) of the gross asset value of the Group.

The management's strategy remains unchanged from prior year. The Group and Fortune REIT are in compliance with externally imposed capital requirements as at 31 December 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS



For the year ended 31 December 2018

27 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

As 31 December 2018

	Group HK\$'000	Fortune REIT HK\$'000
Financial assets		
Trade and other receivables	61,861	4,841
Bank balances and cash	542,899	488,641
At amortised cost	604,760	493,482
Derivative financial instruments	25,106	–
Financial liabilities		
Other payables	126,347	5,522
Distribution payable	481,007	481,007
Borrowings	8,859,456	–
At amortised cost	9,466,810	486,529

As at 31 December 2017

	Group HK\$'000	Fortune REIT HK\$'000
Financial assets		
Trade and other receivables	264,829	2,223
Bank balances and cash	516,036	485,638
Loans and receivables (including cash and cash equivalents)	780,865	487,861
Derivative financial instruments	19,947	–
Financial liabilities		
Other payables	115,783	4,623
Distribution payable	483,436	483,436
Borrowings	10,783,211	–
At amortised cost	11,382,430	488,059
Derivative financial instruments	5,790	–



27 FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

Details of the Group's and Fortune REIT's financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include interest rate risk, credit risk, foreign currency 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.

Interest rate risk

The Group's and Fortune REIT's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. 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 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. 50 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 50 basis points (2017: 50 basis points) higher or lower and all other variables were held constant, the Group's profit before tax for the year would decrease or increase by HK\$24.1 million (2017: decrease/increase by HK\$26.8 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 of the Group and Fortune REIT 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

As at 31 December 2018, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group and Fortune REIT do not hold any collateral or other credit enhancements to cover the credit risks associated with those financial assets.

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 to mitigate the risk of financial loss from tenant's default.



For the year ended 31 December 2018

27 FINANCIAL INSTRUMENTS (Continued)

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

Credit risk and impairment assessment (Continued)

Trade receivable consists of rental revenue and charge-out collections receivables from tenant or counterparty. The Manager monitors their balances on an ongoing basis. Credit evaluations are performed by the property manager on behalf of the Manager before lease agreements are entered into with tenants. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 (2017: incurred loss model) on trade balances individually. In this regard, the Manager considers that the Group's credit risk is significantly reduced.

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

The Group measures the loss allowance on liquid funds equal to 12m ECL. The credit risk on liquid funds is limited because cash and fixed 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.

Based on the ECL assessment, the credit exposures for all the financial assets (including trade and other receivables and bank balances and cash), which are subject to ECL assessment, are considered as low risk because the counterparties have a low risk of default and does not have material past-due amounts. During the year ended 31 December 2018, no loss allowance provision for the amounts was recognised for the Group and Fortune REIT.

Foreign currency risk

The functional currency of Fortune REIT and its subsidiaries is Hong Kong dollar.

The net carrying amounts of monetary assets denominated in currencies other than their functional currency arise from Singapore dollar ("S\$") denominated bank balances and deposits, other receivables and other payables amounting to HK\$2.2 million (2017: HK\$4.2 million) as at 31 December 2018. The foreign currency risk is managed by the Manager on an ongoing basis as well as to minimising the bank balance in Singapore dollar.

If HK\$ were to strengthen against S\$ by 10% (2017: 10%), the Group's and Fortune REIT's profit before taxation for the year would decrease by HK\$0.2 million (2017: HK\$0.4 million).



27 FINANCIAL INSTRUMENTS (Continued)

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

Foreign currency risk (Continued)

Conversely, if the HK\$ were to weaken against S\$, there would be an equal and opposite effect on the Group's and Fortune REIT's profit before taxation for the year.

Liquidity risk

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

Taking into account the headroom of the fair value of investment properties of HK\$42,000 million, presently available banking facilities of HK\$700 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 and Fortune REIT'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 and Fortune REIT can be required to pay.

For derivative instruments settled on a net basis, undiscounted net cash outflows are presented. 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. The liquidity analysis for derivative financial instruments is prepared based on the contractual maturities as the management considers the contractual maturities are essential for an understanding of the timing of the cash flows of the derivatives.

The Group's derivative financial instruments are interest rate swaps and caps with notional amount totaling HK\$5,048 million (2017: HK\$6,463 million) as at 31 December 2018 with contracted net cash flows due within five years (2017: five years) from inception date.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

27 FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Liquidity risk analysis (Continued)

Group

	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 2018 HK\$'000
2018							
Non-derivative financial liabilities							
Tenants' deposits	–	62,486	130,352	204,015	119,238	516,091	516,091
Other payables	–	126,347	–	–	–	126,347	126,347
Distribution payable	–	481,007	–	–	–	481,007	481,007
Bank borrowings	3.41	472,063	219,862	3,784,719	5,127,461	9,604,105	8,859,456
Cash outflow		1,141,903	350,214	3,988,734	5,246,699	10,727,550	9,982,901
2017							
Non-derivative financial liabilities							
Tenants' deposits	–	67,912	134,501	170,139	138,582	511,134	511,134
Other payables	–	115,783	–	–	–	115,783	115,783
Distribution payable	–	483,436	–	–	–	483,436	483,436
Bank borrowings	2.33	1,559,062	164,962	218,949	9,630,583	11,573,556	10,783,211
Cash outflow		2,226,193	299,463	389,088	9,769,165	12,683,909	11,893,564
Derivative liabilities – net settlement							
Derivative financial instruments, cash outflow/(inflow)		2,527	6,780	2,299	(588)	11,018	5,790



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

27 FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

Liquidity risk analysis (Continued)

Fortune REIT

	On demand or less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount as at 31 December 2018 HK\$'000
2018			
Other payables	5,522	5,522	5,522
Distribution payable	481,007	481,007	481,007
	486,529	486,529	486,529

	On demand or less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount as at 31 December 2017 HK\$'000
2017			
Other payables	4,623	4,623	4,623
Distribution payable	483,436	483,436	483,436
	488,059	488,059	488,059

(c) Fair value

The carrying amounts of cash and cash equivalents, trade and other receivables and other payables 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 FINANCIAL STATEMENTS



For the year ended 31 December 2018

28 OPERATING LEASE ARRANGEMENTS

	Group	
	2018 HK\$'000	2017 HK\$'000
Minimum lease income under operating leases included in revenue	1,508,126	1,480,874

As at the end of the reporting period, the future minimum lease receipts under the committed rental of shopping mall premises were as follows:

	Outside parties		Related parties		Total	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Within one year	1,116,143	1,145,974	108,580	153,816	1,224,723	1,299,790
In the second to fifth year inclusive	794,998	946,507	63,020	90,712	858,018	1,037,219
Over five years	3,359	7,574	–	1,557	3,359	9,131
	1,914,500	2,100,055	171,600	246,085	2,086,100	2,346,140

The Group rents out its investment properties in Hong Kong 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 three years with monthly fixed rental, except for certain leases of which contingent rents are charged based on the percentage of sales mainly ranging from 1% to 30% (2017: 1% to 30%).

29 CAPITAL COMMITMENT

As at 31 December 2018, the Group had capital commitments for upgrading investment properties which were contracted but not provided for of HK\$208.6 million (2017: HK\$67.2 million).

30 MAJOR NON CASH TRANSACTIONS

The Manager's base fee for the periods from 1 January to 30 September 2018 amounting to HK\$89.3 million and 1 October to 31 December 2018 amounting to HK\$31.8 million were and will be settled by the issuance of 10,050,985 units and 3,056,133 units, respectively.

In prior year, the Manager's base fee for the year ended 31 December 2017 of HK\$112.7 million were settled by the issuance of 12,220,438 units.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

31 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities 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 (Note 19) HK\$'000	Distribution payable HK\$'000	Interest payable (Note 21) HK\$'000	Total HK\$'000
At 1 January 2017	10,859,967	465,183	3,249	11,328,399
Financing cash flows	(108,300)	(952,788)	(235,918)	(1,297,006)
Finance cost	31,544	–	236,544	268,088
Distribution to unitholders	–	970,760	–	970,760
Other changes	–	281	–	281
At 1 January 2018	10,783,211	483,436	3,875	11,270,522
Financing cash flows	(1,950,000)	(988,388)	(243,972)	(3,182,360)
Finance cost	26,245	–	240,316	266,561
Distribution to unitholders	–	986,188	–	986,188
Other changes	–	(229)	–	(229)
At 31 December 2018	8,859,456	481,007	219	9,340,682

The reconciliation of liability arising from financing activity in relation to Fortune REIT is represented by distribution payable as shown in the table above.

NOTES TO THE FINANCIAL STATEMENTS



For the year ended 31 December 2018

32 CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, the Group entered into the following transactions with connected and related parties.

	Notes	2018 HK\$'000	2017 HK\$'000
Rent and rental related income from			
ARA Asset Management (Fortune) Limited	(e)	886	844
A.S. Watson Retail (HK) Limited	(c)	37,130	36,009
BIGBOXX.com Limited	(c)	2,448	2,417
Cheung Kong Property Development Limited	(b)	31,091	43,099
Citybase Property Management Limited	(b)	2,102	2,311
Hang Seng Bank Limited	(d)	19,975	19,334
Hutchison Global Communications Limited	(c)	–	1,165
Hutchison Telecommunication Services Limited	(c)	136	24
Hutchison International Limited	(c)	2,990	2,957
Hutchison Telephone Company Limited	(c)	9,339	9,382
Sino China Enterprises Limited	(b)	18	17
PARKnSHOP (HK) Limited	(c)	144,505	152,415
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	(d)	9,871	9,856
Towerich Limited	(b)	70	68
Carpark lease agency fee for the operations for the Group's carpark			
E-Park Parking Management Limited	(b)	9,243	8,856
Property management and project management fee			
Citybase Property Management Limited	(b)	1,018	1,017
Goodwell-Fortune Property Services Limited	(b)	47,404	46,441
Goodwell Property Management Limited	(b)	177	163
Whampoa Property Management Limited	(b)	108	836
Marketing services fee			
Goodwell-Fortune Property Services Limited	(b)	28,435	35,417



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

32 CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

	Notes	2018 HK\$'000	2017 HK\$'000
Advertising and promotion expenses			
Metro Broadcast Corporation Limited	(c)	736	861
Trustee's fee			
HSBC Institutional Trust Services (Singapore) Limited		13,930	13,000
Manager's divestment fee			
ARA Asset Management (Fortune) Limited	(e)	10,000	–
Manager's base fee			
ARA Asset Management (Fortune) Limited	(e)	121,019	112,654
Manager's performance fee			
ARA Asset Management (Fortune) Limited	(e)	45,711	45,076
Back office support service			
CK Asset Holdings Limited	(b)	–	19
Valuation and other fees			
Knight Frank	(f)	524	640

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

Trade receivables

	Notes	2018 HK\$'000	2017 HK\$'000
A.S. Watson Retail (HK) Limited	(c)	–	1
Cheung Kong Property Development Limited	(b)	822	4,619
Hutchison Telephone Company Limited	(c)	–	50
PARKnSHOP (HK) Limited	(c)	–	210
		822	4,880

NOTES TO THE FINANCIAL STATEMENTS



For the year ended 31 December 2018

32 CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

Other payables

	<i>Notes</i>	2018 HK\$'000	2017 HK\$'000
ARA Asset Management (Fortune) Limited	<i>(e)</i>	45,711	45,076
Citybase Property Management Limited	<i>(b)</i>	27,853	26,261
E-Park Parking Management Limited	<i>(b)</i>	1,479	765
Goodwell-Fortune Property Services Limited	<i>(b)</i>	14,495	10,249
Goodwell Property Management Limited	<i>(b)</i>	22,518	18,444
		66,345	55,719
		112,056	100,795

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

	<i>Notes</i>	2018 HK\$'000	2017 HK\$'000
ARA Asset Management (Fortune) Limited	<i>(e)</i>	241	240
A.S. Watson Retail (HK) Limited	<i>(c)</i>	2,859	2,472
Citybase Property Management Limited	<i>(b)</i>	633	599
Hang Seng Bank Limited	<i>(d)</i>	5,403	5,138
HSBC	<i>(d)</i>	2,138	2,132
Hutchison Telecommunication Services Limited	<i>(c)</i>	–	36
Hutchison Telephone Company Limited	<i>(c)</i>	1,662	1,531
PARKnSHOP (HK) Limited	<i>(c)</i>	7,936	3,013
Sino China Enterprises Limited	<i>(b)</i>	5	5
Towerich Limited	<i>(b)</i>	19	18
		20,896	15,184



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

32 CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

Liabilities directly associated with assets classified as held for sale

	Notes	2018 HK\$'000	2017 HK\$'000
A.S. Watson Retail (HK) Limited	(c)	—	2
Goodwell-Fortune Property Services Limited	(b)	—	122
Hutchison Telephone Company Limited	(c)	—	61
PARKnSHOP (HK) Limited	(c)	—	26
Whampoa Property Management Limited	(b)	—	5,572
		—	5,783

Notes:

- Significant holder of Fortune REIT (as defined in the REIT Code) being Focus Eagle Investments Limited (the "**Significant Holder**"), which holds approximately 21% of the units of Fortune REIT as at 31 December 2018.
- These companies are subsidiaries of CK Asset Holdings Limited ("**CK Asset**") and CK Asset is the holding company of the Significant Holder.
- These companies are associated companies (as defined in the REIT code) of the Significant Holder.
- These companies are fellow subsidiaries of the Trustee.
- This company is the Manager of Fortune REIT.
- Knight Frank was the principal valuer of investment properties.

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

33 COMPARATIVE FIGURES

Certain comparative figures have been reclassified in these consolidated financial statements, which have no material effect on previously reported profit, to conform with the current year's presentation.

For the year ended 31 December 2018, (i) the Manager reviewed and reassessed the nature of the revenue and considered that income amounting to HK\$88.3 million (2017: HK\$94.7 million) relates to the reimbursement of expenditure of the Group rather than an output of the Group's ordinary activities in exchange for consideration and therefore this amount is netted off against relevant expenditures and; (ii) change in fair value of derivative financial instruments has been grouped under finance costs as per Note 9 instead of being presented as a line item in the consolidated statement of profit or loss and other comprehensive income.

OTHER INFORMATION



MAJOR ESTATE AGENTS AND CONTRACTORS

Contractors	Nature of services	Value of contract HK\$ million	Percentage
Citybase Property Management Limited	Building Management	139.2	32.8%
Goodwell Property Management Limited	Building Management	106.7	25.1%
Goodwell-Fortune Property Services Limited	Property Management	94.5	22.3%
T&D Engineering Limited	Projects and maintenance	26.3	6.2%
E-park Parking Management Limited	Building Management	9.2	2.2%
Total		375.9	88.6%

FEES PAYABLE TO THE MANAGER

The Manager is committed to delivering value to the stakeholders of Fortune REIT, in addition to its key responsibilities of managing and maintaining the long term interests of all Unitholders.

The Manager is entitled to the following fees for the management of Fortune REIT, which cover an extensive scope of functions including but not limited to asset management (including asset enhancements), financing, investment management, marketing and investor relations:

- (1) a base fee of 0.3% per annum of the value of the properties of Fortune REIT (as defined under Clause 15.1.1 of the Trust Deed). The base fee is currently paid in the form of Units. The base fee, which is based on a fixed percentage of the value of the assets of Fortune REIT, commensurates with the complexity and efforts required of the Manager in managing Fortune REIT.
- (2) a performance fee equal to 3% per annum of the Net Property Income of Fortune REIT or any special purpose vehicles for each financial year (as defined under Clause 15.1.2 in the Trust Deed). The performance fee is paid in the form of cash. The performance fee methodology is reflective of the alignment of interests between the Manager and the Unitholders in incentivising the Manager to drive higher income yields for Fortune REIT. The Manager is incentivised to review the growth potential of the assets in the portfolio, and improve the long-term performance of such assets on a sustainable basis (as opposed to taking excessive short-term risks) through proactive management including undertaking effective leasing strategies and asset enhancement/repositioning initiatives and achieving cost efficiencies.



In addition, the Manager is entitled to an acquisition fee¹ which is paid in the form of cash or Units as the Manager may elect after the completion of an acquisition. The Manager is also entitled to a divestment fee¹ which is paid in cash after the completion of a divestment. Details of the fee structure of the acquisition fee and divestment fee are set out in Note 1 to the Financial Statements herein (and Clause 15.2.1 of the Trust Deed). The acquisition fee and divestment fee payable to the Manager are to recognise the Manager's efforts in actively seeking potential opportunities to acquire new properties and/or in unlocking the underlying value of existing properties within its asset portfolio through divestments to optimise returns to the Unitholders. The Manager provides these services over and above the provision of ongoing management services with an aim to generate long term benefits for the Unitholders.

Note:

1. In the case of an interested party transaction, the fee is paid in the form of Units at the prevailing market price and such Units should not be sold within one year from their date of issuance as stipulated in the CIS Code.

PERFORMANCE TABLE

	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014
Net assets attributable to unitholders ¹ (HK\$'000)	32,013,365	26,887,767	24,544,883	24,106,324	22,375,537
Net asset value per unit (HK\$)	16.61	14.05	12.90	12.76	11.93
The highest traded price during the year (HK\$)	9.87	9.82	10.18	9.05	7.84
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\$)	8.58	8.52	7.30	7.25	5.60
The highest discount of the trade price to net asset value	48.3%	39.4%	43.4%	43.2%	53.1%
The net yield per unit ³	5.7%	5.3%	5.5%	5.9%	5.3%

Notes:

1. The total operating expenses of Fortune REIT, including all fees and charges paid to the Manager and interested parties (as defined under Appendix 6 – Property Funds) for the year ended 31 December 2018 was HK\$613.3 million or 1.9% of the net assets attributable to unitholders as at 31 December 2018.
2. 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.
3. 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.



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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 Ping, *Independent Non-Executive Director*
YEO Annie (alias YEO May Ann), *Independent Non-Executive Director*
KOH Poh Wah, *Independent Non-Executive Director*

COMPANY SECRETARY OF THE MANAGER

YEOH Kar Choo Sharon
CHIANG Wai Ming

TRUSTEE

HSBC Institutional Trust Services (Singapore) Limited

LEGAL ADVISER AS TO HONG KONG LAW

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