FORTUNE
置富產業信託 REIT

Stock Code
Hong Kong 778 | Singapore F25U

STEADY GROWTH
THROUGH EXCELLENCE

2015
ANNUAL REPORT





Steady Growth through Excellence

The Red Fighter has an unbeatable spirit and exhibits strengths in all circumstances, and the same holds true for Fortune REIT!

Despite a more challenging environment in 2015, we are pleased to report that Fortune REIT has recorded 12 consecutive years of stable growth. With steel-like resilience and perseverance, we remain fully committed to taking on the challenges ahead and striving for steady and long-term sustainable development for our stakeholders.

ABOUT FORTUNE REIT

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

Fortune REIT is primary listed on The Stock Exchange of Hong Kong Limited (the "**SEHK**") and secondary listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). Fortune REIT is Asia's first cross-border REIT and also the first REIT to hold assets in Hong Kong. Fortune REIT currently holds a portfolio of 17 private housing estate retail properties in Hong Kong comprising of 3.18 million square feet ("**Sq.ft.**") of retail space and 2,713 carparking spaces.



ABOUT THE MANAGER

Fortune REIT is managed by ARA Asset Management (Fortune) Limited, a wholly-owned subsidiary of ARA Asset Management Limited ("**ARA**"), Asia's premier integrated real estate fund manager which is listed on the Main Board of the SGX-ST since November 2007.

ARA currently manages real estate investment trusts and private real estate funds that are invested in the office, retail, logistics/industrial, hospitality and residential sectors in the Asia Pacific region, complemented by its in-house real estate management services and advisory services.

Established in 2002, to date ARA has over 1,200 professionals in 15 cities managing total assets of approximately S$30 billion.

OUR MISSION

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

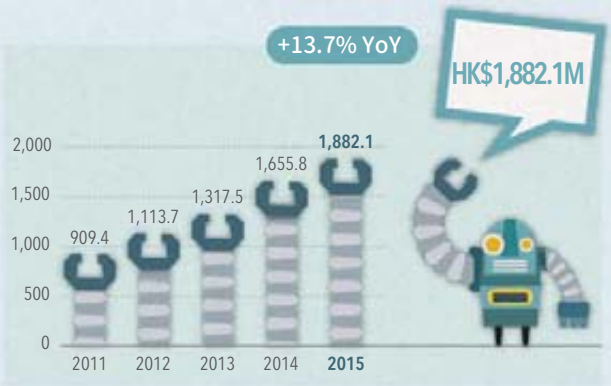
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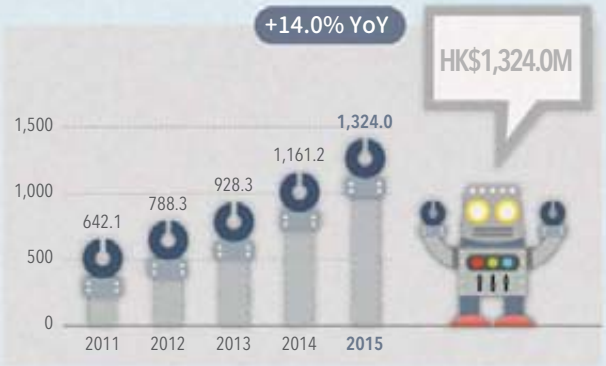


FINANCIAL HIGHLIGHTS

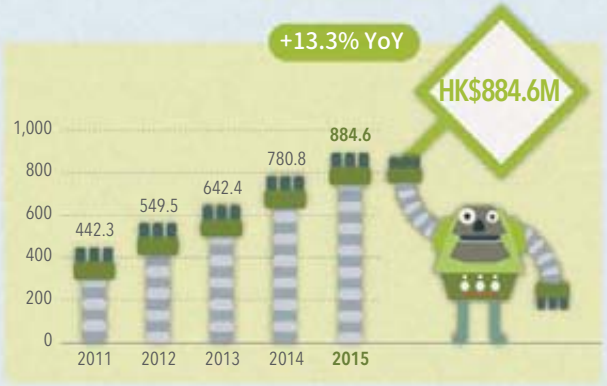
GROSS REVENUE (HK$M)



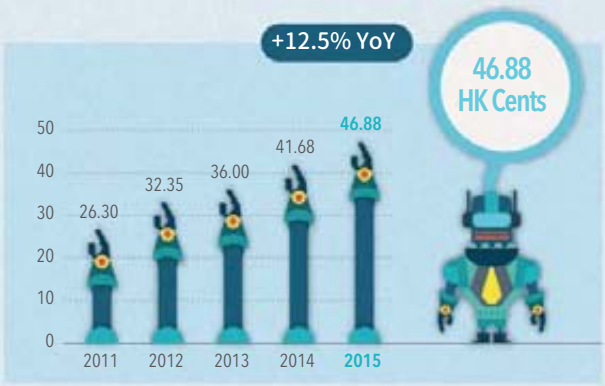
NET PROPERTY INCOME (HK$M)



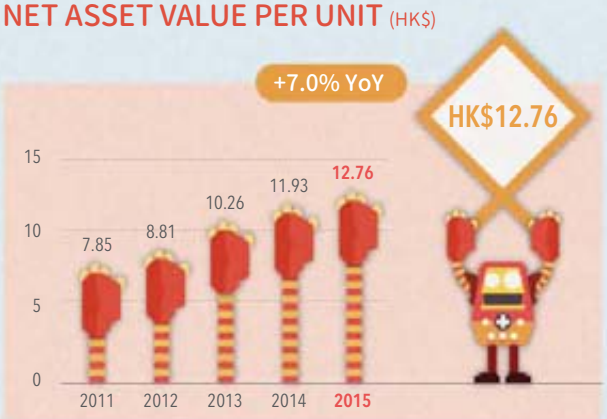
INCOME AVAILABLE FOR DISTRIBUTION (HK$M)



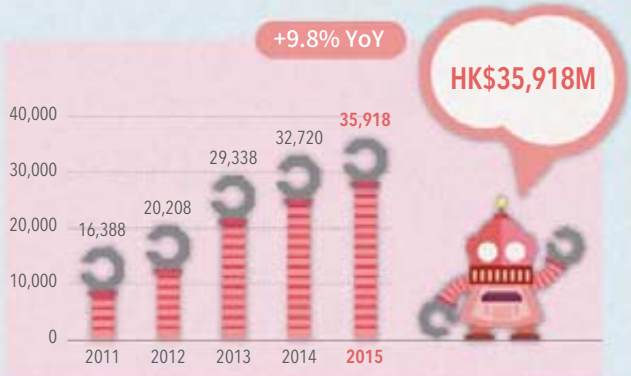
DISTRIBUTION PER UNIT (HK Cents)



NET ASSET VALUE PER UNIT (HK$)



PROPERTY VALUATION (HK$M)

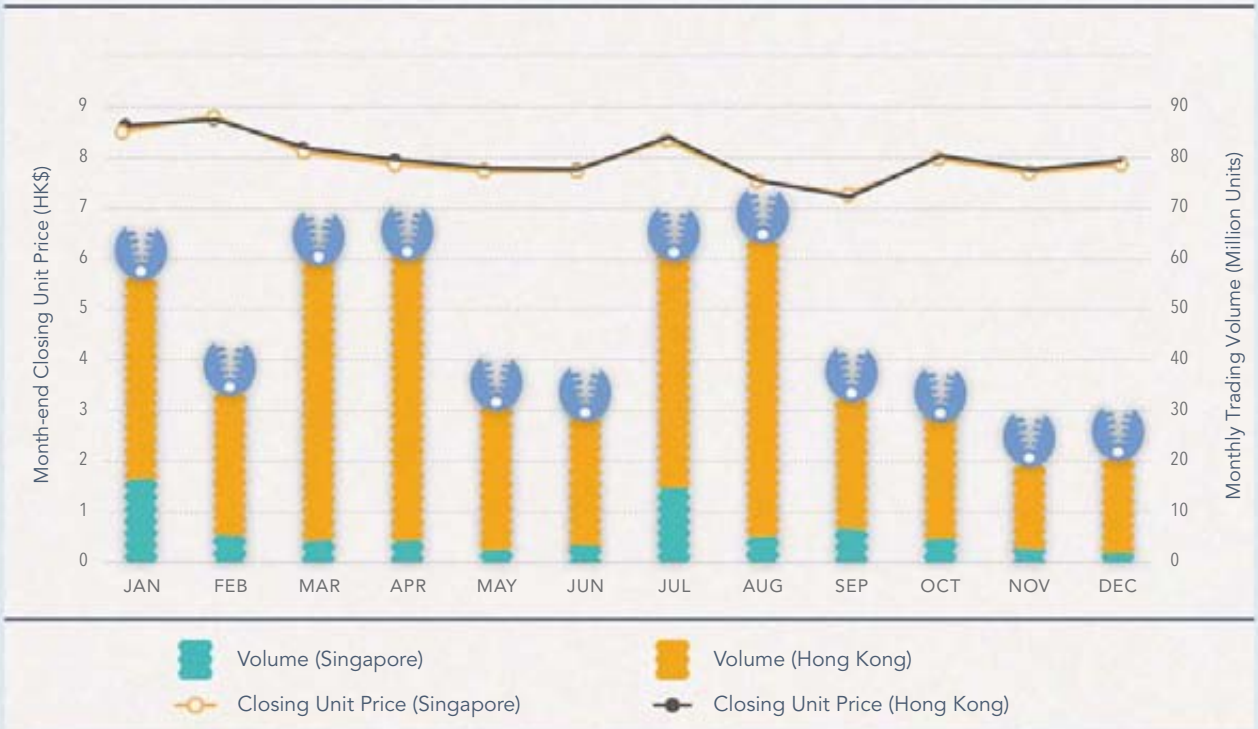


UNIT PERFORMANCE



	Singapore	Hong Kong
Opening unit price (2 January 2015)	HK$7.75	HK$7.80
Closing unit price	HK$7.90 (30 December 2015)	HK$7.98 (31 December 2015)
Intraday high (28 January 2015)	HK$8.98	HK$9.05
Intraday low (29 September 2015)	HK$7.26	HK$7.25
Total volume traded	69,757,500 Units	551,542,857 Units

MONTHLY TRADING PERFORMANCE



2015 CORPORATE MILESTONES

9 JANUARY



ACQUIRED

Completed the acquisition of Laguna Plaza for HK$1,918.5 million at 4.7% yield.

28 AUGUST

An interim DPU of 23.38 Hong Kong cents was paid for the six months ended 30 June 2015.

17 APRIL



All resolutions were duly passed at the 2015 annual general meeting and extraordinary general meeting.

14 NOVEMBER



GRAND OPENING

Belvedere Square celebrated grand opening with a brand new look after completion of AEIs.





21 JANUARY

Announced financial results for full year 2014. DPU grew by 15.8% year-on-year.

27 FEBRUARY

A final DPU of 20.80 Hong Kong cents was paid for the six months ended 31 December 2014.



2 APRIL

Completed the disposal of Nob Hill Square for HK$648 million at 48% premium to book value.

1 APRIL

Fortune REIT has won five champions in "Asia's Best Companies Poll 2015" by FinanceAsia.



21 DECEMBER

Fortune REIT's listing status on the SGX-ST was converted to a secondary listing.

22 DECEMBER

Fortune REIT entered into new 5-year facilities of HK$3,200 million for refinancing purpose.



Dr. Chiu Kwok Hung, Justin
Chairman

CHAIRMAN'S REPORT

On behalf of the Board of Directors of ARA Asset Management (Fortune) Limited (the "**Board**"), the Manager of Fortune REIT, I am pleased to present the annual results of Fortune REIT for the financial year ended 31 December 2015 ("**FY2015**" or the "**Reporting Year**").

Fortune REIT has successfully achieved another year of excellence in its operating and financial performance through precise execution of our three core strategies — **Asset Investment**, **Asset Management**, and **Asset Enhancement**. The yield-accretive asset recycling exercise, coupled with solid rental reversions across the portfolio and the successful completion of the asset enhancement initiatives ("**AEIs**") at Belvedere Square have enabled Fortune REIT to deliver a double-digit growth in distribution per unit ("**DPU**") for the fourth consecutive year.

During the Reporting Year, the retail sector in Hong Kong continued to face headwinds, driven mainly by the decline in mainland Chinese visitor arrivals. While the luxurious retail sector has been hit hard by the sharp fall in spending by mainland visitors, non-discretionary domestic consumption continued to pose a modest growth supported by the healthy employment conditions and rising income level of local residents.

Within a more challenging operating environment, Fortune REIT's portfolio of private housing estate retail properties remained resilient and continued to deliver solid results in FY2015. Revenue and net property income grew by 13.7% and 14.0 % year-on-year to HK$1,882.1 million and HK$1,324.0 million respectively. Income available for distribution was HK$884.6 million, which translates into a DPU of 46.88 HK cents for FY2015, up 12.5% year-on-year.

ASSET INVESTMENT

During the Reporting Year, Fortune REIT successfully completed an asset recycling exercise, which included the acquisition of Laguna Plaza for HK$1,918.5 million and the disposal of Nob Hill Square for HK$648.0 million. Laguna Plaza was Fortune REIT's first acquisition from an independent third party. Nob Hill Square, divested at a premium of 48% over its book value, was the first asset disposal of Fortune REIT since its listing in 2003. Both transactions are significant milestones as Fortune REIT continues to expand and optimize its portfolio.

ASSET MANAGEMENT

Fortune REIT's portfolio of private housing estate retail properties continues to demonstrate solid operating performance amid an overall weakening retail market environment in Hong Kong. Organic growth from the portfolio remained strong as a 20.3% rental reversion was recorded for renewals during the Reporting Year. As at 31 December 2015, portfolio passing rent was HK$40.0 per Sq.ft., up by 6.8% year-on-year[1]. Portfolio occupancy improved further to 98.8%. These achievements were solid evidence of our accomplishment in actively managing our properties.

ASSET ENHANCEMENT

The major AEIs at Belvedere Square have been well-executed and successfully completed in phases during the Reporting Year. The capital expenditure was approximately HK$80 million with a return on investment of 20.3%. In addition, the AEIs portrayed a more modernized and energetic appearance of the property, enlivened the community and offered a fresher and enhanced shopping experience to consumers. The success of the renovated Belvedere Square showcases once again our market-leading track record in AEIs.

1. For the original portfolio excluding Laguna Plaza and Nob Hill Square.

Fortune Kingswood, the largest asset in our portfolio, will be the next target for major AEIs. Being the largest shopping center in Tin Shui Wai, Fortune Kingswood has considerable potential to be repositioned into the new shopping and entertainment focal point in the area.

PRUDENT FINANCIAL MANAGEMENT

During the Reporting Year, the Manager has taken proactive measures in addressing the upcoming refinancing needs as well as potential interest rate volatility.

On 22 December 2015, Fortune REIT entered into new 5-year term loan facilities with an aggregate principal amount of HK$3,200.0 million to refinance the existing loan facilities expiring in April 2016. Fortune REIT's overall debt maturity profile has been extended without further refinancing needs until 2017. This refinancing exercise has received enormous support from lending banks, evidencing their confidence in and recognition of Fortune REIT's financial and operational strengths.

In addition, the Manager had entered into additional interest rate hedging arrangements during the Reporting Year in anticipation of the interest rate hikes. As at 31 December 2015, the interest cost for approximately 68% (31 December 2014: 55%) of Fortune REIT's outstanding debt has been hedged through interest rate swaps and caps. The Manager will continue to closely monitor interest rate movements and optimize Fortune REIT's hedging profile when opportunities arise.

RECOGNITION OF EXCELLENCE IN CORPORATE GOVERNANCE

Fortune REIT has broadened its recognition among the investment community in 2015, garnering prestigious awards in corporate management and corporate governance. As nominated and selected by institutional investors and analysts across the region, Fortune REIT has been named as champion in five categories within the Asia's Best Companies Poll 2015 conducted by FinanceAsia including "Best Managed Public Company in Hong Kong" for the second consecutive year, and "Most Committed to Paying Good Dividends in Hong Kong" for the fourth consecutive year. Fortune REIT also received three awards at the inaugural Investor Relations Awards including Best Investor Relations Company in the mid-cap category organized by the Hong Kong Investor Relations Association. In addition, Fortune REIT has captured the Outstanding Listed Company Award organized by The Hong Kong Institute of Financial Analysts and Professional Commentators Limited for the third consecutive year. These accolades reflect our constant efforts in upholding the strictest standards of corporate governance.

CONVERSION OF LISTING STATUS IN SINGAPORE FROM A PRIMARY LISTING TO A SECONDARY LISTING

The conversion of Fortune REIT's listing status on SGX-ST from a primary to a secondary listing (the "**Conversion**") became effective on 21 December 2015. The Conversion is expected to streamline Fortune REIT's compliance obligations, reduce its compliance-related costs and enable more efficient allocation of resources for other critical aspects of Fortune REIT's growth and operations.

OUTLOOK

Looking ahead, global economic growth is expected to remain uneven in the near term, marked by increasing downside risks. The United States Federal Reserve has raised the Federal funds rate by 25 basis points to 0.25% – 0.5% at its Federal Open Market Committee (FOMC) meeting on 16 December 2015, ending the zero-interest rate era over the past seven years. The interest hike has overcome some market uncertainties and indicated added confidence in the economic conditions in the United States. However, recovery of other advanced economies is slow with downward pressures on emerging market economies still prominent. International financial markets will likely remain highly volatile, in view of the interest rate hike in the United States, diverging monetary policies among major central banks and heightened geopolitical tensions. This would add headwinds to the already fragile global economy.

Against the challenging external environment, Hong Kong's economic growth slowed to 2.3% year-on-year in the third quarter of 2015, from 2.8% in the preceding quarter. The growth slowdown was part of a region-wide phenomenon amid a lacklustre global economy, and reflected the intensified drag on the economy from weaker external demand. The domestic segment, while staying relatively stable, also expanded at a slower pace. Private consumption increased by 4.3% over a year earlier in the third quarter, thanks to broadly favorable job and income conditions in recent quarters. The total value of Hong Kong retail sales was down by 3.1% for the first eleven months of 2015 over the same period in 2014. The near-term performance of retail sales will likely be still constrained by the weakness of inbound tourism. We remain watchful of the slowdown in inbound tourism and its impact on Hong Kong retail market and local economy.

Fortune REIT's portfolio of private housing estate retail properties, which mainly caters to day-to-day shopping needs, has achieved 12 years of sustainable growth since its listing and has consistently demonstrated its resilience during periods of economic uncertainty. We resolve to continue to execute our three core strategies in a prudent and focused manner to drive a long term sustainable performance for Fortune REIT.

APPRECIATION

On behalf of the Board, I would like to extend my warmest welcome to Mr. Ma Lai Chee, Gerald, who joined the Board as a Non-Executive Director and a member of the Designated Committee and Ms. Chiu Yu, Justina who became Chief Executive Officer during the Reporting Year. I would also like to express my deepest gratitude to Mr. Ip Tak Chuen, Edmond, who resigned as a Non-Executive Director during the Reporting Year and Mr. Ang Meng Huat, Anthony, who relinquished his position as Chief Executive Officer and Responsible Officer of the Manager but remained as an Executive Director of the Manager, for their valuable contribution to the Manager and Fortune REIT. I also wish to express my sincere appreciation to my fellow board members for their efforts in upholding the highest standards of corporate management and corporate governance.

Last but not least, I would like to thank our staff, trustee, investors, tenants, shoppers and business partners for their continued support of Fortune REIT.

Dr. Chiu Kwok Hung, Justin
Chairman

ARA Asset Management (Fortune) Limited
As Manager of Fortune REIT
21 January 2016

THREE GROWTH STRATEGIES



YIELD-ACCRETIVE ACQUISITION



FORTUNE REIT'S SUCCESS WAS BUILT UPON THE PILLARS OF THREE CORE GROWTH STRATEGIES, WHICH HAVE ALLOWED US TO PURSUE OPPORTUNITIES IN A PRUDENT WAY AND GROW IN A SUSTAINABLE MANNER OVER THE YEARS.

Fortune REIT completed the acquisition of Laguna Plaza, being its first acquisition from an independent third party. Together with the disposal of Nob Hill Square, this asset recycling exercise successfully enhanced value to our Unitholders.



ACTIVE LEASING MANAGEMENT



Overall occupancy improved further from 97.3% as at 31 December 2014 to 98.8% as at 31 December 2015. Portfolio rental reversion of 20.3% was recorded for the Reporting Year.

ASSET ENHANCEMENT INITIATIVES



The AEIs at Belvedere Square was successfully completed in phases during FY2015 with return on investment at 20.3%, once again proven our AEIs capabilities.

WE ARE ARMED WITH A DIVERSIFIED PORTFOLIO

17 SHOPPING MALLS
IN HONG KONG WITH
MORE THAN 1,300 TENANTS

Malls

Fortune REIT's portfolio of private housing estate malls are located in Hong Kong, one of the most densely populated cities in the world. Given the scarcity of land in Hong Kong, retail space is in robust demand. As one of the major operators of private housing estate malls, Fortune REIT benefits from the above with a diversified portfolio of tenants in various non-discretionary trades, which has proven to be resilient across the economic cycles.




麗港城商場
Laguna Plaza
FRUITS
新鮮 生果
FRUITS
PIZZA

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Fortune REIT's FY2015 total revenue and net property income rose by 13.7% and 14.0% year-on-year to HK$1,882.1 million and HK$1,324.0 million respectively. The additional income from Laguna Plaza acquired in January 2015, a strong portfolio rental reversion rate of 20.3%, as well as a satisfactory return from the AEIs at Belvedere Square have all contributed to Fortune REIT's improved performance during the Reporting Year.

Total property operating expenses for FY2015 (excluding the Manager's performance fee) increased by 12.8% year-on-year to HK$517.1 million. The cost-to-revenue ratio remained stable at 27.5% for the Reporting Year (2014: 27.7%).

Total borrowing costs for the Reporting Year was HK$265.8 million, an increase of 4.8% over the previous year. The increase in borrowing cost was a combined result of: (i) the drawdown of additional loan facilities in January 2015 to finance the acquisition of Laguna Plaza; and (ii) additional interest rate hedging entered in the third quarter of 2015. The rise was offset to some extent by the partial repayment of an existing loan facility with the net sales proceeds from the disposal of Nob Hill Square in April 2015.

Fortune REIT recorded an income available for distribution amounting to HK$884.6 million for FY2015, an increase of 13.3% from a year earlier. The DPU for the Reporting Year was 46.88 HK cents (2014: 41.68 HK cents), comprising an interim and final DPU of 23.38 HK cents and 23.50 HK cents respectively. The FY2015 DPU was 12.5% higher than that of the previous year, registering a double-digit growth for the fourth consecutive year. Based on the closing unit price of HK$7.98 in Hong Kong as at 31 December 2015, the FY2015 DPU represented a yield of 5.9%.

Final Distribution

The final DPU of 23.50 HK cents for the six months ended 31 December 2015 will be paid on 29 February 2016 to Unitholders on the registers of Unitholders of Fortune REIT as at 5 February 2016.

Asset Recycling to Enhance Return and Unlock Value

On 9 January 2015, Fortune REIT completed the acquisition of Laguna Plaza for HK$1,918.5 million at a net property yield of 4.7%. It marks Fortune REIT's debut acquisition from an independent third party and contributed significant growth to Fortune REIT during the Reporting Year. On 2 April 2015, the disposal of Nob Hill Square for HK$648.0 million was completed at a net property yield of 2.9%. Transacted at 48% over the book value, Nob Hill Square is Fortune REIT's first asset disposal since its establishment. The two transactions, taken as an asset recycling exercise, successfully enhanced return and created value for our Unitholders.



Proactive and Prudent Capital Management

In January 2015, Fortune REIT entered into additional loan facilities, comprising a HK$1,200.0 million 5-year term loan and a HK$400.0 million 2-year revolving loan facility, to partially finance the acquisition of Laguna Plaza. Subsequently, upon the completion of the disposal of Nob Hill Square in April 2015, the net sales proceeds of HK$638.0 million were used for a partial repayment of existing facilities.

In December 2015, Fortune REIT entered into two 5-year term loan facilities with an aggregate principal amount of HK$3,200.0 million, comprising a HK$2,000.0 million secured term loan facility and a HK$1,200.0 million unsecured term loan facility (the "**New Facilities**"). The New Facilities are expected to be drawn around March 2016 to refinance the existing facilities due in April 2016. Through the above-mentioned refinancing, Fortune REIT's overall debt maturity profile has been extended with the next refinancing due only in 2017.

As at 31 December 2015, total committed loan facilities amounted to HK$11,534.0 million. Fortune REIT closed the Reporting Year with a gearing ratio and an aggregate leverage of 30.1% (31 December 2014: 29.4%) and an average all-in cost of debt of 2.15% (31 December 2014: 2.17%). Fortune REIT's gross liability as a percentage of the gross assets of Fortune REIT increased to 34.3% as at 31 December 2015 (31 December 2014: 33.4%). The net current liabilities as at 31 December 2015 were HK$4,140.9 million, the majority of which were for the existing facilities of HK$3,154.0 million expiring in April 2016. Refinancing facilities were already in place for drawdown before the maturity.

The existing facilities are secured over Fortune REIT's 15 investment properties, which carried an aggregate fair value of HK$33,445.6 million as at 31 December 2015. The Trustee has provided guarantees for all of the loan facilities.

Available liquidity stood at HK$1,180.3 million as at 31 December 2015, comprising committed undrawn facilities of HK$470.0 million and cash on hand of HK$710.3 million. Fortune REIT currently possesses sufficient financial capability to satisfy its financial commitments and working capital requirements.

During the Reporting Year, the Manager has prudently stepped up efforts to mitigate the impact of interest rate fluctuations. As at 31 December 2015, the interest cost for approximately 68% (31 December 2014: 55%) of Fortune REIT's outstanding debt has been hedged through interest rate swaps and caps. The Manager will continue to closely monitor interest rate movements and constantly review Fortune REIT's hedging profile.



Net asset value per unit amounted to HK$12.76 as at 31 December 2015, up 7.0% from HK$11.93 at the end of 2014, mainly as a result of the increase in valuation of investment properties.

Portfolio Valuation

As at 31 December 2015, Fortune REIT's portfolio of 17 retail properties was appraised at HK$35,918.0 million by Savills Valuation and Professional Services Limited ("**Savills**"). This represented an increase of 9.8% and 1.9% respectively from the valuation of HK$32,720.0 million as at 31 December 2014, and HK$35,238.0 million as at 30 June 2015. As the capitalisation rates adopted remain unchanged, the increase in valuation was attributed to an overall improvement in asset performance and the addition of Laguna Plaza, offset by the disposal of Nob Hill Square. The higher valuation resulted in a revaluation gain of HK$1,626.5 million for the Reporting Year.

OPERATIONS REVIEW

Fortune REIT's portfolio of 17 private housing estate retail properties continued to grow in a sustainable way despite the decline in overall Hong Kong retail sales during the Reporting Year. The portfolio delivered a shining report card of operational performance in FY2015. Portfolio rental reversion for renewals in FY2015 was maintained at a high level of 20.3%. Occupancy rate improved to 98.8% (31 December 2014: 97.3%) while passing rent was HK$40.0 per Sq.ft. as at 31 December 2015, up by 6.8% year-on-year for the original portfolio excluding Laguna Plaza and Nob Hill Square.

Fortune REIT's portfolio currently has a total of 1,396 tenants, of which the top ten tenants together contributed approximately 26.1% of the portfolio's gross rental income and occupied approximately 21.7% of the total gross rentable area ("**GRA**") as at 31 December 2015. Tenants in the non-discretionary retail sectors such as supermarkets, food and beverages as well as services and education made up approximately 60% of GRA, signifying the strong resilience of Fortune REIT against cyclical changes in the macroeconomic environment.

The Manager will continue to focus on retaining quality tenants, securing an early commitment for expiring leases, as well as upgrading the tenant mix when opportunities arise.

Asset Optimisation through Enhancement Initiatives

The AEIs at Belvedere Square were successfully completed in phases during the Reporting Year. This HK$80 million AEI project has yielded a satisfactory return on investment ("**ROI**") of 20.3%, once again exceeding the target ROI of 15%. The entire ground floor was fully upgraded with a more efficient shopping layout, a revitalised wet market and an enhanced tenant



mix. The passing rent of Belvedere Square increased by 12.8% year-on-year as a result. The successful completion of the AEIs at Belvedere Square strongly testifies once again to our constant efforts in optimising Fortune REIT's portfolio.

Looking ahead, the Manager plans to embark on the next major AEIs project at Fortune Kingswood with an objective to reposition the mall into a regional shopping and entertainment attraction, serving a wider spectrum of shoppers from beyond its immediate proximity.

OUTLOOK

Hong Kong's economic growth slowed down during the third quarter of 2015, with GDP up by only 2.3% year-on-year, less than the expansion of 2.8% and 2.4% year-on-year of the preceding two quarters. On the other hand, while the growth in private consumption has also declined, its 4.3% year-on-year increase suggested the relative resilience of domestic demand as backed by full employment and rising income. The sound domestic fundamentals have been cushioning the overall economy against the weakness in external trade. The value of total retail sales in Hong Kong decreased by 3.1% year-on-year in the first eleven months of 2015, largely attributable to the sharp decline in tourist spending on luxury items. Local consumption is expected to be the main support for the retail market in the near term.

The Manager remains mindful of the economic uncertainties associated with factors such as the softening of retail sentiment as well as the gloomy outlook on global economic growth. These factors are compounded by the anticipation of continued interest rate hikes. Nevertheless, Fortune REIT's portfolio of private housing estate retail properties, which caters mainly to day-to-day shopping needs, tends to maintain a more resilient performance when compared to the overall fluctuations of market and economic conditions.

As there could be continuing pressure in this year on certain costs such as rising wages and other external factors, the Manager will closely monitor the operating expenses. Cost containment measures such as implementing energy-saving measures and reduction in wastage in operations and facilities will be continued in order to mitigate the impact from increased costs.

Looking ahead, the Manager is dedicated to drive revenue growth by implementing effective leasing and tenant repositioning strategy as well as AEIs, while remaining closely attentive to investment opportunities for Fortune REIT's long-term sustainable development.



WE HAVE A STRONG FOOTHOLD IN LOCAL COMMUNITIES

DOMINANT LOCAL PRESENCE
WITH CAPTIVE CATCHMENT




置富嘉湖
Fortune Kingswood
ICE-CREAM
香
滑
$10
FRUITS
新鮮

Fortune Malls are mostly located in densely populated private residential areas with direct access to public transport. Fortune City One and Fortune Kingswood, these two flagship malls contributing some 37.3% of our total revenue, are strategically located within two of Hong Kong's largest residential developments, each with more than 10,000 units. The residents living in these developments along with people who work or study in the nearby area form a regular customer base to these malls throughout the day, whether on weekdays or during weekends.



TWO ACCRETIVE TRANSACTIONS TO CREATE UNITHOLDER VALUE

Fortune REIT completed two accretive transactions during the Reporting Year. Laguna Plaza was Fortune REIT's first-ever acquisition from an independent third party, while Nob Hill Square was the first-ever asset disposal since Fortune REIT's listing in 2003. The two transactions were significant milestones for Fortune REIT and successfully enhanced value to our Unitholders.



ACQUISITION

麗港城商場
Laguna Plaza

Date of Completion	9 January 2015
Gross Rentable Area	163,203 Sq. ft.
Consideration[1]	HK$1,918.5 million
Net Property Yield	4.7%
Valuation[2]	HK$2,080 million
Comparison with Valuation	8% discount





DISPOSAL

盈暉薈
Nob Hill Square

Date of Completion	2 April 2015
Gross Rentable Area	91,779 Sq. ft.
Consideration[3]	HK$648 million
Net Property Yield	2.9%
Valuation[4]	HK$438 million
Comparison with Valuation	48% premium

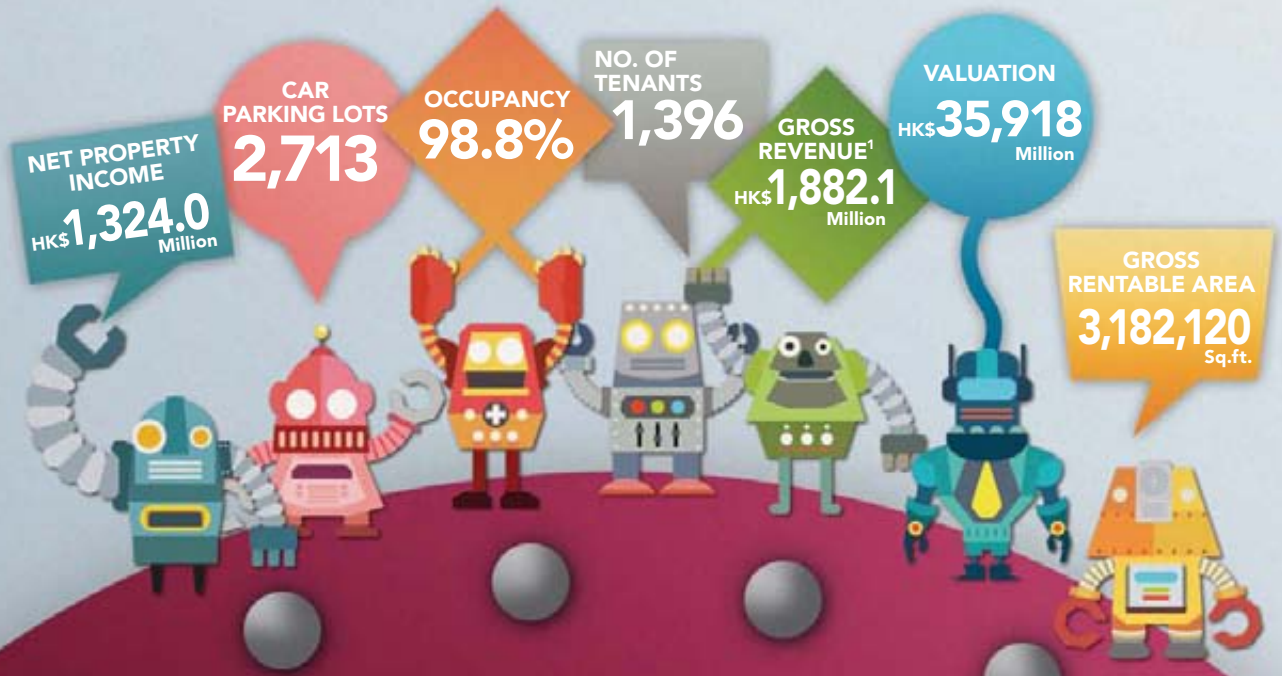


Notes:
1. The vendor of Laguna Plaza was Jadeland Investment Ltd.
2. Valuation as at 31 October 2014 by methodologies of income capitalisation and direct comparison.
3. The purchaser of Nob Hill Square was Tower Key Limited.
4. Valuation as at 31 December 2014 by methodologies of income capitalisation and direct comparison.



PORTFOLIO KEY STATISTICS

As at 31 December 2015

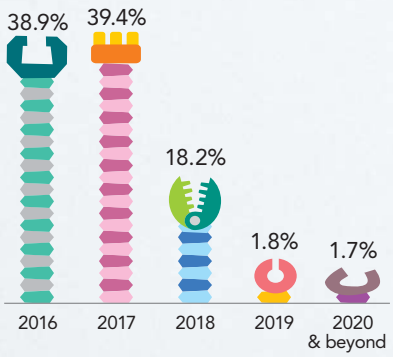


	Portfolio Top 10 Tenants	Trade Sector	% of Total Gross Rental Income[2]	% of Total Gross Rentable Area
1	PARKnSHOP	Supermarkets	7.9%	12.0%
2	Centaline Property Agency Limited	Banking & Real Estate Services	3.9%	0.5%
3	Midland Realty	Banking & Real Estate Services	2.9%	0.4%
4	Bank of China (Hong Kong) Limited	Banking & Real Estate Services	2.1%	1.1%
5	Cheung Kong Property Development Limited	Banking & Real Estate Services	2.1%	3.7%
6	Ricacorp Properties Limited	Banking & Real Estate Services	1.9%	0.3%
7	Fairwood Fast Food	Food & Beverages	1.7%	1.6%
8	Watsons	Services & Education	1.3%	1.0%
9	7-Eleven	Services & Education	1.2%	0.6%
10	Hang Seng Bank Limited	Banking & Real Estate Services	1.1%	0.5%
	Total		**26.1%**	**21.7%**

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 2015. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.

Portfolio Lease Expiry Profile[1, 2]



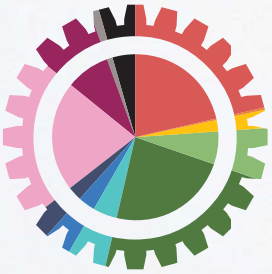
Breakdown of Portfolio Property Operating Expenses[3]

4.7%	Advertising and Promotion
40.1%	Building Management Expenses
4.9%	Carpark Operating Expenses
18.5%	Government Rents and Rates
5.6%	Leasing Commission and Marketing Services Fee
2.4%	Legal and Other Professional Fees
8.3%	Property Manager Fee
12.2%	Utilities
3.3%	Others



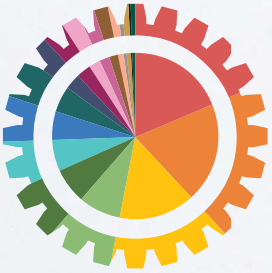
Portfolio Tenant Trade Mix Analysis[1]

21.4%	Banking & Real Estate Services
0.4%	Community Services
2.1%	Electronics & IT
6.6%	Fashion & Shoes
23.2%	Food & Beverages
4.8%	Gifts & Speciality, Hobbies, Toys, Jewellery
3.3%	Homewares & Home Furnishings
2.9%	Leisure & Entertainment, Sports & Fitness
21.2%	Services & Education
8.7%	Supermarkets
1.0%	Wet Market
4.4%	Others



Portfolio Analysis by Net Property Income[3]

18.8%	Fortune City One
19.3%	Fortune Kingswood
15.0%	Ma On Shan Plaza
8.4%	Metro Town
6.9%	Fortune Metropolis
6.3%	Laguna Plaza[4]
5.3%	Belvedere Square
5.1%	Waldorf Avenue
3.2%	Caribbean Square
2.6%	Provident Square
2.3%	Jubilee Square
1.9%	Smartland
1.8%	Tsing Yi Square
0.9%	Hampton Loft
0.8%	Centre de Laguna
0.6%	Lido Avenue
0.4%	Nob Hill Square[4]
0.4%	Rhine Avenue



Notes:

1. Based on gross rental for the month of December 2015. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.
2. As at 31 December 2015, the weighted average lease expiry for Fortune REIT and new leases commencing during FY2015 was 1.4 years and 1.9 years respectively. The new leases commencing during FY2015 represented 39.4% of the gross rental for the month of December 2015.
3. For the financial year ended 31 December 2015.
4. Laguna Plaza was acquired on 9 January 2015 and Nob Hill Square was disposed on 2 April 2015.

AEIs SHOWCASE

麗城薈
Belvedere Square

Located along Castle Peak Road in Tsuen Wan, Belvedere Square is the only retail mall of its scale within the area and enjoys a large residential catchment of approximately 30,000 people. With a total gross rentable area of 276,862 Sq.ft., Belvedere Square consists of three phases under the Belvedere Garden development.

Involving 130,000 Sq.ft. of retail space in Phase 3 of Belvedere Square, the project commenced in the third quarter of 2014 and was completed in stages in 2015. The entire ground floor was fully upgraded with a more efficient shopping layout through reconfiguring retail spaces and a revitalised wet market. Along with a more vibrant external facade and upgraded entrances, shoppers are now welcomed by a bright atrium and a refreshed concierge counter. With the introduction of new retailers as well as enhanced offerings, we expect Belvedere Square to attract shoppers beyond its immediate catchment from further away along Castle Peak Road.



CAPEX:
HK$80 MILLION

Return on Investment:
20.3%




麗城薈
Belvedere Square
中原地產







ADVERTISING AND PROMOTIONS

Fortune Malls is not only a pleasurable dining and shopping destination, but also a wonderful place for entertainment and festive celebration. Throughout the year, we have hosted a number of fun and exciting promotional events, featuring popular cartoon characters, for families and children of all ages, sharing festive joy within the communities.








pandaluv
媽媽
miffy con
聖誕盛典
Merry Christmas

WE ARE RELATIVELY SHIELDED FROM ECONOMIC UNCERTAINTIES

MORE THAN 60% OF OUR TENANTS ARE IN NON-DISCRETIONARY RETAIL SECTORS




置富 Malls
Fortune
WESTERN RESTAURANT
CHINESE RESTAURANT
DIM SUM
SUPERMARKET
WET MARKET
KINDERGARTEN
BAKERY



Fortune Malls mainly caters to the daily shopping needs of the community. Supermarkets, food & beverages and services & education in aggregate take up more than 60% of our mall space and their business tend to be more resilient across economic cycles. On the back of full employment and rising income, the domestic sector in Hong Kong has been holding up in remarkable resilience in 2015.

OUR BRAND

FORTUNE IN YOUR EVERYDAY LIFE

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

AN ADDED DIMENSION TO DAILY SHOPPING

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



THE FORTUNE MALLS LOGO

置富 Malls
Fortune

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.

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
- 和富薈 Provident 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 17 private housing estate retail properties in Hong Kong, comprising of 3.18 million Sq.ft. of retail space and 2,713 car parking spaces.

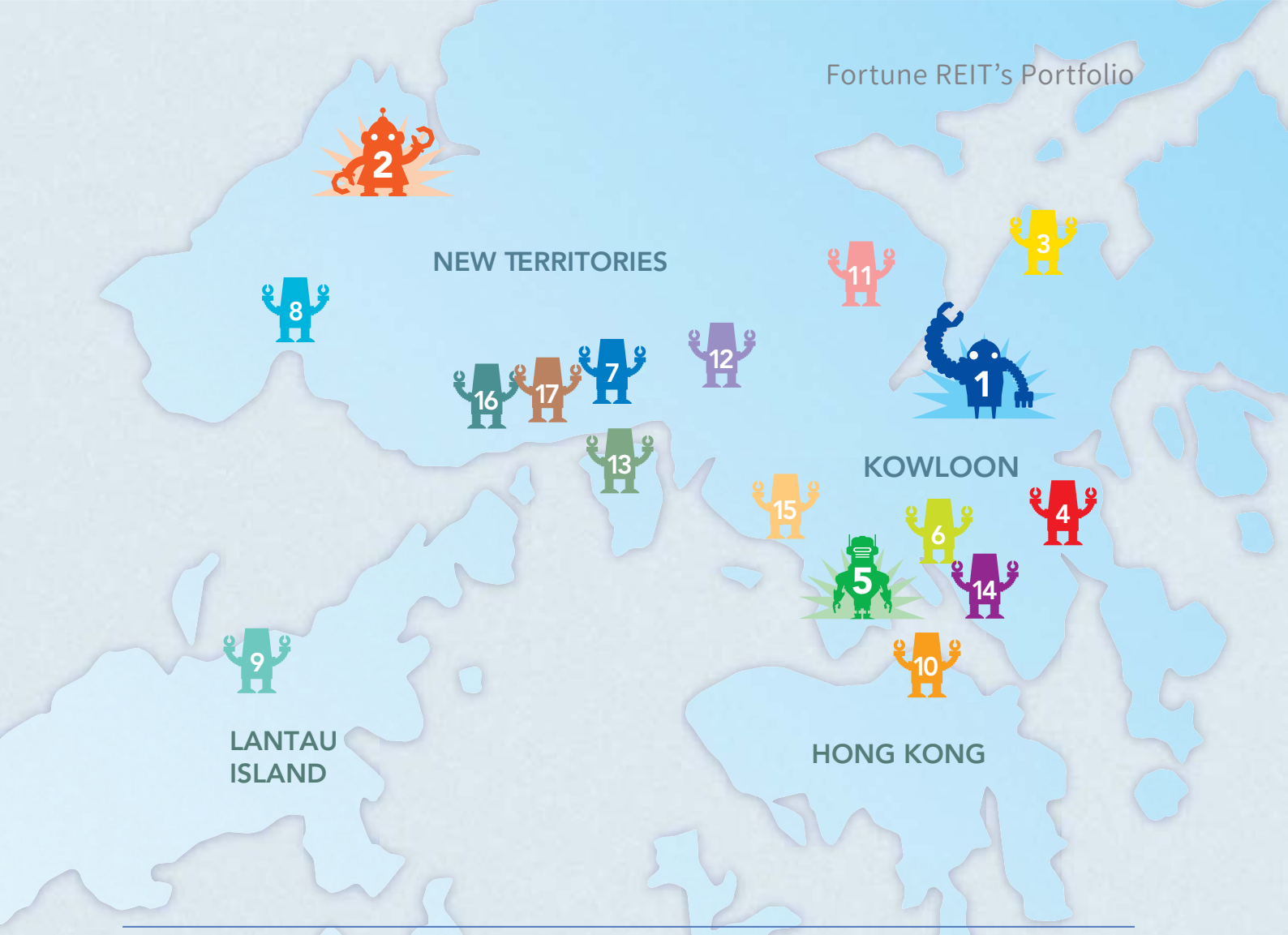
	As at 31 December 2015	Location	Gross Rentable Area (Sq.ft.)	Occupancy	Number of Car Parking Lots	Valuation (HK$ million)	FY2015 Net Property Income (HK$ million)
1	Fortune City One	Shatin	414,469	99.3%	653	7,422	248.5
2	Fortune Kingswood	Tin Shui Wai	665,244	99.6%	622	6,828	255.2
3	Ma On Shan Plaza	Shatin	310,084	100%	290	5,119	198.7
4	Metro Town	Tseung Kwan O	180,822	100%	74	3,294	111.4
5	Fortune Metropolis	Hung Hom	332,168	98.4%	179	2,410	91.9
6	Laguna Plaza	Kwun Tong	163,203	98.7%	150	2,214	84.0
7	Belvedere Square	Tsuen Wan	276,862	97.4%	329	2,107	70.2
8	Waldorf Avenue	Tuen Mun	80,842	99.5%	73	1,594	67.9
9	Caribbean Square	Tung Chung	63,018	100%	117	969	41.9
10	Provident Square	North Point	180,238	91.7%	N.A.	961	34.1
11	Jubilee Square	Shatin	170,616	99.6%	97	872	31.0
12	Smartland	Tsuen Wan	123,544	99.5%	67	684	25.1
13	Tsing Yi Square	Tsing Yi	78,836	100%	27	604	24.3
14	Centre de Laguna	Kwun Tong	43,000	99.4%	N.A.	271	10.6
15	Hampton Loft	West Kowloon	74,734	100%	35	268	11.7
16	Lido Avenue	Tsuen Wan	9,836	100%	N.A.	186	7.9
17	Rhine Avenue	Tsuen Wan	14,604	100%	N.A.	115	4.8
	Total/Overall Average		**3,182,120**	**98.8%**	**2,713**	**35,918**	**1,319.2**[1]

Note:

1. Including Nob Hill Square, which was disposed on 2 April 2015, the total net property income for FY2015 was HK$1,324.0 million.



Fortune REIT's Portfolio



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 Provident Square

11 Jubilee Square

12 Smartland

13 Tsing Yi Square

14 Centre de Laguna

15 Hampton Loft

16 Lido Avenue

17 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.

KEY STATISTICS (as at 31 December 2015)

Occupancy	99.3% (2014: 99.5%)
Purchase Price	HK$2,559 million
Market Valuation	HK$7,422 million
Gross Revenue[1]	HK$347.5 million (2014: HK$332.5 million)
Net Property Income	HK$248.5 million

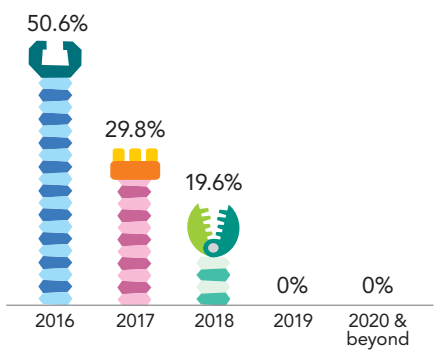




TENANT TRADE MIX ANALYSIS[2]

Banking & Real Estate Services	18.6%
Community Services	0.9%
Electronics & IT	2.1%
Fashion & Shoes	5.9%
Food & Beverages	28.9%
Gifts & Speciality, Hobbies, Toys, Jewellery	4.9%
Homeware & Home Furnishing	3.1%
Leisure & Entertainment, Sports & Fitness	1.1%
Services & Education	23.0%
Supermarkets	5.7%
Wet Markets	3.8%
Others	2.0%

LEASE EXPIRY PROFILE[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 2015. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.

MALL FEATURES

COMPLETED IN 1981-1989

TOTAL GRA
414,469 Sq.ft.

CITY ONE MTR STATION

653 CAR PARKING LOTS

WET MARKET
27,532 Sq.ft.

259 TENANTS



置富嘉湖
Fortune Kingswood

2

FORTUNE KINGSWOOD

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.

KEY STATISTICS (as at 31 December 2015)

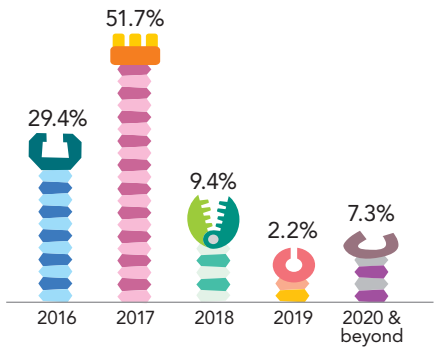
Occupancy	99.6% (2014: 100%)
Purchase Price	HK$5,849 million
Market Valuation	HK$6,828 million
Gross Revenue[1]	HK$354.0 million (2014: HK$312.0 million)
Net Property Income	HK$255.2 million



TENANT TRADE MIX ANALYSIS[2]

Banking & Real Estate Services	20.6%
Community Services	0.2%
Electronics & IT	2.3%
Fashion & Shoes	9.7%
Food & Beverages	21.1%
Gifts & Speciality, Hobbies, Toys, Jewellery	4.4%
Homeware & Home Furnishing	4.7%
Leisure & Entertainment, Sports & Fitness	4.4%
Services & Education	19.1%
Supermarkets	8.5%
Others	5.0%

LEASE EXPIRY PROFILE[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 2015. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.

MALL FEATURES





馬鞍山廣場
Ma On Shan Plaza

3

MA ON SHAN PLAZA

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.

KEY STATISTICS (as at 31 December 2015)

Occupancy	100% (2014: 100%)
Purchase Price	HK$934 million
Market Valuation	HK$5,119 million
Gross Revenue[1]	HK$264.1 million (2014: HK$249.0 million)
Net Property Income	HK$198.7 million



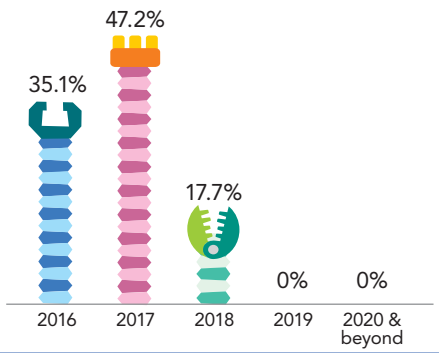




TENANT TRADE MIX ANALYSIS[2]

Banking & Real Estate Services	35.8%
Electronics & IT	2.2%
Fashion & Shoes	7.7%
Food & Beverages	16.1%
Gifts & Speciality, Hobbies, Toys, Jewellery	5.1%
Homeware & Home Furnishing	2.6%
Leisure & Entertainment, Sports & Fitness	4.3%
Services & Education	15.3%
Supermarkets	6.6%
Others	4.3%

LEASE EXPIRY PROFILE[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 2015. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.

MALL FEATURES

COMPLETED IN 1994

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

MA ON SHAN MTR STATION

290 CAR PARKING LOTS

147 TENANTS

HONG KONG'S ONLY
INDOOR
MERRY-GO-ROUND

ADJOINING MA ON SHAN PARK



都會駅
Metro Town

4

METRO TOWN

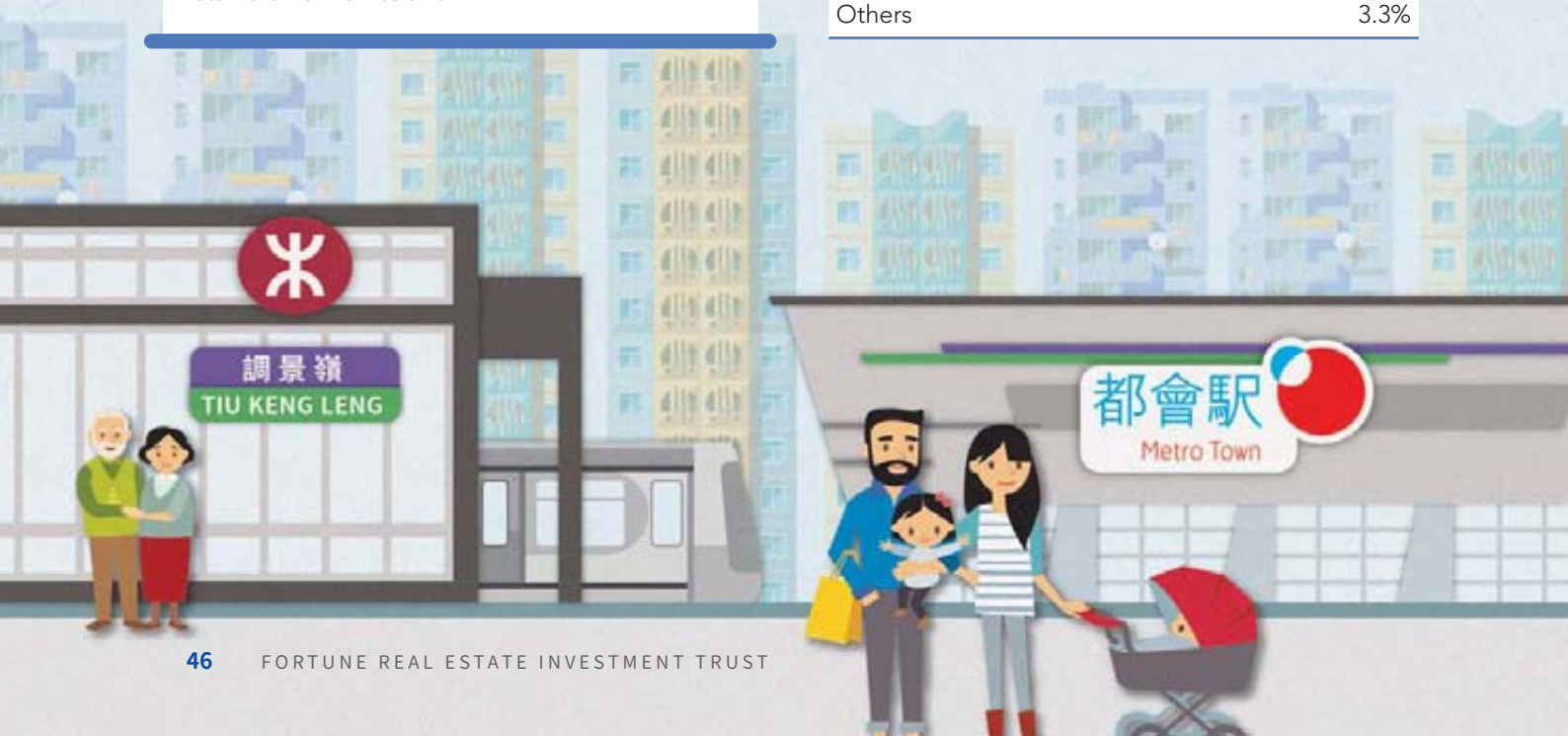
located on top of Tiu Keng Leng MTR Station which is an interchange for the Kwun Tong Line and the Tseung Kwan O Line. It is further connected via several pedestrian bridges to other large residential developments including Ocean Shores, Kin Ming Estate, Shin Ming Estate and Choi Ming Court, and institutions 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.

KEY STATISTICS (as at 31 December 2015)

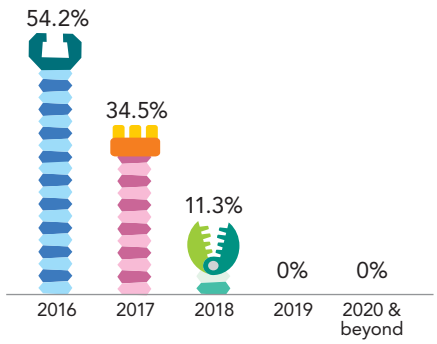
Occupancy	100% (2014: 100%)
Purchase Price	HK$1,452 million
Market Valuation	HK$3,294 million
Gross Revenue[1]	HK$154.8 million (2014: HK$141.3 million)
Net Property Income	HK$111.4 million

TENANT TRADE MIX ANALYSIS[2]

Banking & Real Estate Services	30.8%
Electronics & IT	1.3%
Fashion & Shoes	7.7%
Food & Beverages	17.9%
Gifts & Speciality, Hobbies, Toys, Jewellery	7.4%
Homeware & Home Furnishing	0.9%
Leisure & Entertainment, Sports & Fitness	1.1%
Services & Education	21.0%
Supermarkets	8.6%
Others	3.3%



LEASE EXPIRY PROFILE[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 2015. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.



MALL FEATURES



置富都會
Fortune Metropolis

5

FORTUNE METROPOLIS

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.

KEY STATISTICS (as at 31 December 2015)

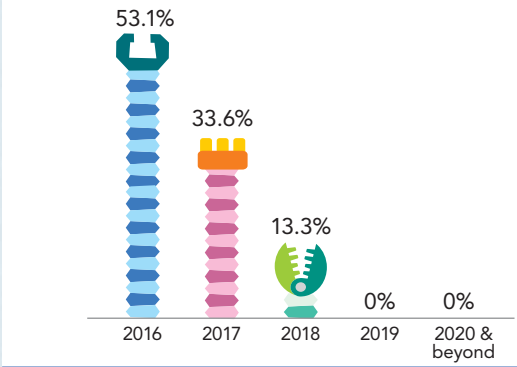
Occupancy	98.4% (2014: 98.2%)
Purchase Price	HK$1,464 million
Market Valuation	HK$2,410 million
Gross Revenue[1]	HK$144.9 million (2014: HK$136.3 million)
Net Property Income	HK$91.9 million

TENANT TRADE MIX ANALYSIS[2]

Banking & Real Estate Services	35.5%
Electronics & IT	0.2%
Fashion & Shoes	3.0%
Food & Beverages	34.5%
Gifts & Speciality, Hobbies, Toys, Jewellery	5.8%
Homeware & Home Furnishing	1.5%
Services & Education	10.8%
Supermarkets	2.4%
Others	6.3%



LEASE EXPIRY PROFILE[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 2015. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.



MALL FEATURES

KEY STATISTICS (as at 31 December 2015)

Property	Occupancy	Purchase Price (HK$ million)	Market Valuation (HK$ million)	Gross Revenue[1] (HK$ million)	Net Property Income (HK$ million)
 LAGUNA PLAZA	98.7% [2]	1,919	2,214	120.9 [2]	84.0
 BELVEDERE SQUARE	97.4% (2014: 79.5%)	1,250	2,107	110.4 (2014: 99.0)	70.2
 WALDORF AVENUE	99.5% (2014: 100%)	400	1,594	85.0 (2014: 79.5)	67.9
 CARIBBEAN SQUARE	100% (2014: 100%)	428	969	56.6 (2014: 52.2)	41.9
 PROVIDENT SQUARE	91.7% (2014: 90.3%)	650	961	59.4 (2014: 58.3)	34.1
 JUBILEE SQUARE	99.6% (2014: 100%)	218	872	49.2 (2014: 46.2)	31.0

Property	Occupancy	Purchase Price (HK$ million)	Market Valuation (HK$ million)	Gross Revenue[1] (HK$ million)	Net Property Income (HK$ million)
 SMARTLAND	99.5% (2014: 99.9%)	258	684	44.2 (2014: 41.3)	25.1
 TSING YI SQUARE	100% (2014: 100%)	230	604	35.3 (2014: 33.3)	24.3
 CENTRE DE LAGUNA	99.4% (2014: 99.4%)	135	271	15.7 (2014: 15.1)	10.6
 HAMPTON LOFT	100% (2014: 100%)	159	268	16.0 (2014: 15.8)	11.7
 LIDO AVENUE	100% (2014: 100%)	75	186	9.6 (2014: 9.1)	7.9
 RHINE AVENUE	100% (2014: 100%)	40	115	6.7 (2014: 6.3)	4.8

Notes:

1. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
2. Laguna Plaza was acquired on 9 January 2015.

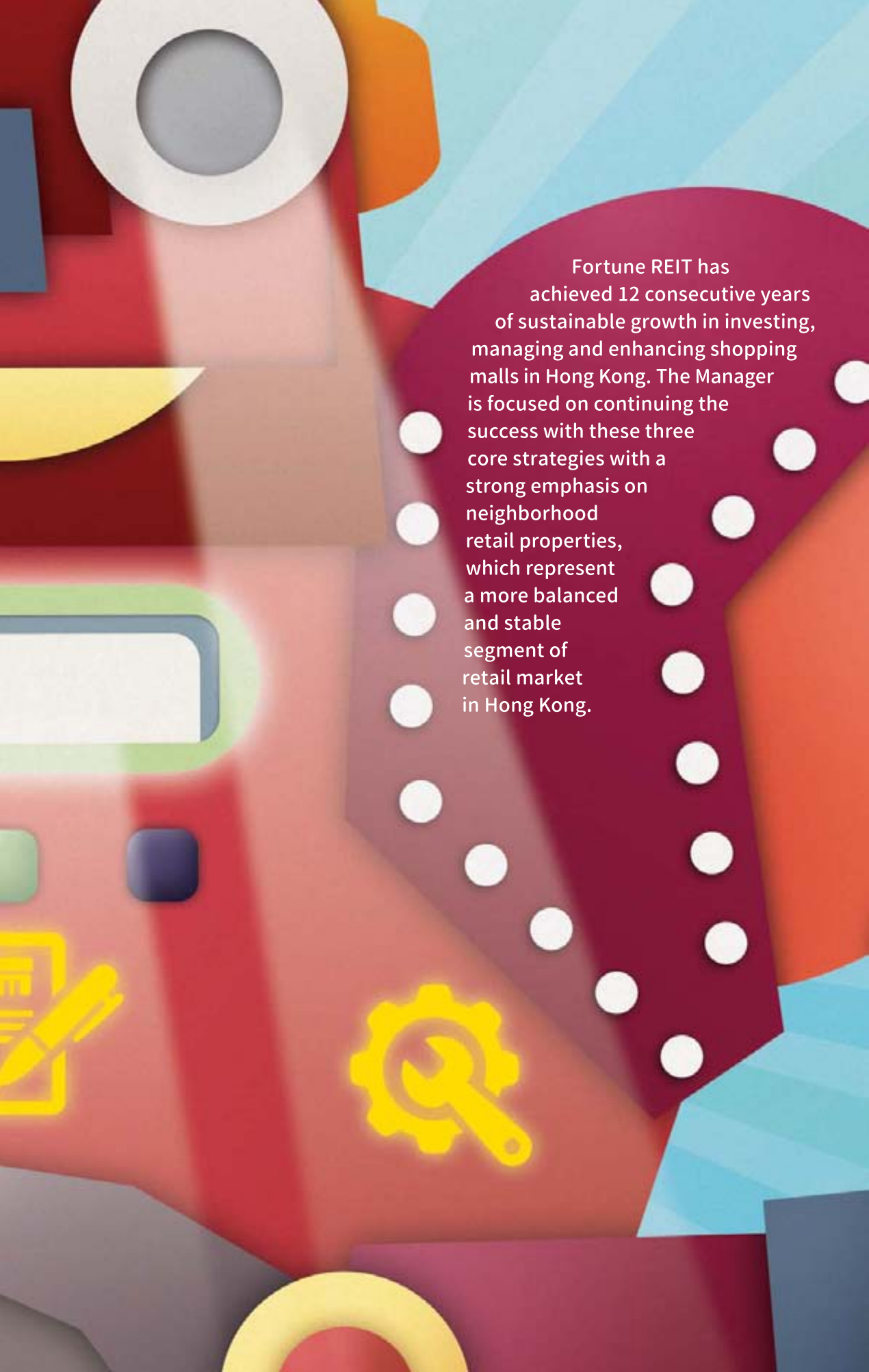
OUR VISION IS CLEAR

STAYING FOCUSED ON OUR CORE EDGES

EXTENDING OUR TRACK RECORD IN INVESTING, OPERATING AND ENHANCING NEIGHBORHOOD MALLS







Fortune REIT has achieved 12 consecutive years of sustainable growth in investing, managing and enhancing shopping malls in Hong Kong. The Manager is focused on continuing the success with these three core strategies with a strong emphasis on neighborhood retail properties, which represent a more balanced and stable segment of retail market in Hong Kong.

ACHIEVEMENTS AND AWARDS

Fortune REIT is committed to maintain high standards of corporate transparency and to ensure active and effective communication with our stakeholders. In addition, Fortune REIT has taken an active role in realizing its corporate social responsibility. Our excellence in corporate governance and contribution to community continued to be widely recognized, receiving various awards from prestigious organisations during the Reporting Year.



CORPORATE GOVERNANCE

Best Investment Value Award for Listed Companies

Asia's Best Companies Poll 2015

- No. 1 Best Managed Public Company
- No. 1 Most Committed to Paying Good Dividends
- No. 1 Best Corporate Governance
- No. 1 Best Investor Relations
- No. 1 Best CEO – Ms. Justina Chiu

- FinanceAsia -

Outstanding Listed Company Award 2015

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

CORPORATE COMMUNICATION

HKIRA Inaugural Investor Relations Awards

- Best IR Company (Mid Cap)
- Best IR by CEO (Mid Cap) – Ms. Justina Chiu
- Best IR Presentation Collaterals (Mid Cap)

- Hong Kong Investor Relations Association -

2015 International ARC Awards

- Four Gold Awards for Cover Design, Interior Design, Infographics, and Printing & Production (2014 Annual Report

2014 Vision Awards

- Silver Award (2014 Annual Report)





CORPORATE SOCIAL RESPONSIBILITY

Indoor Air Quality Certificate

- Environmental Protection Department and the Indoor Air Quality Information Centre -

U Green Awards 2014/15

- Excellence of Environmental Contributions

- U Magazine, Hong Kong Economic Times Holdings -

Green Mark Certification & Q-Mark Elite Brand Awards 2015

- Hong Kong Q-Mark Council -

Experiential Marketing Brilliance Awards 2015

- Brilliance in Corporate Social Responsibility

- Metro Finance and Metro Finance Digital -

5 Years Plus Caring Company Logo

- Hong Kong Council of Social Service -



FORTUNE REIT CARES

Fortune REIT has always endeavored to promote environmental protection and conservation. Through adopting various green initiatives in its operations, Fortune REIT has raised environmental awareness among our shoppers, tenants, employees and service providers in making our community a better place for everyone.

Caring for the community is deeply rooted in our corporate culture. Over the years, Fortune Volunteer Team has taken an active role in community services, striving to make a positive difference in society. We see corporate citizenship as our long term commitment, and have made concerted efforts in caring for the people in need. Fortune REIT will continue to leverage our strengths and resources to promote social harmony in the community.

GREEN INITIATIVES





Corridors and roof top of Fortune Metropolis were surrounded by plants, offering a green environment for shoppers and tenants.

SUPPORTING NGO ACTIVITIES

Fortune Malls provides free venues to NGOs for organizing meaningful events among the community throughout the year.





CARING EVENTS

The Fortune Volunteer Team actively participated in various caring campaigns during the Reporting Year.



Sharing DIY lanterns lessons with a group of children during Mid-Autumn Festival at a Community Centre in Tin Shui Wai.

Fortune Malls hosted a Christmas party for a group of Tin Shui Wai kids at Fortune Kingswood.







Kids had a lot of fun ridding the merry-go-round to celebrate Christmas at Ma On Shan Plaza.



Co-organised with Harbour Plaza Metropolis to host lesson for making cookies and puppets for a group of under-privileged families in Wong Tai Sin.

Serving healthy sumptuous lunch to a group of underprivileged elderly at a community centre in Mong Kok.



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.



Chiu Kwok Hung, Justin



Lim Hwee Chiang



Yeung, Eirene



Ma Lai Chee, Gerald



Chiu Yu, Justina



Ang Meng Huat, Anthony



Lim Lee Meng



Sng Sow-Mei
(alias Poon Sow Mei)



Lan Hong Tsung, David

BOARD OF DIRECTORS

Chiu Kwok Hung, Justin

Chairman and Non-Executive Director

Dr. Chiu, aged 65, has been the Chairman and a Director of the Manager since the Manager's incorporation in 2003. He is also the Chairman and Non-Executive Director of ARA, the holding company of the Manager and the Chairman of ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT). ARA is listed on the Main Board of the SGX-ST while Prosperity REIT is listed on the Main Board of the SEHK. Dr. Chiu is also a Director of ARA Fund Management (Asia Dragon) Limited as the manager of the ARA Asia Dragon Fund and ARA Asia Dragon Limited. Dr. Chiu serves as a member of the Standing Committee of the 12th Shanghai Committee of Chinese People's Political Consultative Conference of the People's Republic of China, and is a Council Member and a Fellow of The Hong Kong Institute of Directors, a Fellow of Hong Kong Institute of Real Estate Administrators and a member of the Board of Governors of Hong Kong Baptist University Foundation.

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 is an Executive Director and a member of the Executive Committee of Cheung Kong Property Holdings Limited ("**CK Property**"), a company listed on the Main Board of the SEHK. He joined Cheung Kong (Holdings) Limited ("**Cheung Kong**") (whose listing status on the Main Board of the SEHK was replaced by CK Hutchison Holdings Limited ("**CK Hutchison**") on 18 March 2015) in 1997, heading the real estate sales, marketing and property management teams. He was previously an Executive Director and a member of the Executive Committee of CK Hutchison, a company listed on the Main Board of the SEHK and Cheung Kong. Prior to joining Cheung Kong, 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 degrees in Sociology and Economics from Trent University in Ontario, 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. Lim, aged 59, has been a Director of the Manager since April 2003. He is also the Group Chief Executive Officer and an Executive Director of ARA, 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), ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT), ARA-CWT Trust Management (Cache) Limited (the manager of Cache Logistics Trust) and Hui Xian Asset Management Limited (the manager of Hui Xian REIT). ARA, Suntec REIT and Cache Logistics Trust are listed on the Main Board of the SGX-ST and Prosperity REIT and Hui Xian REIT are listed on the Main Board of the SEHK.

In addition, Mr. Lim is the Chairman of APM Property Management Pte. Ltd., Suntec Singapore International Convention & Exhibition Services Pte. Ltd., and the management council of The Management Corporation Strata Title Plan No. 2197 (Suntec City). Mr. Lim is an Independent Director of Teckwah Industrial Corporation Limited ("**Teckwah**") which is listed on the Main Board of the SGX-ST. He is also a Director of Chinese Chamber Realty Private Limited, a Director of the Financial Board of the Singapore Chinese Chamber of Commerce, the Chairman of the Property Management Committee of the Singapore Chinese Chamber of Commerce and Industry, and a member of the Consultative Committee to the Department of Real Estate, National University of Singapore.

Mr. Lim has more than 30 years of experience in the real estate industry and has received many notable corporate awards. These include the Ernst & Young Entrepreneur of the Year Singapore 2012, Ernst & Young Entrepreneur of the Year – Financial Services 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.

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 55, has been a Director of the Manager since 2003. She is a member of the Disclosures Committee of the Manager. Ms. Yeung is also a member of the Executive Committee, General Manager, Company Secretarial Department and the Company Secretary of CK Property. She is also the Company Secretary of Cheung Kong Infrastructure Holdings Limited ("**CK Infrastructure**") and CK Life Sciences Int'l., (Holdings) Inc. ("**CK Life Sciences**"). She was previously a member of the Executive Committee and the Company Secretary of Cheung Kong and CK Hutchison. She is also the Alternate Director to the Group Managing Director of CK Infrastructure. Ms. Yeung joined Cheung Kong 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 Property, CK Hutchison, CK Infrastructure and CK Life Sciences are listed on the Main Board of the SEHK.

Prior to joining Cheung Kong, Ms. Yeung was in private practice at the law firms of Messrs. Robert W.H. Wang & Co and Deacons for a total of 10 years from 1984 to 1994 where she handled a wide spectrum of corporate and commercial legal work. She has been a solicitor of the High Court of the Hong Kong Special Administrative Region ("**HKSAR**") from 1986 and of the Senior Courts of England and Wales from 1990.

Ms. Yeung is 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 Listing Committee of the Main Board and Growth Enterprise Market of the SEHK, a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption, a general committee member of The Chamber of Hong Kong Listed Companies, a member of the Advisory Board of the MBA Programmes of The Chinese University of Hong Kong ("**CUHK**") and a member of the Advisory Group on BBA-JD Programme of CUHK.

Ms. Yeung is a fellow member of The Hong Kong Institute of Directors, 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 degree in Business Administration from CUHK, and a Bachelor degree in Laws from The University of Hong Kong.

Ma Lai Chee, Gerald

Non-Executive Director

Mr. Ma, aged 47, has been appointed a Director 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. He is currently a member of Executive Committee and General Manager, Corporate Business Development Department of CK Property and was previously a member of Executive Committee and General Manager, Corporate Business Development Department of Cheung Kong and a member of Executive Committee of CK Hutchison. 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 Property, CK Hutchison, 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 Limited and Vermillion Aviation Holdings Limited, members of CK Hutchison.

Mr. Ma has over 26 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 China Advisory Council for the Sauder School of Business of the University of British Columbia, Canada. He holds a Bachelor of Commerce degree in Finance and a Master of Arts degree in Global Business Management.

Chiu Yu, Justina

Executive Director and Chief Executive Officer

Ms. Chiu, aged 35, 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 and a member of the American Institute of Certified Public Accountants. Ms. Chiu is a member of the 13th Changzhou Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. Ms. Chiu is the daughter of Dr. Chiu Kwok Hung, Justin, Chairman of the Manager.

Ang Meng Huat, Anthony

Executive Director

Mr. Ang, aged 60, is an Executive Director of the Manager since February 2015.

Mr. Ang was the Chief Executive Officer and Responsible Officer of the Manager from March 2010 to February 2015. Prior to joining the Manager, Mr. Ang was the Chief Executive Officer of ARA Managers (Asia Dragon) Pte. Ltd, which manages the ARA Asia Dragon Limited, the flagship US$1.15 billion private equity fund of ARA and a responsible officer of ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT). Mr. Ang is an Independent Non-Executive Director of IPS Securex Holdings Limited and a Non-Executive and Lead Independent Director of Europtronic Group Limited, both are listed on the Main Board of the SGX-ST. Mr. Ang is also an Independent Non-Executive Director of Yong Tai Berhad, which is listed on the Main Board of Bursa Malaysia. Before joining ARA in 2006, Mr. Ang held senior positions with Armstrong Industrial Corporation Limited, a leading precision engineering firm in Singapore; GIC Real Estate Pte. Ltd, a global real estate fund management company; Vertex Management Pte Ltd, a Singapore-based global venture capital company; and Majulah Connection Limited, a global business networking and consulting organisation. Mr. Ang began his career with the Singapore Economic Development Board where he served for 14 years, including 6 years in the United States as the Regional Director of their North American operations.

Mr. Ang holds a Bachelor of Science degree (Mechanical Engineering) with First Class Honours from the Imperial College, London University, and obtained a Master of Business Administration from the European Institution of Business Administration (INSEAD) in 1982 on a scholarship from the Singapore and French governments. He also attended the Strategic Marketing Programme (for Senior Executives) at Stanford University in 1992. Mr. Ang is a fellow of the Chartered Management Institute (United Kingdom).

Lim Lee Meng

Independent Non-Executive Director and Lead Independent Director

Mr. Lim, aged 60, has been a Director of the Manager since 2003. He is an Independent Non-Executive Director and Lead Independent Director, the Chairman of the Audit Committee, a member of each of the Disclosures Committee and Designated Committee of the Manager. He is also currently a senior partner (non-practising) of RSM Chio Lim LLP, a member firm of RSM International. Mr. Lim is also an Independent Director of Teckwah, Tye Soon Ltd, ARA Trust Management (Suntec) Limited (the manager of Suntec REIT) and ARA-CWT Trust Management (Cache) Limited (the manager of Cache Logistics Trust), all of which are listed on the Main Board of the SGX-ST. He also serves as the Chairman of the Audit Committee of Teckwah.

Mr. Lim is also an associate member of the Institute of Chartered Secretaries and Administrators and a member of the Singapore Institute of Directors. He is also the Chairman of the finance committee of Ang Mo Kio Town Council and the vice-chairman of the School Advisory Committee of River Valley High School. Mr. Lim is also the advisor to the Department of Commerce of the Jiangsu Province, PRC.

Mr. Lim graduated from the Nanyang University of Singapore with a Bachelor of Commerce (Accountancy) degree in May 1980. He also holds a Master of Business Administration degree from the University of Hull (1992), a Diploma in Business Law from the National University of Singapore (1989) and an ICSA qualification from the Institute of Chartered Secretaries and Administrators.

Sng Sow-Mei (alias Poon Sow Mei)

Independent Non-Executive Director

Mrs. Sng, aged 74, has been a Director of the Manager since 2003. She is an Independent Non-Executive Director and a member of the Audit Committee of the Manager. She is also an Independent Non-Executive Director and a member of the Audit Committee of CK Infrastructure and ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT), and the Lead Independent Director and a member of the Audit Committee of Hutchison Port Holdings Management Pte Limited (the manager of Hutchison Port Holdings Trust **("HPH Trust**"). HPH Trust is listed on the Main Board of SGX-ST, while CK Infrastructure and Prosperity REIT are listed on the Main Board of the SEHK.

From 2004 to 2013, Mrs. Sng was Independent Non-Executive Director and a member of the Audit Committee of ARA Trust Management (Suntec) Limited, the manager of Suntec REIT listed on the Main Board of the SGX-ST. Prior to her appointments with Singapore Technologies Pte Ltd, where she was Director of Special Projects (North East Asia) in 2000 and a Senior Consultant (International Business) from 2001 to 2013, Mrs. Sng was the Managing Director of CapitaLand Hong Kong Ltd for investment in Hong Kong and the region including Japan and Taiwan. In Hong Kong, Mrs. Sng was a Director of INFA Systems Ltd from 2007 to 2013, the Centre Director and then Regional Director of the Singapore Economic Development Board and Trade Development Board respectively from 1983 to 1997. She was Singapore's Trade Commissioner in Hong Kong from 1990 to 1997.

Mrs. Sng, who holds a Bachelor of Arts degree from the Nanyang University of Singapore, has wide experience in various fields of industrial investment, business development, strategic and financial management, especially in property investment and management. In 1996, Mrs. Sng was conferred the title of PPA (P) – Pingat Pentadbiran Awam (Perak), the Singapore Public Administration Medal (Silver).

Lan Hong Tsung, David

Independent Non-Executive Director

Dr. Lan, aged 75, has been a Director of the Manager since 2010. He is an Independent Non-Executive Director and a member of the Audit Committee of the Manager. He is also an Independent Non-Executive Director, the Chairman of the Audit Committee and a member of the Designated (Finance) Committee of ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT). Dr. Lan is also an Independent Non-Executive Director of other listed companies in Hong Kong including CK Infrastructure (in which he is a member of the Audit Committee), HTHKH (in which he is a member of the Audit Committee and Chairman of Remuneration Committee) and SJM Holdings Limited. Dr. Lan is currently the Chairman of David H T Lan Consultants Ltd., Supervisor of Nanyang Commercial Bank (China), Limited and holds a directorship at Nanyang Commercial Bank Ltd. as well as being a Senior Advisor of Mitsui & Co. (H.K.) Ltd.. Dr. Lan is also the President of the International Institute of Management.

Dr. Lan was the Secretary for Home Affairs of the Government of HKSAR until his retirement in July 2000. He had served as civil servant in various capacities for 39 years and was awarded the Gold Bauhinia Star Medal (GBS) on 1 July 2000. He was appointed to the 10th and 11th sessions of National Committee Member of the Chinese People's Political Consultative Conference of the People's Republic of China. Dr. Lan is a Chartered Secretary and a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

Dr. Lan received his Bachelor of Arts degree from the University of London and completed the Advanced Management Program (AMP) of the Harvard Business School, Boston. He was also awarded Fellow, Queen Elizabeth House (Oxford). Dr. Lan was conferred with the Degree of Doctor of Humanities, *honoris causa* by Don Honorio Ventura Technological State University and holder of Visiting Professorship Awards of Bulacan State University and Tarlac State University.

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 of Directors 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, Jenny

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 15 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 Cheung Kong 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.

WE ARE THE ONLY DUAL-LISTED REIT

FORTUNE REIT IS PRIMARY LISTED ON THE STOCK EXCHANGE OF HONG KONG LIMITED AND SECONDARY LISTED ON THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED


HONG KONG
778
SINGAPORE
F25U

CORPORATE GOVERNANCE POLICIES

Guided by the 'REIT' spirit of RESPECT, EXCELLENCE, INTEGRITY AND TRANSPARENCY, 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. On 21 December 2015, Fortune REIT converted its listing status from a primary listing to a secondary listing on the Main Board of the SGX-ST. Fortune REIT and/or the Manager are subject to the applicable laws, rules and regulations in Singapore and Hong Kong (the "**Applicable Rules**"), including the Code on Collective Investment Schemes (the "**CIS Code**") issued by the Monetary Authority of Singapore ("**MAS**"), the relevant listing rules contained in the listing manual of the SGX-ST and the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the SEHK (the "**Hong Kong Listing Rules**"), where applicable.

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 Singapore Code of Corporate Governance 2012 ("**Singapore Code**") and the CG 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. 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 Trust Deed had been amended to:

(i) revise the divestment fee structure to the actual rate of fees (but not exceeding 1% of the sale price of the real estate) charged by the third party agents or brokers where the Manager engages such third party agents or brokers in connection with the relevant sale or divestment and the payment to such agent or broker exceeds 0.5% of the sale price of the real estate; and

(ii) allow the Manager to repurchase units of Fortune REIT (the "**Units**") under a unit buy-back mandate in accordance with terms and conditions under the Trust Deed subject to the requirements of any Applicable Rules and the approval from the Unitholders by way of ordinary resolution and provide the Manager with the discretion to determine the repurchase price (not exceeding the maximum price as approved by the Unitholders when granting the unit buy-back mandate) for a repurchase of Units under the unit buy-back mandate.

AUTHORISATION STRUCTURE

Fortune REIT is a collective investment scheme authorised by:

(i) the MAS under Section 286 of the Securities and Futures Act (Cap. 289) (the "**SFA**") and regulated by the provisions of CIS Code issued pursuant to Sections 284 and 321 of the SFA; and

(ii) the Securities and Futures Commission of Hong Kong (the "**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, Jenny 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, Jenny, Mr. Ang Meng Huat, Anthony and Ms. Lim Wei Yen are the appointed representatives of the Manager pursuant to the Securities and Futures (Licensing and Conduct of Business) Regulations (Reg. 10).

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, 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, seven of whom are Non-Executive Directors. Three 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 experience in the 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 the Group'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 upon appointment and thereafter the Board also reviews the independence of INEDs annually based on the independence criteria set out in the Compliance Manual and the Applicable Rules.

The Board has received written annual confirmations from Mr. Lim Lee Meng, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Dr. Lan Hong Tsung, David of his/her independence pursuant to the "Criteria for Independence of INEDs" set out in the Compliance Manual. The Board has determined that Mr. Lim Lee Meng, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Dr. Lan Hong Tsung, David 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.

Mr. Lim Lee Meng and Mrs. Sng Sow-Mei (alias Poon Sow Mei) have served on the Board for more than nine years from the date of their first appointment. Their independence has been subject to particularly rigorous review. The Board is of the view that they continue to be independent in character and judgement and continue to contribute objectively and positively to the Board process. The Board acknowledges and recognises the benefits of the wealth of useful and relevant experience and stability brought by long-serving Directors, and remains committed to a progressive renewal of its Board membership. The Board will continue to assess the composition of the Board to meet the independence requirements as per the applicable regulatory requirements.

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 the individual Directors have devoted sufficient time and attention to their role as Directors and to the affairs 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 Dr. Chiu Kwok Hung, Justin who is a Non-Executive Director. The CEO is Ms. Chiu Yu, Justina, also an Executive Director and a Responsible Officer of the Manager. Ms. Chiu Yu, Justina is the daughter of Dr. Chiu Kwok Hung, Justin, Chairman 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 ensure 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. Mr. Lim Lee Meng was appointed as the Lead Independent Director on 15 July 2013. He serves as an alternative channel of communication for the Unitholders in the event that the standard channels via management are not appropriate. In this role, he can also facilitate periodic meetings of INEDs without the presence of management and provide feedback to the Chairman after such meetings.

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 when 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.

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. In considering persons for 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.

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

- Ms. Chiu Yu, Justina was appointed as a Director of FRT Finance (HK) Limited with effect from 11 August 2015; Star Eastern Limited, Star Chance Limited, East Star Properties Limited, Star Leader Properties Limited and Star Treasure (Hong Kong) Limited with effect from 4 December 2015, and all of them are special purpose vehicles of Fortune REIT.

- Mr. Ang Meng Huat, Anthony has ceased to be a Director of ARA Asia Dragon Limited with effect from 1 January 2016 and a Director of Am ARA REIT Managers Sdn Bhd (the manager of AmFIRST REIT which is listed on the Main Board of Bursa Malaysia) with effect from 28 January 2016. Mr. Ang was appointed an Independent Non-Executive Director of Yong Tai Berhad which is listed on the Main Board of Bursa Malaysia with effect from 15 January 2016. He has also been appointed as a Non-Executive and Lead Independent Director of Europtronic Group Limited and an Independent Non-Executive Director of IPS Securex Holdings Limited.

- Mr. Lim Lee Meng has been appointed as an Independent Director of ARA-CWT Management (Cache) Limited, the manager of Cache Logistics Trust, a REIT listed on the Main Board of the SGX-ST, with effect from 1 January 2016.

- Dr. Lan Hong Tsung, David has ceased to be a Non-Executive Director and Co-Chairman of Aurum Pacific (China) Group Limited which is listed on the Main Board of the SEHK, with effect from 8 October 2015.

Five Board meetings of the Manager were held in the Reporting Year and the attendance record of the Board meetings is as follows:

Members of the Board		Attendance
Chairman and Non-Executive Director	Dr. Chiu Kwok Hung, Justin	5/5
Non-Executive Directors	Mr. Lim Hwee Chiang	3/5
	Mr. Ip Tak Chuen, Edmond[1]	3/3
	Ms. Yeung, Eirene	5/5
	Mr. Ma Lai Chee, Gerald[2]	2/2
CEO and Executive Director	Ms. Chiu Yu, Justina	5/5
Executive Director	Mr. Ang Meng Huat, Anthony	5/5
Lead Independent Director and Independent Non-Executive Director	Mr. Lim Lee Meng	5/5
Independent Non-Executive Directors	Mrs. Sng Sow-Mei (alias Poon Sow Mei)	5/5
	Dr. Lan Hong Tsung, David	5/5

(1) Mr. Ip Tak Chuen, Edmond resigned as a Non-Executive Director with effect from 1 June 2015.
(2) Mr. Ma Lai Chee, Gerald was appointed as a Non-Executive Director with effect from 1 June 2015.

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.

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 and maintain an effective system of internal controls and risk management, ensure integrity of financial statements and provide arrangements whereby concerns on financial improprieties or, other matters raised by "whistle-blowers" are investigated and appropriate follow up action taken.

The Audit Committee meets with the internal and external Auditors, without the presence of the management, at least once annually. Both the external Auditors and the internal Auditors 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 – Property Funds of the CIS Code).

The Audit Committee presently comprises three INEDs, namely Mr. Lim Lee Meng, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Dr. Lan Hong Tsung, David. Mr. Lim Lee Meng 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 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 quarterly 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 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 Annual General Meeting ("**AGM**") of the Unitholders; and

(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.

Four Audit Committee meetings were held in the Reporting Year. The attendance record of the Audit Committee meetings is as follows:

Members of the Audit Committee	Attendance
Mr. Lim Lee Meng	4/4
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	4/4
Dr. Lan Hong Tsung, David	4/4

The Audit Committee met four times with the external Auditors for reviewing the 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 Mr. Lim Lee Meng, an INED. Ms. Chiu Yu, Justina, is the Chairman of the Disclosures Committee.

Four Disclosures Committee meetings were held in the Reporting Year. The attendance record of the Disclosures Committee meetings is as follows:

Members of the Disclosures Committee	Attendance
Ms. Yeung, Eirene	4/4
Ms. Chiu Yu, Justina	4/4
Mr. Lim Lee Meng	4/4

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 Mr. Lim Lee Meng, an INED. Ms. Chiu Yu, Justina is the Chairman of the Designated Committee. No Designated Committee meeting was formally held in the Reporting Year but there were discussions among the members on the hedging and refinancing needs.

REMUNERATION MATTERS

The Manager has not established its own remuneration committee because it adopts the remuneration policies and practices of its holding company, ARA. ARA has a remuneration committee that determines the remuneration framework of the Directors and key management personnel.

ARA has a formal and transparent process in developing policy on all aspects of remuneration and determining the remuneration packages of individual Directors and senior executives of the ARA group in compliance with the Singapore Code. The ARA's remuneration committee oversees the executive staff compensation and development, determines and reviews, from time to time, the remuneration policy, reviews the contracts of service and sets the compensation policies for executive directors and senior executives including employees who are related to directors or controlling shareholders of the ARA group. The ARA's remuneration committee ensures, as far as possible, that the remuneration packages of the ARA group take due account of the environment and circumstances faced by the ARA group in the various markets and countries in which it operates.

Name of Non-Executive Director	Salary (%)	Bonus (%)	Directors' Fee[1] (%)	Others (%)	Total (%)
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. Lim Lee Meng	–	–	100	–	100
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	–	–	100	–	100
Dr. Lan Hong Tsung, David	–	–	100	–	100

(1) The directors' fee for Independent Non-Executive Directors is S$60,000 and is paid in cash only. The Executive Directors do 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 Property who is deemed to be a significant holder of Fortune REIT and had offered to waive their directors' fee for FY2015.

(3) Mr. Lim Hwee Chiang is the full time employee of ARA, the holding company of the Manager and had offered to waive his directors' fee for FY2015.

The Executive Directors (including CEO) and the top five executives are entitled to a monthly salary and a variable year-end bonus. In addition, the CEO and designated executives of the Manager (the "**Participants**") participate in a pool of incentive payments based on the acquisition/divestment fees paid to the Manager 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. All payments shall be paid in cash. 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 Directors (including the CEO) and the top five executives on a named basis (whether in exact quantum or in bands of S$250,000) is prejudice 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 Unitholders' interests will not be prejudiced as a result of such non-disclosure.

INTERNAL CONTROLS

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 Auditors 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 Auditors report 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 Auditors have adequate resources to perform their functions and have discharged their duties to the best of their ability and are independent of the activities that they audit. The internal Auditors have carried out their 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 initially 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 quarterly, or more often if necessary, and 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 weekly 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 Auditors assist and guide 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 quarterly 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 Auditors conduct audits to review the risk management framework and processes and assess the effectiveness of the internal controls system in Fortune REIT, including material 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 material 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) 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 Rules Governing the Listing of Securities on the SEHK. 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 SGX-ST and the SEHK 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 Unitholders are encouraged to attend the AGM. 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 Singapore or Hong Kong (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 is announced after the meeting.

Two extraordinary general meetings ("**EGM**") and an AGM were held during the Reporting Year. The attendance records of the Directors at the EGMs and AGM are as follows:

Name of Directors		Attendance[1]	
		EGM	AGM
Chairman and Non-Executive Director	Dr. Chiu Kwok Hung, Justin	2/2	1/1
Non-Executive Directors	Mr. Lim Hwee Chiang	2/2	1/1
	Ms. Yeung, Eirene	2/2	1/1
	Mr. Ma Lai Chee, Gerald [2]	1/1	–
CEO and Executive Director	Ms. Chiu Yu, Justina	2/2	1/1
Executive Director	Mr. Ang Meng Huat, Anthony	2/2	1/1
Lead Independent Director and Independent Non-Executive Director	Mr. Lim Lee Meng	2/2	1/1
Independent Non-Executive Directors	Mrs. Sng Sow-Mei (alias Poon Sow Mei)	2/2	1/1
	Dr. Lan Hong Tsung, David	2/2	1/1

(1) Other than Mr. Ip Tak Chuen, Edmond who resigned as a Non-Executive Director on 1 June 2015, all the Directors attended the AGM and EGMs during the Reporting Year.
(2) Mr. Ma Lai Chee, Gerald was appointed as a Non-Executive Director with effect from 1 June 2015.

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

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.

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.

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 2015. 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 2015 has been reviewed by the Audit Committee and the Disclosures Committee.

NEW UNITS ISSUED

As at 31 December 2015, the total number of issued units of Fortune REIT was 1,886,372,042. As compared with the position as at 31 December 2014, a total of 13,325,748 new units were issued during the Reporting Year in the following manner:

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

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

- On 3 July 2015, 3,386,932 new units were issued to the Manager at a price of HK$7.7817 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's base fee of approximately HK$26.4 million payable by Fortune REIT for the period from 1 April 2015 to 30 June 2015.

- On 5 October 2015, 3,566,314 new units were issued to the Manager at a price of HK$7.4715 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's base fee of approximately HK$26.6 million payable by Fortune REIT for the period from 1 July 2015 to 30 September 2015.

REPURCHASE, SALE OR REDEMPTION OF UNITS

During the Reporting Year, other than the disposal of 8,912,000 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 2015.

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 2015 HK$'000	Rental deposit received as at 31 December 2015 HK$'000
ARA Asset Management (Fortune) Limited	Manager	Leasing transactions	693	211
A.S. Watson Retail (HK) Limited	Associated company of a significant holder[1]	Leasing and licensing transactions	32,823	979
BIGBOXX.com Limited	Associated company of a significant holder[1]	Leasing transactions	2,245	–
Cheung Kong Property Development Limited	Associate of a significant holder[1]	Leasing and licensing transactions	45,122	–
Cheung Kong	Associated company of a significant holder[2]	Licensing transactions	52	–
Citybase Property Management Limited	Associate of a significant holder[1]	Leasing transactions	3,317	1,000
Hutchison International Limited	Associated company of a significant holder[1]	Leasing transactions	2,714	–
Hutchison Global Communications Limited	Associated company of a significant holder[1]	Leasing and licensing transactions	1,488	385
Hutchison Telephone Company Limited	Associated company of a significant holder[1]	Licensing transactions	9,310	1,549
Metro Broadcast Corporation Limited	Associated company of a significant holder[1]	Licensing transactions	880	–
PARKnSHOP (HK) Limited	Associated company of a significant holder[1]	Leasing and licensing transactions	153,650	2,578
Sino China Enterprises Limited	Associate of a significant holder[1]	Licensing transactions	4	4
Towerich Limited	Associate of a significant holder[1]	Licensing transactions	61	17
Total			252,359	6,723

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

Connected Party Transactions — 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 2015 HK$'000
Cayley Property Management Limited	Associate of a significant holder[1]	Property management and operations and carpark lease agency fee	269
Citybase Property Management Limited	Associate of a significant holder[2]	Property management and operations	1,108
E-Park Parking Management Limited	Associate of a significant holder[2]	Carpark lease agency fee	7,402
Goodwell-Fortune Property Services Limited	Associate of a significant holder[2]	Property and lease management fee and marketing service fee	69,501
Goodwell Property Management Limited	Associate of a significant holder[2]	Property management and operations	158
Guardian Property Management Limited	Associated company of principal valuer[3]	Property management and operations	1,470
Metro Broadcast Corporation Limited	Associated company of a significant holder[2]	Advertising and promotion expenses	782
Savills (Hong Kong) Limited	Associated company of principal valuer[3]	Leasing commission	99
Savills Property Management Limited	Associated company of principal valuer[3]	Property management and operations	400
Whampoa Property Management Limited	Associate of a significant holder[1]	Property management and operations	725
Total			81,914

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

Connected Party Transactions — Others

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

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Expenses for the year ended 31 December 2015 HK$'000
ARA Asset Management (Fortune) Limited	Manager	Manager's fee	169,255
HSBC Institutional Trust Services (Singapore) Limited	Trustee	Trustee's fee	12,241
Savills	Principal valuer	Valuation fees	618
Total			182,114

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 entitles, holding companies, subsidiaries and associated companies all within the meaning of the REIT Code) and the HSBC Group[1] (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 2015 HK$'000	Rental deposit received as at 31 December 2015 HK$'000
Hang Seng Bank Limited	Trustee Connected Persons	Leasing and licensing transactions	16,693	4,534
HSBC Life (International) Limited	Trustee Connected Persons	Leasing and licensing transactions	24	–
The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**")	Trustee Connected Persons	Leasing and licensing transactions	14,068	2,650
Total			30,785	7,184

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 who are also members of the Audit Committee 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 "Assurance Engagements Other Than Audits or Review of Historical Financial Information" and with reference to Practice Note 740 Auditors 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 86 to 89 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 2015 is 1,886,372,042 units.

HOLDINGS OF SIGNIFICANT UNITHOLDERS AND OTHER UNITHOLDERS

As at 31 December 2015, each of the following persons was considered a "significant Unitholder", and hence a "connected person" of Fortune REIT, for the purpose of the REIT Code:

	Direct interest		Deemed interest	
Name	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	21.90%	–	–
CK Property[1]	–	–	525,630,684	27.86%
Schroders Plc[2]	–	–	243,485,158	12.91%

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 2015:

	Direct interest		Deemed interest	
Name	Number of Units Held Long Position	Percentage of Unit Holdings	Number of Units Held Long Position	Percentage of Unit Holdings
Ballston Profits Limited[1, 3]	112,556,000	5.96%	–	–

Notes:

1. Focus Eagle and Ballston Profits Limited were indirect wholly-owned subsidiaries of CK Property. Therefore, CK Property was deemed to hold 525,630,684 units, of which: (i) 413,074,684 units were held by Focus Eagle; and (ii) 112,556,000 units were held by Ballston Profits Limited.

2. Schroders Plc was deemed to be interested in 243,485,158 units of which:
   (a) 91,469,400 units were held by Schroder Investment Management Ltd;
   (b) 79,695,000 units were held by Schroder Investment Management (Singapore) Ltd;
   (c) 70,844,000 units were held by Schroder Investment Management (Hong Kong) Ltd;
   (d) 120,000 units were held by Schroder Channel Island Limited; and
   (e) 1,356,758 units were held by Schroder & Co (Asia) Limited.

3. A director of Ballston Profits Limited, Mr. Robin Cheng Khoong Sng is the spouse of Mrs. Sng Sow-Mei (alias Poon Sow Mei).

INTERESTS OF THE MANAGER

As at 31 December 2015, the Manager held 7,771,746 units, or approximately 0.41% 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 2015 were as follows:

Name	Direct interest		Deemed interest	
	Number of Units Held Long Position	Percentage of Unit Holdings	Number of Units Held Long Position	Percentage of Unit Holdings
Directors				
Lim Hwee Chiang[1]	1,000,000	0.05%	2,100,000	0.11%
Lan Hong Tsung, David[2]	430,000	0.02%	100,000	0.01%
Sng Sow-Mei (alias Poon Sow Mei)	220,000	0.01%	–	–

Notes:
1. Mr. Lim Hwee Chiang was deemed to be interested in the 2,100,000 units held by Citibank Nominees Singapore Pte. Ltd. (as nominee for JL Philanthropy Ltd). Mr. Lim is the settlor of JL Charitable Settlement which is the beneficiary of JL Philanthropy Ltd.

2. Dr. Lan Hong Tsung, David was deemed to be interested in the 100,000 units held by his associate.

HOLDINGS OF THE OTHER CONNECTED PERSONS

HSBC Group, being the Trustee Connected Persons of Fortune REIT, held 11,931,156 units, or approximately 0.63% of the issued units of Fortune REIT as at 31 December 2015.

Saved as disclosed above, the Manager is not aware of any connected persons (as defined under the REIT Code) of Fortune REIT holding any units of Fortune REIT as at 31 December 2015.

To the best knowledge of the Manager and save as disclosed, the following sets out changes in the beneficial interest of certain connected persons of Fortune REIT, in compliance with rule 8.2(a) of the REIT Code, by reference to comparison of their respective beneficial interests as at 31 December 2015 and 31 December 2014:

(a) CK Property was beneficially interested in 525,630,684 units as at 31 December 2015 and did not hold any beneficial interest in any units as at 31 December 2014;

(b) Schroders Plc was beneficially interested in 243,485,158 units as at 31 December 2015 and 252,103,042 units as at 31 December 2014;

(c) The Manager was beneficially interested in 7,771,746 units as at 31 December 2015 and 3,357,998 units as at 31 December 2014;

(d) Dr. Lan Hong Tsung, David, Director of the Manager, was beneficially interested in 530,000 units as at 31 December 2015 and 400,000 units as at 31 December 2014;

(e) HSBC Group was beneficially interested in 11,931,156 units as at 31 December 2015 and 84,156 units as at 31 December 2014; and

(f) Mr. Richard Waichi Chan, a director of Focus Eagle and his associate were beneficially interested in 100,000 units as at 31 December 2015 and 31 December 2014.

VALUATION REPORT

HSBC Institutional Trust Services (Singapore) Limited
(as Trustee of Fortune Real Estate Investment Trust)
21 Collyer Quay
#03-01 HSBC Building
Singapore 049320

ARA Asset Management (Fortune) Limited
(as Manager of Fortune Real Estate Investment Trust)
Units 5508–10, 55th Floor
The Center
99 Queen's Road Central
Hong Kong

Savills Valuation and
Professional Services Limited
23/F Two Exchange Square
Central, Hong Kong

T : (852) 2801 6100
F : (852) 2530 0756

EA LICENCE: C-023750
savills.com

13 January 2016

Dear Sirs

RE:
(1) 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, SHA TIN, NEW TERRITORIES, HONG KONG ("**FORTUNE CITY ONE**")
(2) FORTUNE KINGSWOOD AS WELL AS OTHER RETAIL, KINDERGARTEN, PARKING LOTS AND ANCILLARY SPACES TO SUCH AREAS (INCLUDING LOADING BAYS AND EXTERNAL WALLS), RESERVE SHARES AND COMMON AREAS WITHIN KINGSWOOD DEVELOPMENT, TIN SHUI WAI, YUEN LONG, NEW TERRITORIES, HONG KONG ("**FORTUNE KINGSWOOD**")
(3) MA ON SHAN PLAZA, BAYSHORE TOWERS, 608 SAI SHA ROAD, MA ON SHAN, SHATIN, NEW TERRITORIES, HONG KONG ("**MA ON SHAN PLAZA**")
(4) THE SHOPPING CENTRE OF METRO TOWN, 8 KING LING ROAD, TSEUNG KWAN O , NEW TERRITORIES, HONG KONG ("**METRO TOWN**")
(5) FORTUNE METROPOLIS, THE METROPOLIS, 6–10 METROPOLIS DRIVE, HUNG HOM, KOWLOON, HONG KONG ("**FORTUNE METROPOLIS**")
(6) COMMERCIAL DEVELOPMENT AT LAGUNA PLAZA, 88 CHA KWO LING ROAD, KWUN TONG, KOWLOON, HONG KONG ("**LAGUNA PLAZA**")
(7) VARIOUS SHOPS, THE CLINICS, THE KINDERGARTENS, A MARKET, VARIOUS CAR PARKING SPACES AND MOTOR CYCLE 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 ("**BELVEDERE SQUARE**")
(8) SHOPS ON LEVEL 3 AND VARIOUS CARPARKS, WALDORF GARDEN, 1 TUEN LEE STREET, TUEN MUN, NEW TERRITORIES, HONG KONG ("**WALDORF AVENUE**")
(9) CARIBBEAN SQUARE, CARIBBEAN COAST, 1 KIN TUNG ROAD, TUNG CHUNG, LANTAU ISLAND, NEW TERRITORIES ("**CARIBBEAN SQUARE**")
(10) PORTION OF BASEMENT, PORTION OF GROUND FLOOR AND PORTION OF UPPER GROUND FLOOR (EXCLUDING THE CARPARKING SPACES, DRIVEWAYS AND APPURTENANT AREAS, THE COMMON AREAS AND FACILITIES THEREOF AND THEREIN) AND SUB-BASEMENT, 21–53 WHARF ROAD, NORTH POINT, HONG KONG ("**PROVIDENT SQUARE**")
(11) JUBILEE SQUARE, JUBILEE GARDEN, 2–18 LOK KING STREET, SHATIN, NEW TERRITORIES, HONG KONG ("**JUBILEE SQUARE**")

(12) VARIOUS PORTIONS IN SMARTLAND, EAST ASIA GARDENS, 16 TSUEN WAH STREET, TSUEN WAN, NEW TERRITORIES, HONG KONG ("**SMARTLAND**")
(13) VARIOUS PORTIONS IN TSING YI SQUARE, TSING YI GARDEN, 7–19 TSING LUK STREET, TSING YI, NEW TERRITORIES, HONG KONG ("**TSING YI SQUARE**")
(14) CENTRE DE LAGUNA, 93 CHA KWO LING ROAD, KINDERGARTEN ON GROUND FLOOR, 99 CHA KWO LING ROAD, KWUN TONG, KOWLOON, HONG KONG ("**CENTRE DE LAGUNA**")
(15) HAMPTON LOFT, HAMPTON PLACE, 11 HOI FAN ROAD, TAI KOK TSUI, KOWLOON ("**HAMPTON LOFT**")
(16) SHOPS ON GROUND FLOOR, LIDO GARDEN, 41–63 CASTLE PEAK ROAD, SHAM TSENG, TSUEN WAN, NEW TERRITORIES, HONG KONG ("**LIDO AVENUE**")
(17) SHOPS ON GROUND FLOOR, RHINE GARDEN, 38 CASTLE PEAK ROAD, SHAM TSENG, TSUEN WAN, NEW TERRITORIES, HONG KONG ("**RHINE AVENUE**")

(COLLECTIVELY THE "**PROPERTIES**")

INSTRUCTIONS

In accordance with your instructions for us to value the Properties, we confirm that we have carried out inspections, 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 2015 (referred to as the "**Valuation Date**") for accounting purpose.

BASIS OF VALUATION

Our valuation of each property is our opinion of its market value which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

Our valuation is prepared in accordance with Chapter 6.8 of the REIT Code and "The HKIS Valuation Standards (2012 Edition)" published by The Hong Kong Institute of Surveyors.

VALUATION METHODOLOGIES

In arriving at our opinion of values, we have considered relevant general and economic factors and in particular have investigated recent sales and leasing transactions of comparable properties. In the course of our valuation analysis, we have principally adopted the Income Capitalization Approach and counter-checked this by the Direct Comparison Approach. For the purposes of this valuation, we consider the Income Capitalization Approach is the most appropriate valuation method for assessing the market values of the property, due to the income driven nature of the Properties.

Income capitalization

The Income Capitalization Approach 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 capitalized 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. Upon expiry of the existing tenancies, each unit is assumed to be let at its market rent as at the Valuation Date, which is in turn capitalized for the unexpired term of the Government lease under which the property is held. Due consideration has been given to the expectation of the renewal of the Government lease upon expiry. The summation of the capitalized value of the term income for the leased portion, the capitalized value of the reversion income (i.e. market rental income) as appropriately deferred for the leased portion and the capitalized value for the vacant portion provides the market value of each property.

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 capitalization 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.

Direct comparison

As a supporting approach to the valuation, we have also considered the Direct Comparison Approach as a reference check for the valuations arrived from Income Capitalization Approach. In this regard, comparable sales transactions around the Valuation Date are collected and analyzed in terms of a price per square footage. The collected comparables are then adjusted to take account of the discrepancies between the Properties and comparables in terms of time, location, accessibility, age, building quality and condition, facilities and the like.

TITLE INVESTIGATIONS

We have not been provided with extracts from title documents relating to the Properties but we have caused 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. We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers.

VALUATION CONSIDERATIONS

We have relied to a very considerable extent on information given by the instructing party and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, occupancies, car park incomes, floor plans, site and floor areas and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the instructing party, and have been advised by the instructing party that no material facts have been omitted from the information provided.

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the Properties but have assumed that the floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation report are based on information contained in the documents provided to us by the instructing party and are therefore only approximations.

We have inspected the exterior of the Properties valued and, where possible, we have also inspected the interior of the premises. Our inspection was carried out by Mr. Martin Wong (Qualified Surveyor) in December 2015. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the Properties are free of rot, infestation or any other structural defect. No tests were carried out to any of the services.

No allowance has been made in our report for any charge, mortgage or amount owing on the Properties nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

VALUATION

A summary of our opinion of the market value of each property as at the Valuation Date is given below:

	Property	Approximate Gross Rentable Area (sq ft)	No. of Parking Lots	Market Value as at 31 December 2015
1	Fortune City One	414,469	653	HK$7,422,000,000
2	Fortune Kingswood	665,244	622	HK$6,828,000,000
3	Ma On Shan Plaza	310,084	290	HK$5,119,000,000
4	Metro Town	180,822	74	HK$3,294,000,000
5	Fortune Metropolis	332,168	179	HK$2,410,000,000
6	Laguna Plaza	163,203	150	HK$2,214,000,000
7	Belvedere Square	276,862	329	HK$2,107,000,000
8	Waldorf Avenue	80,842	73	HK$1,594,000,000
9	Caribbean Square	63,018	117	HK$969,000,000
10	Provident Square	180,238	N/A	HK$961,000,000
11	Jubilee Square	170,616	97	HK$872,000,000
12	Smartland	123,544	67	HK$684,000,000
13	Tsing Yi Square	78,836	27	HK$604,000,000
14	Centre de Laguna	43,000	N/A	HK$271,000,000
15	Hampton Loft	74,734	35	HK$268,000,000
16	Lido Avenue	9,836	N/A	HK$186,000,000
17	Rhine Avenue	14,604	N/A	HK$115,000,000
	Total	3,182,120	2,713	HK$35,918,000,000

The reported analyses, opinions and conclusions are subject to the assumptions and limiting conditions stated in our valuation report 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 Trustee, the Manager and Underwriters or other party/parties who, Fortune REIT is contracting with. The valuer's compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the Vendor, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

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

We enclose herewith our valuation report.

Yours faithfully
For and on behalf of
Savills Valuation and Professional Services Limited

Freddie Ling
MRICS MHKIS RPS(GP)
Senior Director

Note: Mr. Freddie Ling is a Qualified Surveyor and has about 30 years' experience in the valuation of properties in Hong Kong.

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	City One Shatin is a comprehensive residential cum commercial development completed in phases between 1981 and 1989. The property mainly comprises various commercial areas within City One Shatin. Descriptions of the said commercial areas are set out below: — 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. The total gross rentable area of the property is approximately 38,505.11 sq m (414,469 sq ft). The property also comprises 653 parking lots within the development.
Land Tenure	The property comprises portions in Sha Tin Town Lot No. 1 and Sections B, C, L and the Remaining Portion of Section A of Sha Tin Town Lot No. 1. Sha Tin Town Lot No. 1 is held from the Government under New Grant No. ST11064 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 of the property.
Monthly Rental and Licence Income as at 31 December 2015	Approximately HK$24,425,000 mostly exclusive of Government rates and rent, management fees and utility charges.
Average Monthly Turnover Rent and Atrium Income for January 2015 to December 2015	Approximately HK$355,000
Average Monthly Car Parking Income for January 2015 to December 2015	Approximately HK$912,000
Market Value in Existing State as at 31 December 2015	HK$7,422,000,000 (Hong Kong Dollars Seven Billion Four Hundred and Twenty Two Million)
Estimated Net Property Yield	4.1%

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.

Fortune Kingswood (Continued)

	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). The property also comprises 622 car parking spaces within the development.
Land Tenure	The property comprises portions 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 from the Government 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 of the property.
Monthly Rental and Licence Income as at 31 December 2015	Approximately HK$22,803,000 mostly exclusive of Government rates and rent, management fees and utility charges.
Average Monthly Turnover Rent and Atrium Income for January 2015 to December 2015	Approximately HK$725,000
Average Monthly Car Parking Income for January 2015 to December 2015	Approximately HK$1,121,000
Market Value in Existing State as at 31 December 2015	HK$6,828,000,000 (Hong Kong Dollars Six Billion Eight Hundred and Twenty Eight Million)
Estimated Net Property Yield	4.3%

Ma On Shan Plaza

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

Description	Ma On Shan Plaza is the commercial portion of a private residential cum commercial development known as Bayshore Towers completed in 1994. 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. The total gross rentable area of the property is approximately 28,807.51 sq m (310,084 sq ft). The property also comprises 290 parking lots on the Basement Floor of the commercial podium.
Land Tenure	The property comprises portions in Sha Tin Town Lot No. 382. Sha Tin Town Lot No. 382 is held from the Government under New Grant No. 12378 for a term from 6 December 1991 to 30 June 2047. The Government rent payable is at 3% of the rateable value of the property.
Monthly Rental and Licence Income as at 31 December 2015	Approximately HK$18,422,000 mostly exclusive of Government rates and rent, management fees and utility charges.
Average Monthly Turnover Rent and Atrium Income for January 2015 to December 2015	Approximately HK$268,000
Average Monthly Car Parking Income for January 2015 to December 2015	Approximately HK$570,000
Market Value in Existing State as at 31 December 2015	HK$5,119,000,000 (Hong Kong Dollars Five Billion One Hundred and Nineteen Million)
Estimated Net Property Yield	4.5%

Metro Town

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

Description	Metro Town is a comprehensive private residential cum commercial development completed in two phases in 2006 and 2007. 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. The total gross rentable area of the property is approximately 16,798.77 sq m (180,822 sq ft). The property also comprises 74 parking lots on Level 2 of the commercial podium of the development.
Land Tenure	The property comprises portions in Tseung Kwan O Town Lot No. 73. Tseung Kwan O Town Lot No. 73 is held from the Government 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 of the property.
Monthly Rental and Licence Income as at 31 December 2015	Approximately HK$11,166,000 mostly exclusive of Government rates and rent, management fees and utility charges.
Average Monthly Turnover Rent Income for January 2015 to December 2015	Approximately HK$52,000
Average Monthly Car Parking Income for January 2015 to December 2015	Approximately HK$242,000
Market Value in Existing State as at 31 December 2015	HK$3,294,000,000 (Hong Kong Dollars Three Billion Two Hundred and Ninety Four Million)
Estimated Net Property Yield	4.2%

Fortune Metropolis

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

Description	Fortune Metropolis is the commercial portion of a commercial/office/hotel/serviced apartment development known as The Metropolis completed in 2001. The property comprises the three levels of retail premises on the L7, L8 and L9 Floors of the multi-storey podium of the development. The total gross rentable area of the property is approximately 30,859.16 sq m (332,168 sq ft). The property also comprises 179 parking lots on L5 and L6 of the commercial podium of the development.
Land Tenure	The property comprises portions in Kowloon Inland Lot No. 11077. Kowloon Inland Lot No. 11077 is held from the Government 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 of the property.
Monthly Rental and Licence Income as at 31 December 2015	Approximately HK$8,194,000 mostly exclusive of Government rates and rent, management fees and utility charges.
Average Monthly Turnover Rent and Atrium Income for January 2015 to December 2015	Approximately HK$166,000
Average Monthly Car Parking Income for January 2015 to December 2015	Approximately HK$516,000
Market Value in Existing State as at 31 December 2015	HK$2,410,000,000 (Hong Kong Dollars Two Billion Four Hundred and Ten Million)
Estimated Net Property Yield	4.3%

Laguna Plaza

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

Description	Laguna Plaza is one of the commercial centres of a comprehensive private residential development known as Laguna City completed in 1991. The property comprises a 5-storey commercial/parking podium of the development. The total gross rentable area of the property is approximately 15,161.93 sq m (163,203 sq ft). The property also comprises 150 parking lots on Basement 1 and Basement 2 of the commercial podium.
Land Tenure	The property comprises portions in New Kowloon Inland Lot No. 6055. New Kowloon Inland Lot No. 6055 is held from the Government 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 of the property.
Monthly Rental and Licence Income as at 31 December 2015	Approximately HK$8,052,000 mostly exclusive of Government rates and rent, management fees and utility charges.
Average Monthly Turnover Rent and Atrium Income for January 2015 to December 2015	Approximately HK$260,000
Average Monthly Car Parking Income for January 2015 to December 2015	Approximately HK$562,000
Market Value in Existing State as at 31 December 2015	HK$2,214,000,000 (Hong Kong Dollars Two Billion Two Hundred and Fourteen Million)
Estimated Net Property Yield	4.7%

Belvedere Square

Belvedere Square, Various Shops, the Clinics, the Kindergartens, a Market, Various Car Parking Spaces and Motor Cycle Parking Spaces, Common areas, Belvedere Garden Phase 1, 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	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. The retail portion of property comprises various commercial areas within Belvedere Garden. Descriptions of the said commercial areas are set out below: **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 **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. **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. The total gross rentable area of the property is approximately 25,721.11 sq m (276,862 sq ft). 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.
Land Tenure	Portions in Tsuen Wan Town Lot Nos. 308 and 316. Tsuen Wan Town Lot Nos. 308 and 316 are held from the Government 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 of the property.

Belvedere Square (Continued)

Monthly Rental and Licence Income as at 31 December 2015	Approximately HK$8,265,000 mostly exclusive of Government rates and rent, management fees and utility charges.
Average Monthly Turnover Rent and Atrium Income for January 2015 to December 2015	Approximately HK$47,500
Average Monthly Car Parking Income for January 2015 to December 2015	Approximately HK$484,000
Market Value in Existing State as at 31 December 2015	HK$2,107,000,000 (Hong Kong Dollars Two Billion One Hundred and Seven Million)
Estimated Net Property Yield	5.0%

Waldorf Avenue

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

Description	Waldorf Garden is a private residential cum commercial development completed in 1982. The property comprises a retail floor on the Level 3 of a 4-storey commercial/parking/recreational podium of the development. The total gross rentable area of the property is approximately 7,510.41 sq m (80,842 sq ft). The property also comprises 73 parking lots on Level 1 and Level 2 of the commercial podium.
Land Tenure	The property comprises portions in Tuen Mun Town Lot No. 194. Tuen Mun Town Lot No. 194 is held from the Government 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 of the property.
Monthly Rental and Licence Income as at 31 December 2015	Approximately HK$5,917,000 mostly exclusive of Government rates and rent, management fees and utility charges.
Average Monthly Turnover Rent Income for January 2015 to December 2015	Approximately HK$1,900
Average Monthly Car Parking Income for January 2015 to December 2015	Approximately HK$179,000
Market Value in Existing State as at 31 December 2015	HK$1,594,000,000 (Hong Kong Dollars One Billion Five Hundred and Ninety Four Million)
Estimated Net Property Yield	4.6%

Caribbean Square

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

Description	Caribbean Square is the commercial portion of a private residential cum commercial development known as Caribbean Coast completed between 2002 and 2008. 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. The total gross rentable area of the property is approximately 5,854.52 sq m (63,018 sq ft). The property also comprises 117 parking lots on the 1st Floor of the commercial podium of the development.
Land Tenure	The property comprises portions in Tung Chung Town Lot No. 5. Tung Chung Town Lot No. 5 is held from the Government 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 of the property.
Monthly Rental and Licence Income as at 31 December 2015	Approximately HK$3,819,000 mostly exclusive of Government rates and rent, management fees and utility charges.
Average Monthly Turnover Rent Income for January 2015 to December 2015	Approximately HK$58,000
Average Monthly Car Parking Income for January 2015 to December 2015	Approximately HK$203,000
Market Value in Existing State as at 31 December 2015	HK$969,000,000 (Hong Kong Dollars Nine Hundred and Sixty Nine Million)
Estimated Net Property Yield	5.0%

Provident Square

Provident Square, Portion of Basement, Portion of Ground Floor and Portion of Upper Ground Floor (Excluding Carparking Spaces and Driveways and Appurtenant Areas, the Common Areas and Facilities thereof and therein) and Sub-Basement, Provident Centre, 21–53 Wharf Road, North Point, Hong Kong.

Description	Provident Centre is a private residential development with associated commercial/recreational/carparking facilities completed in between 1982 and 1984. The property comprises the entire retail premises of the development located on the Portion of Basement, Portion of Ground Floor and Portion of Upper Ground Floor and the Sub-basement of the 4-storey commercial/recreational/carparking podium of the development. The total gross rentable area of the property is approximately 16,744.52 sq m (180,238 sq ft).
Land Tenure	The property comprises portions in Inland Lot No. 8465. Inland Lot No. 8465 is held from the Government under a Government Lease for a term of 75 years commencing from 5 September 1921 renewable for a further term of 75 years. The Government rent payable for the lot is HK$11,430,828 per annum.
Monthly Rental and Licence Income as at 31 December 2015	Approximately HK$3,699,000 mostly exclusive of Government rates and rent, management fees and utility charges.
Average Monthly Turnover Rent and Atrium Income for January 2015 to December 2015	Approximately HK$42,000
Market Value in Existing State as at 31 December 2015	HK$961,000,000 (Hong Kong Dollars Nine Hundred and Sixty One Million)
Estimated Net Property Yield	4.6%

Jubilee Square

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

Description	Jubilee Square is the commercial centre of a private residential cum commercial development known as Jubilee Garden completed in 1986. 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. The total gross rentable area of the property is approximately 15,850.61 sq m (170,616 sq ft). The property also comprises 97 parking lots within the development.
Land Tenure	The property comprises portions in Sha Tin Town Lot No. 87. Sha Tin Town Lot No. 87 is held from the Government 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 of the property.
Monthly Rental and Licence Income as at 31 December 2015	Approximately HK$2,862,000 mostly exclusive of Government rates and rent, management fees and utility charges.
Average Monthly Turnover Rent Income for January 2015 to December 2015	Approximately HK$5,100
Average Monthly Car Parking Income for January 2015 to December 2015	Approximately HK$355,000
Market Value in Existing State as at 31 December 2015	HK$872,000,000 (Hong Kong Dollars Eight Hundred and Seventy Two Million)
Estimated Net Property Yield	4.5%

Smartland

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

Description	Smartland is the commercial portion of a private residential cum commercial development known as East Asia Gardens completed in 1981. 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. The total gross rentable area of the property is approximately 11,477.52 sq m (123,544 sq ft). The property also comprises 67 parking lots on the Basement of the commercial podium of the development.
Land Tenure	The property comprises portions in Tsuen Wan Town Lot No. 247. Tsuen Wan Town Lot No. 247 is held from the Government 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 of the property.
Monthly Rental and Licence Income as at 31 December 2015	Approximately HK$2,676,000 mostly exclusive of Government rates and rent, management fees and utility charges.
Average Monthly Turnover Rent Income for January 2015 to December 2015	Approximately HK$10,000
Average Monthly Car Parking Income for January 2015 to December 2015	Approximately HK$160,000
Market Value in Existing State as at 31 December 2015	HK$684,000,000 (Hong Kong Dollars Six Hundred and Eighty Four Million)
Estimated Net Property Yield	4.9%

Tsing Yi Square

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

Description	Tsing Yi Square is the commercial portion of a private residential cum commercial development known as Tsing Yi Garden completed in 1986. The property comprises various retail shops on the Ground and 1st Floors in the shopping centre of the development. The total gross rentable area of the property is approximately 7,324.04 sq m (78,836 sq ft). The property also comprises 27 parking lots within the development.
Land Tenure	The property comprises portions in Tsing Yi Town Lot No. 101. Tsing Yi Town Lot No. 101 is held from the Government 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 of the property.
Monthly Rental Income as at 31 December 2015	Approximately HK$2,452,000 mostly exclusive of Government rates and rent, management fees and utility charges.
Average Monthly Turnover Rent Income for January 2015 to December 2015	Approximately HK$5,400
Average Monthly Car Parking Income for January 2015 to December 2015	Approximately HK$38,000
Market Value in Existing State as at 31 December 2015	HK$604,000,000 (Hong Kong Dollar Six Hundred and Four Million)
Estimated Net Property Yield	4.9%

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	Centre de Laguna is one of the commercial centres of a comprehensive private residential cum commercial development known as Laguna City completed in 1992. 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. The total gross rentable area of the property is approximately 3,994.80 sq m (43,000 sq ft).
Land Tenure	The property comprises portions in New Kowloon Inland Lot No. 6100. Kowloon Inland Lot No. 6100 is held from the Government 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 of the property.
Monthly Rental and Licence Income as at 31 December 2015	Approximately HK$1,091,200 mostly exclusive of Government rates and rent, management fees and utility charges.
Market Value in Existing State as at 31 December 2015	HK$271,000,000 (Hong Kong Dollars Two Hundred and Seventy One Million)
Estimated Net Property Yield	4.8%

Hampton Loft

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

Description	Hampton Loft is the commercial portion of a private residential cum commercial development known as Hampton Place completed in 2003. The property comprises the entire retail premises on the 5th and 6th Floors of the commercial podium of the development. The total gross rentable area of the property is approximately 6,942.96 sq m (74,734 sq ft). The property also comprises 35 parking lots on the 1st Floor of the commercial podium of the development.
Land Tenure	The property comprises portions in Kowloon Inland Lot No. 11107. Kowloon Inland Lot No. 11107 is held from the Government 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 of the property.
Monthly Rental and Licence Income as at 31 December 2015	Approximately HK$971,800 mostly exclusive of Government rates and rent, management fees and utility charges.
Average Monthly Car Parking Income for January 2015 to December 2015	Approximately HK$76,000
Market Value in Existing State as at 31 December 2015	HK$268,000,000 (Hong Kong Dollars Two Hundred and Sixty Eight Million)
Estimated Net Property Yield	4.7%

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 portions in Tsuen Wan Marine Lot No. 4. Tsuen Wan Marine Lot No. 4 is held from the Government 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 of the property.
Monthly Rental Income as at 31 December 2015	Approximately HK$761,000 mostly exclusive of Government rates and rent, management fees and utility charges.
Market Value in Existing State as at 31 December 2015	HK$186,000,000 (Hong Kong Dollars One Hundred and Eighty Six Million)
Estimated Net Property Yield	4.9%

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 portions in Lot No. 261 in Demarcation District No. 390. Lot No. 261 in Demarcation District No. 390 is held from the Government 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 of the property.
Monthly Rental Income as at 31 December 2015	Approximately HK$455,000 mostly exclusive of Government rates and rent, management fees and utility charges.
Market Value in Existing State as at 31 December 2015	HK$115,000,000 (Hong Kong Dollars One Hundred and Fifteen Million)
Estimated Net Property Yield	4.6%

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 and the Second Amending and Restating Deed dated 8 May 2015 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 2015.

For and on behalf of the Trustee,
HSBC Institutional Trust Services (Singapore) Limited

Esther Fong
Senior Vice President, Trustee Services

Singapore
21 January 2016

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 116 to 174, which comprise the consolidated and Fortune REIT's statements of financial position as at 31 December 2015, and statements of comprehensive income, statements of changes in net assets attributable to unitholders, statements of cash flows and distribution statement for the year then ended, and a summary of significant accounting policies and other explanatory information, 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 disposition of the assets and liabilities of the Group and of Fortune REIT as at 31 December 2015 and of their results 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 116 to 174 were approved and authorised for issue by the Manager on 21 January 2016.

For and on behalf of the Manager,
ARA Asset Management (Fortune) Limited

Chiu Yu, Justina
Director

21 January 2016

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF FORTUNE REAL ESTATE INVESTMENT TRUST

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 116 to 174, which comprise the consolidated and Fortune REIT's statements of financial position as at 31 December 2015, and the statements of profit or loss and other comprehensive income, statements of changes in net assets attributable to unitholders, statements of cash flows and distribution statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Manager's Responsibility for the Financial Statements

ARA Asset Management (Fortune) Limited (the "**Manager**" of Fortune REIT) is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and comply with the relevant provisions 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 Code on Real Estate Investment Trusts (the "**REIT Code**") issued by the Securities and Futures Commission of Hong Kong. The Manager is also responsible 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

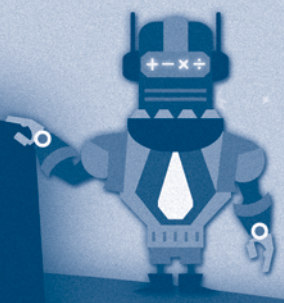
In our opinion, the financial statements give a true and fair view of the disposition of the assets and liabilities of Fortune REIT and of the Group as at 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report under Other Legal and Regulatory Requirements

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 January 2016

Deloitte & Touche LLP
Public Accountants and Chartered Accountants
Singapore
21 January 2016



FINANCIAL STATEMENTS

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STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

		Group		Fortune REIT	
	Notes	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Revenue	6	**1,882,148**	1,655,774	**891,231**	782,822
Property operating expenses	7	**(517,076)**	(458,414)		
Net property income (before manager's performance fee)		**1,365,072**	1,197,360		
Manager's performance fee		**(41,045)**	(36,136)		
Net property income		**1,324,027**	1,161,224		
Manager's base fee		**(105,785)**	(92,891)	**(105,785)**	(92,891)
Foreign currency exchange loss		**(468)**	(315)	**(468)**	(315)
Interest income		**3,467**	9,662	**378**	2,501
Trust expenses	8	**(42,379)**	(14,926)	**(68,606)**	(53,338)
Change in fair value of investment properties		**1,626,470**	3,321,779	**–**	–
Change in fair value of derivative financial instruments		**(75,500)**	(29,233)	**–**	–
Gain on disposal of a property company	14(ii)	**218,598**	–	**412,525**	–
Borrowing costs	9	**(265,784)**	(253,498)	**–**	–
Profit before taxation and transactions with unitholders	10	**2,682,646**	4,101,802	**1,129,275**	638,779
Income tax expense	11	**(196,460)**	(170,896)	**(64)**	(420)
Profit for the year, before transactions with unitholders		**2,486,186**	3,930,906	**1,129,211**	638,359
Distributions to unitholders		**(884,570)**	(780,770)	**(884,570)**	(780,770)
Profit/(loss) for the year, after transactions with unitholders		**1,601,616**	3,150,136	**244,641**	(142,411)
Other comprehensive income — item that may be reclassified subsequently to profit or loss					
Net gain on derivative financial instruments under cash flow hedge		**23,386**	23,183	**–**	–
Total comprehensive income/(expense) for year		**1,625,002**	3,173,319	**244,641**	(142,411)
Income available for distribution to unitholders		**884,570**	780,770		
Basic earnings per unit (HK cents)	12	**132.00**	210.19		

DISTRIBUTION STATEMENT

For the year ended 31 December 2015

	Notes	Group 2015 HK$'000	Group 2014 HK$'000
Profit for the year, before transactions with unitholders		**2,486,186**	3,930,906
Adjustments:			
Manager's base fee		**105,785**	92,891
Acquisition fee		**19,185**	–
Change in fair value of investment properties		**(1,626,470)**	(3,321,779)
Change in fair value of derivative financial instruments		**75,500**	29,233
Gain on disposal of a property company		**(218,598)**	–
Front end fees		**26,227**	38,412
Foreign currency exchange loss		**468**	315
Other non-tax deductible trust expenses		**16,287**	10,792
Income available for distribution	*(i)*	**884,570**	780,770
Distributions to unitholders			
23.38 HK cents (2014: 20.88 HK cents) per unit for the six months ended 30 June	*(ii)*	**440,258**	390,454
23.50 HK cents (2014: 20.80 HK cents) per unit for the six months ended 31 December	*(iii)*	**444,312**	390,316
Income available for distribution		**884,570**	780,770
Distribution per unit (HK cents)		**46.88**	41.68

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 2015 is HK$884.6 million (2014: HK$780.8 million) and HK$824.7 million (2014: HK$731.4 million), respectively. Accordingly, the income available for distribution, based on the Net Tax-Exempt Income, of HK$884.6 million (2014: HK$780.8 million) would be distributed to unitholders for the year ended 31 December 2015.

(ii) The distribution per unit of 23.38 HK cents for the six months ended 30 June 2015 (six months ended 30 June 2014: 20.88 HK cents) is calculated based on the income available for distribution for the period of HK$440.3 million (six months ended 30 June 2014: HK$390.5 million) over 1,882,805,728 units (30 June 2014: 1,869,688,995 units), representing issued units as at 30 June 2015 of 1,879,418,796 units (30 June 2014: 1,866,273,811 units) plus the number of units issued after the distribution period to the Manager as settlement of the Manager's base fee for its services in the second quarter of 2015 of 3,386,932 units (second quarter of 2014: 3,415,184 units). The distribution amounting to HK$440.3 million (six months ended 30 June 2014: HK$390.5 million) was paid on 28 August 2015 (six months ended 30 June 2014: 29 August 2014).

(iii) The distribution per unit of 23.50 HK cents for the six months ended 31 December 2015 (six months ended 31 December 2014: 20.80 HK cents) is calculated based on the income available for distribution for the period of HK$444.3 million (six months ended 31 December 2014: HK$390.3 million) over 1,889,899,303 units (31 December 2014: 1,876,289,958 units), representing issued units as at 31 December 2015 of 1,886,372,042 units (31 December 2014: 1,873,046,294 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 2015 of 3,527,261 units (fourth quarter of 2014: 3,243,664 units). The distribution amounting to HK$444.3 million (six months ended 31 December 2014: HK$390.3 million) will be paid on 29 February 2016 (six months ended 31 December 2014: 27 February 2015).

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2015

	Notes	Group 2015 HK$'000	Group 2014 HK$'000	Fortune REIT 2015 HK$'000	Fortune REIT 2014 HK$'000
ASSETS AND LIABILITIES					
Non-current assets					
Investments in subsidiaries	13	**–**	–	**6,817,589**	6,429,319
Investment properties	14	**35,918,000**	32,720,000	**–**	–
Derivative financial instruments	15	**5,884**	32,306	**–**	–
Deposit for acquisition of property companies		**–**	95,925	**–**	–
Total non-current assets		**35,923,884**	32,848,231	**6,817,589**	6,429,319
Current assets					
Trade and other receivables	16	**73,441**	60,853	**30,826**	56,710
Bank balances and cash	17	**710,339**	688,407	**468,863**	424,418
Total current assets		**783,780**	749,260	**499,689**	481,128
Total assets		**36,707,664**	33,597,491	**7,317,278**	6,910,447
Non-current liabilities					
Derivative financial instruments	15	**52,837**	33,617	**–**	–
Borrowings	18	**7,228,970**	8,881,110	**–**	–
Deferred tax liabilities	19	**394,867**	378,235	**–**	–
Total non-current liabilities		**7,676,674**	9,292,962	**–**	–
Current liabilities					
Trade and other payables	20	**673,984**	588,627	**8,886**	6,135
Borrowings	18	**3,780,054**	940,000	**–**	–
Derivative financial instruments	15	**6,472**	–	**–**	–
Distribution payable		**444,312**	390,316	**444,312**	390,316
Provision for taxation		**19,844**	10,049	**81**	423
Total current liabilities		**4,924,666**	1,928,992	**453,279**	396,874
Total liabilities, excluding net assets attributable to unitholders		**12,601,340**	11,221,954	**453,279**	396,874
Net assets attributable to unitholders		**24,106,324**	22,375,537	**6,863,999**	6,513,573
Units in issue and to be issued ('000)	21	**1,889,899**	1,876,290		
Net asset value per unit attributable to unitholders (HK$)	22	**12.76**	11.93		

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 31 December 2015

GROUP

	Units in issue and to be issued HK$'000	Unit issue Costs HK$'000	Hedging reserve HK$'000	Retained profits HK$'000	Total HK$'000
Net assets attributable to unitholders as at 1 January 2014	**7,572,356**	**(286,279)**	**(53,610)**	**11,876,860**	**19,109,327**
OPERATIONS					
Profit for the year, before transactions with unitholders	–	–	–	3,930,906	**3,930,906**
Distribution paid and payable of 20.88 HK cents per unit for the six months ended 30 June 2014	–	–	–	(390,454)	**(390,454)**
Distribution payable of 20.80 HK cents per unit for the six months ended 31 December 2014	–	–	–	(390,316)	**(390,316)**
Change in fair value of derivative financial instruments under cash flow hedge	–	–	11,264	–	**11,264**
Release to profit or loss	–	–	11,919	–	**11,919**
Total comprehensive income for the year	–	–	23,183	3,150,136	**3,173,319**
UNITHOLDERS' TRANSACTIONS					
Creation of units — Manager's base fee paid/payable in units	92,891	–	–	–	**92,891**
Increase in net assets resulting from unitholders' transactions	92,891	–	–	–	**92,891**
Net assets attributable to unitholders as at 31 December 2014	**7,665,247**	**(286,279)**	**(30,427)**	**15,026,996**	**22,375,537**
OPERATIONS					
Profit for the year, before transactions with unitholders	–	–	–	2,486,186	**2,486,186**
Distribution paid and payable of 23.38 HK cents per unit for the six months ended 30 June 2015	–	–	–	(440,258)	**(440,258)**
Distribution payable of 23.50 HK cents per unit for the six months ended 31 December 2015	–	–	–	(444,312)	**(444,312)**
Change in fair value of derivative financial instruments under cash flow hedge	–	–	9,506	–	**9,506**
Release to profit or loss	–	–	13,880	–	**13,880**
Total comprehensive income for the year	–	–	23,386	1,601,616	**1,625,002**
UNITHOLDERS' TRANSACTIONS					
Creation of units — Manager's base fee paid/payable in units	105,785	–	–	–	**105,785**
Increase in net assets resulting from unitholders' transactions	105,785	–	–	–	**105,785**
Net assets attributable to unitholders as at 31 December 2015	**7,771,032**	**(286,279)**	**(7,041)**	**16,628,612**	**24,106,324**

For the year ended 31 December 2015

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 2014	**7,572,356**	**(286,279)**	**(722,984)**	**6,563,093**
OPERATIONS				
Profit for the year, before transactions with unitholders	–	–	638,359	**638,359**
Distribution paid and payable of 20.88 HK cents per unit for the six months ended 30 June 2014	–	–	(390,454)	**(390,454)**
Distribution payable of 20.80 HK cents per unit for the six months ended 31 December 2014	–	–	(390,316)	**(390,316)**
Total comprehensive expense for the year	–	–	(142,411)	**(142,411)**
UNITHOLDERS' TRANSACTIONS				
Creation of units — Manager's base fee paid/payable in units	92,891	–	–	**92,891**
Increase in net assets resulting from unitholders' transactions	92,891	–	–	**92,891**
Net assets attributable to unitholders as at 31 December 2014	**7,665,247**	**(286,279)**	**(865,395)**	**6,513,573**
OPERATIONS				
Profit for the year, before transactions with unitholders	–	–	1,129,211	**1,129,211**
Distribution paid and payable of 23.38 HK cents per unit for the six months ended 30 June 2015	–	–	(440,258)	**(440,258)**
Distribution payable of 23.50 HK cents per unit for the six months ended 31 December 2015	–	–	(444,312)	**(444,312)**
Total comprehensive income for the year	–	–	244,641	**244,641**
UNITHOLDERS' TRANSACTIONS				
Creation of units — Manager's base fee paid/payable in units	105,785	–	–	**105,785**
Increase in net assets resulting from unitholders' transactions	105,785	–	–	**105,785**
Net assets attributable to unitholders as at 31 December 2015	**7,771,032**	**(286,279)**	**(620,754)**	**6,863,999**

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2015

	Group		Fortune REIT	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Operating activities				
Profit before taxation and transactions with unitholders	**2,682,646**	4,101,802	**1,129,275**	638,779
Adjustments for:				
Manager's base fee paid/payable in units	**105,785**	92,891	**105,785**	92,891
Change in fair value of investment properties	**(1,626,470)**	(3,321,779)	**–**	–
Change in fair value of derivative financial instruments	**75,500**	29,233	**–**	–
Gain on disposal of a property company	**(218,598)**	–	**(412,525)**	–
Interest income	**(3,467)**	(9,662)	**(378)**	(2,501)
Borrowing costs	**265,784**	253,498	**26,227**	38,412
Operating cash flows before movement in working capital	**1,281,180**	1,145,983	**848,384**	767,581
(Increase)/decrease in trade and other receivables	**(6,707)**	5,944	**50,139**	25,615
Increase/(decrease) in trade and other payables	**55,999**	50,146	**(5,087)**	(3,655)
Cash generated from operations	**1,330,472**	1,202,073	**893,436**	789,541
Income tax paid	**(154,757)**	(164,614)	**(406)**	(544)
Net cash from operating activities	**1,175,715**	1,037,459	**893,030**	788,997
Investing activities				
Acquisition of property companies, net of cash acquired (Note 14(i))	**(1,783,205)**	–	**–**	–
Deposit paid for acquisition of property companies	**–**	(95,925)	**–**	–
Investment in a subsidiary (Note 13)	**–**	–	**–**	(135,817)
Upgrading of investment properties	**(97,765)**	(60,221)	**–**	–
Taxation paid	**–**	(70,217)	**–**	–
Proceed from disposal of a property company (Note 14(ii))	**640,439**	–	**–**	–
Interest received	**3,473**	9,958	**378**	2,607
Net cash (used in)/from investing activities	**(1,237,058)**	(216,405)	**378**	(133,210)
Financing activities				
Drawdown of borrowings	**2,105,060**	630,000	**–**	–
Repayment of borrowings	**(933,962)**	(660,000)	**–**	–
Distribution paid	**(830,525)**	(725,647)	**(830,525)**	(725,647)
Interest paid	**(238,860)**	(214,475)	**–**	–
Payment of front end fees	**(18,438)**	(20,700)	**(18,438)**	(20,700)
Net cash from/(used in) financing activities	**83,275**	(990,822)	**(848,963)**	(746,347)
Net Increase/(decrease) in cash and cash equivalents	**21,932**	(169,768)	**44,445**	(90,560)
Cash and cash equivalents at beginning of the year	**688,407**	858,175	**424,418**	514,978
Cash and cash equivalents at end of the year	**710,339**	688,407	**468,863**	424,418
Represented by:				
Cash at bank and in hand	**523,339**	270,556	**468,863**	108,567
Fixed deposits with original maturity date less than 3 months	**187,000**	417,851	**–**	315,851
	710,339	688,407	**468,863**	424,418

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 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 6 Temasek Boulevard, #16-02 Suntec Tower 4, Singapore 038986 and Units 5508-5510, 55th Floor, The Center, 99 Queen's Road Central, Hong Kong, respectively.

The registered offices and principal places 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 dollars ("**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 116 to 174 were authorised for issue by the Manager on 21 January 2016.

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, the Property Manager has engaged Whampoa Property Management Limited, which is 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.

1 GENERAL (Continued)

(a) Property management fees (Continued)

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;

— 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.

1 GENERAL (Continued)

(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

(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 REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following amendments to the International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") that are mandatorily effective for an accounting period that begins on or after 1 January 2015:

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

The application of the amendments to the IFRSs in the current 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 financial statements.

New and revised IFRSs issued but not effective

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

Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle[1]
IFRS 9	Financial Instruments[2]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 11	Accounting for Acquisitions of Interests and Joint Operations[1]
IFRS 14	Regulatory Deferral Accounts[3]
IFRS 15	Revenue from Contracts with Customers[2]
IFRS 16	Leases[4]
Amendments to IAS 1	Disclosure Initiative[1]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[1]
Amendments to IAS 27	Equity Method in Separate Financial Statements[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for first annual IFRS financial statements beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2019
5 Effective for annual periods beginning on or after a date to be determined

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

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

IFRS 9 Financial Instruments (Continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test have been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

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, leasing transactions that are within the scope of IAS 17, and the measurements that have same similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

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 fair value of investment properties, presently available banking facilities and internal financial resources of the Group, the Group has sufficient working capital for its present requirements within one year from the end of the reporting period. Hence, the consolidated 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 Fortune REIT.

All intra-group assets and liabilities, income, expenses and cashflow are eliminated in full on consolidation.

(c) 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.

(d) Investment properties

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

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties 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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Investment properties (Continued)

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.

(e) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. 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.

Financial assets

Financial assets are classified into "financial assets at fair value through profit or loss" 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 fair value through profit or loss ("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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

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)

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis.

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.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. 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.

The carrying amount of the trade receivables is reduced by the impairment loss through the use of an allowance account. When such receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in 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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

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 generally classified into financial liabilities at FVTPL and other financial liabilities.

Financial liabilities at fair value through profit or loss

A financial liability carried at FVTPL when the financial liabilities are 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
- 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

Other financial liabilities (Continued)

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.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derivative financial instruments and hedging

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 immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group uses interest rate swaps to hedge its exposure against changes in interest rates. Hedging relationships are classified as cash flow hedges when such relationships are used to hedge against exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability and such variability could affect profit or loss.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in hedging reserve are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

Derivative financial instruments and hedging (Continued)

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss recognised in other comprehensive income and accumulated in hedging reserve at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in hedging reserve is recognised immediately in profit or loss.

Derecognition

Financial assets are derecognised when the 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 ownership 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 expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(f) 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.

(g) Revenue recognition

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

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)

(g) Revenue recognition (Continued)

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 from a financial asset is accrued on a time basis, by reference to the principal outstanding and at effective interest rate, 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 (provided that it is probable that economic benefits with flow to Fortune REIT and the amount of revenue can be measured reliably).

(h) 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 dollars.

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

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

(i) 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 by Fortune REIT 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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) 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, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for investments in subsidiaries in prior years. A reversal of an impairment loss is recognised as income immediately.

(k) 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 statement 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 never 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.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the statements of financial position 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.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Taxation (Continued)

Deferred tax is calculated 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 tax liabilities or deferred tax assets 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.

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.

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.

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.

4 KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

In the process of applying the Group's accounting policies, the Manager is of the opinion that there are no instances of application of judgments or the 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(d) and 14, investment properties are stated at fair value based on the valuation performed by independent professional valuers. The valuers have determined the fair values using the basis of capitalisation of the net income which involve the making of certain assumptions and the use of estimates. In relying on the valuation reports of the professional valuers, the Manager has exercised its judgement and is satisfied that the method of valuation is reflective of the current market conditions. The carrying amount of the investment properties at 31 December 2015 was HK$35,918 million (31 December 2014: HK$32,720 million).

(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 2015 represented assets amounting to HK$5.9 million (31 December 2014: HK$32.3 million) and liabilities amounting to HK$59.3 million (31 December 2014: HK$33.6 million).

5 SEGMENTAL REPORTING

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

The Group owns 17 (2014: 17) properties as at 31 December 2015 which are located in Hong Kong. Revenue and net property income of each property (which constitutes an operating segment) is the measure reported to the Manager for the purposes of resource allocation and performance assessment. The accounting policies of the operating segments are the same as the Group's accounting policies. The Manager considers that all existing properties held by the Group, consisting of retail shopping malls, have similar economic characteristics and have similar nature in providing leasing service to similar type of retail tenants for rental income. In addition, the cost structure and the economic environment in which they operate are similar. Therefore, the Manager concluded that each of the property or operating segments are aggregated into a single reportable segment and no further analysis for segment information is presented.

6 REVENUE

	Group		Fortune REIT	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Dividend income from subsidiaries	**–**	–	**891,231**	782,822
Base rental	**1,362,286**	1,191,055	**–**	–
Charge-out collections	**333,838**	300,182	**–**	–
Other rental	**184,246**	162,429	**–**	–
Other income	**1,778**	2,108	**–**	–
	1,882,148	1,655,774	**891,231**	782,822

The other rental mainly includes contingent rents of HK$18.4 million (2014: HK$17.6 million), license fees of HK$69.8 million (2014: HK$64.0 million) and car park revenue of HK$90.5 million (2014: HK$77.6 million).

7 PROPERTY OPERATING EXPENSES

	Group	
	2015 HK$'000	2014 HK$'000
Building management expenses	**207,324**	179,874
Utilities	**63,260**	60,778
Government rents and rates	**95,500**	73,786
Property management fee	**42,760**	38,339
Carpark operating expenses	**25,152**	22,412
Advertising and promotion	**24,190**	20,807
Legal and other professional fees	**12,653**	12,321
Leasing commission and marketing services fee	**28,845**	27,501
Others	**17,392**	22,596
	517,076	458,414

8 TRUST EXPENSES

	Group		Fortune REIT	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Trustee's fee	**12,241**	10,721	**12,241**	10,721
Acquisition fee	**19,185**	–	**19,185**	–
Amortisation of front end fees (Note)	**–**	–	**26,227**	38,412
Expenses for acquisition	**4,046**	70	**4,046**	70
Other charges	**6,907**	4,135	**6,907**	4,135
	42,379	14,926	**68,606**	53,338

Note:
Included in the amortisation of front end fees of HK$26,227,000 (2014: HK$38,412,000), HK$1,444,000 (2014: HK$9,776,000) represented the front end fees written off upon early repayment of term loans during the year. Front end fees amortised by Fortune REIT in respect of its subsidiaries' bank borrowings are not recharged to the subsidiaries.

9 BORROWING COSTS

	Group	
	2015 HK$'000	2014 HK$'000
Interest expense on		
— term loans	**149,282**	138,515
— revolving loans	**21,024**	11,064
Equalisation of interest expense through interest rate swaps	**58,537**	60,793
Commitment fee	**1,687**	1,688
Front end fees		
— amortisation	**33,810**	31,662
— written off upon early repayment of term loans	**1,444**	9,776
	265,784	253,498

10 PROFIT BEFORE TAXATION AND TRANSACTIONS WITH UNITHOLDERS

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

	Group		Fortune REIT	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000 (Note)**	2014 HK$'000 (Note)
Audit fees to external auditors	**2,182**	1,913	**768**	683
Non-audit services fee to external auditors	**951**	705	**–**	–
Fee to internal auditor	**330**	330	**–**	–
Valuation fees (paid to principal valuer)	**618**	777	**–**	–
Bank charges	**392**	334	**12**	8
Public relation and non-deal roadshow expenses	**1,853**	1,336	**946**	335

Note:
These expenses are classified as Trust Expenses in Note 8.

11 INCOME TAX EXPENSE

	Group		Fortune REIT	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Current tax:				
— Hong Kong	**164,674**	138,641	**–**	–
— Singapore	**64**	423	**64**	423
— Under/(over) provision in prior year	**3**	(26)	**–**	(3)
	164,741	139,038	**64**	420
Deferred taxation (Note 19)				
— Current year	**31,742**	32,045	**–**	–
— Overprovision in prior year	**(23)**	(187)	**–**	–
	31,719	31,858	**–**	–
	196,460	170,896	**64**	420

Fortune REIT's subsidiaries in Hong Kong are subject to Hong Kong profits tax at 16.5% (2014: 16.5%).

Fortune REIT, which is established in Singapore, is subject to Singapore income tax at 17% (2014: 17%).

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.

11 INCOME TAX EXPENSE (Continued)

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:

(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 Hong Kong profits tax rate of 16.5% (2014: 16.5%) to the profit before taxation and transactions with unitholders as a result of the following differences:

	Group		Fortune REIT	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Profit before taxation and transactions with unitholders	**2,682,646**	4,101,802	**1,129,275**	638,779
Tax at the applicable income tax rate	**442,637**	676,797	**186,330**	105,398
Tax effect of expenses not deductible for tax purpose	**58,787**	43,295	**28,851**	24,179
Tax effect of income not taxable for tax purpose	**(304,946)**	(548,995)	**(215,119)**	(129,166)
Effect of different tax rates of overseas operations	**2**	12	**2**	12
Over provision in prior years	**(20)**	(213)	**–**	(3)
Taxation for the year	**196,460**	170,896	**64**	420

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

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	
	2015 HK$'000	2014 HK$'000
Profit for the year, before transactions with unitholders	**2,486,186**	3,930,906
Weighted average number of units outstanding during the year Number of units ('000)	**1,883,489**	1,870,212
Basic earnings per unit (HK cents)	**132.00**	210.19

The weighted average number of units outstanding during the year takes into account the 3,527,261 (2014: 3,243,664) units issuable as Manager's base fee for the period from 1 October 2015 to 31 December 2015 (2014: 1 October 2014 to 31 December 2014), which were issued to the Manager on 5 January 2016 (2014: 2 January 2015).

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	
	2015 HK$'000	2014 HK$'000
Unquoted ordinary shares, at cost	**3,033,109**	3,103,540
Unquoted preference shares, at cost	**3,784,270**	3,325,569
Unquoted deferred shares, at cost	**210**	210
	6,817,589	6,429,319

During the year ended 31 December 2015, Fortune REIT subscribed and fully paid for redeemable preference shares amounting to HK$518.7 million (2014: HK$135.8 million) from its subsidiaries.

13 INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries which are wholly owned by Fortune REIT as at 31 December 2015 and 2014 are as follows:

Name of company	Country/ Place of incorporation	Effective equity interest held by Fortune REIT		Issued and fully paid capital			Principal activities
				Ordinary shares	Redeemable preference shares	Non-voting deferred shares	
		2015 %	2014 %	HK$	HK$	HK$	
Direct subsidiaries							
Ace Courage Limited	British Virgin Islands ("**BVI**")	100	100	8	56,058,600	–	Property investment in Centre de Laguna
Art Full Resources Limited ("**Art Full**")	Hong Kong	–	100	2	60,000,000	–	Property investment in Nob Hill Square (disposed of on 2 April 2015)
Brilliant Crystal Enterprises Limited	BVI	100	100	8	–	–	Financing
FRT Finance (HK) Limited	Hong Kong	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

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
				Ordinary shares	Redeemable preference shares	Non-voting deferred shares	
		2015 %	2014 %	HK$	HK$	HK$	
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							
Bysean Limited	Hong Kong	100	100	2	–	–	Property investment in part of the Belvedere Square
Bysky Limited	Hong Kong	100	100	2	–	–	Property investment in part of the Belvedere Square
Fullforce Limited	Hong Kong	100	100	2	–	–	Property investment in part of the Belvedere Square

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
				Ordinary shares	Redeemable preference shares	Non-voting deferred shares	
		2015 %	2014 %	HK$	HK$	HK$	
LGF Investment Limited ("**LGF**")	Hong Kong	100	–	807,000,000	–	–	Property investment in Laguna Plaza (acquired on 9 January 2015)
Maulden Investments Limited	BVI	100	100	8	–	–	Property investment in Provident Square
Mega Gain Resources Limited	Hong Kong	100	100	1	436,400,000	–	Property investment in Metro Town
Million Nice Development Limited	Hong Kong	100	100	2	–	–	Property investment in Fortune City One
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

13 INVESTMENTS IN SUBSIDIARIES (Continued)

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	
		2015	2014
Property investment	Hong Kong	16	11
Property investment	BVI	10	10
Financing	Hong Kong	1	–
Financing	BVI	5	3
Investment holding or inactive	Cayman Islands	1	–
Investment holding or inactive	Hong Kong	5	5
Investment holding or inactive	BVI	9	11
		47	40

(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:

(a) They do not carry any right to dividend;

(b) 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);

(c) They do not have any voting rights at general meetings of the subsidiary;

(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$100,000,000,000,000 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 the above property investment subsidiaries is Hong Kong.

(v) Interests in all subsidiaries were pledged as securities for the loan and credit facility granted by the banks to the subsidiaries as disclosed in Note 18.

14 INVESTMENT PROPERTIES

	Group	
	2015 HK$'000	2014 HK$'000
FAIR VALUE		
At beginning of year	**32,720,000**	29,338,000
During the year:		
Acquisition of an investment property (Note (i))	**1,912,254**	–
Capital expenditure incurred in upgrading investment properties	**97,765**	60,221
Disposal of an investment property (Note (ii))	**(438,489)**	–
Change in fair value of investment properties	**1,626,470**	3,321,779
At end of year	**35,918,000**	32,720,000

Details of the investment properties as at the end of the reporting period are set out below:

Description of property	Tenure of land	Terms of leases	Remaining term of lease	Location	Valuation	
					2015 HK$'000	2014 HK$'000
Fortune City One	Leasehold	149 years	31.5 years	No. 1 & 2 Ngan Shing Street, 8 Lok Shing Street, Shatin, New Territories, Hong Kong	**7,422,000**	7,124,000
Fortune Kingswood	Leasehold	149 years	31.5 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	**6,828,000**	6,652,000
Ma On Shan Plaza	Leasehold	55.5 years	31.5 years	No. 608 Sai Sha Road, Ma On Shan, Shatin, New Territories, Hong Kong	**5,119,000**	4,896,000
Metro Town	Leasehold	50 years	37 years	No. 8 King Ling Road, Tseung Kwan O, Hong Kong	**3,294,000**	3,026,000
Fortune Metropolis	Leasehold	50.5 years	31.5 years	No. 6–10 Metropolis Drive, Kowloon, Hong Kong	**2,410,000**	2,311,000
Laguna Plaza	Leasehold	149 years	31.5 years	88 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong	**2,214,000**	N/A
Belvedere Square	Leasehold	149 years	31.5 years	No. 530–590, 620 & 625, Castle Peak Road, Tsuen Wan, New Territories, Hong Kong	**2,107,000**	1,914,000

14 INVESTMENT PROPERTIES (Continued)

Description of property	Tenure of land	Terms of leases	Remaining term of lease	Location	Valuation	
					2015 HK$'000	2014 HK$'000
Waldorf Avenue	Leasehold	149 years	31.5 years	No. 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong	1,594,000	1,582,000
Caribbean Square	Leasehold	50 years	31.5 years	No. 1 Kin Tung Road, Tung Chung, New Territories, Hong Kong	969,000	943,000
Provident Square	Leasehold	150 years	56 years	No. 21–53 Wharf Road, North Point, Hong Kong	961,000	922,000
Jubilee Square	Leasehold	149 years	31.5 years	No. 2–18 Lok King Street, Fo Tan, Shatin, New Territories, Hong Kong	872,000	863,000
Smartland	Leasehold	149 years	31.5 years	No. 16 Tsuen Wah Street, Tsuen Wan, New Territories, Hong Kong	684,000	658,000
Tsing Yi Square	Leasehold	149 years	31.5 years	No. 7–19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong	604,000	574,000
Nob Hill Square	Leasehold	50 years	32.5 years	No. 8 King Lai Path, Kwai Chung, New Territories, Hong Kong	N/A	438,000
Centre de Laguna	Leasehold	58 years	31.5 years	93/99 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong	271,000	264,000
Hampton Loft	Leasehold	50 years	34 years	No. 11 Hoi Fan Road, Kowloon, Hong Kong	268,000	258,000
Lido Avenue	Leasehold	149 years	31.5 years	No. 41–63 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong	186,000	182,000
Rhine Avenue	Leasehold	57 years	31.5 years	No. 38 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong	115,000	113,000
					35,918,000	32,720,000

14 INVESTMENT PROPERTIES (Continued)

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

The above acquisition was funded by the drawdown of a new bank borrowing as disclosed in Note 18 and utilisation of the revolving credit facility of the existing facilities.

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

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

Net cash outflow arising on acquisition is as follows:

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

14 INVESTMENT PROPERTIES (Continued)

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

The sales proceeds, net of expenses, have been used to repay part of the banking facilities as disclosed in Note 18(i). The disposal resulted in a gain of approximately HK$218.6 million.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Investment properties	438,489
Trade and other receivables	1,414
Bank balances and cash	8,515
Trade and other payables	(8,040)
Provision for taxation	(935)
Deferred tax liabilities	(15,087)
Net assets disposed of	424,356

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

	HK$'000
Consideration received	648,954
Less: Transaction cost incurred	(2,760)
Less: Divestment fee	(3,240)
Less: Net assets disposal of	(424,356)
	218,598

Net cash inflow arising on disposal is as follows:

	HK$'000
Consideration received	648,954
Less: Cash and cash equivalents disposed of	(8,515)
	640,439

14 INVESTMENT PROPERTIES (Continued)

(iii) In estimating the fair value of investment properties, it is the Group's policy to engage third party qualified external valuer to perform the valuation. The Manager works closely with the qualified external valuer to establish the appropriate valuation technique and inputs to the model.

As at 31 December 2015 and 2014, independent valuations were undertaken by Savills Valuation and Professional Services Limited ("**Savills**") and Jones Lang LaSalle ("**Jones Lang**") respectively. The firms are independent qualified professional valuers not related to the Group and have appropriate professional qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation of the properties was principally arrived at using the basis of capitalisation of the net income. In the valuation, which falls under Level 3 of the 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 commercial properties in Hong Kong and adjusted to take account of the valuers' 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 4.3% – 5.0% (2014: 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 independent valuer. A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.

(iv) All of the Group's property interests in properties located in Hong Kong are either held under long leases or 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.

The carrying amount of investment properties shown above comprise:

	2015 HK$'000	2014 HK$'000
Land in Hong Kong:		
Long lease	**961,000**	922,000
Medium-term lease	**34,957,000**	31,798,000
	35,918,000	32,720,000

(v) Certain properties with total fair value of HK$33,445.6 million (2014: HK$30,275.0 million) as at 31 December 2015 have been mortgaged as collaterals for credit facilities granted by the banks.

15 DERIVATIVE FINANCIAL INSTRUMENTS

	Group	
	2015 HK$'000	2014 HK$'000
Derivative financial instruments are analysed as:		
Derivatives under hedge accounting:		
Cash flow hedges — interest rate swaps	**(3,256)**	(25,347)
Derivatives not under hedge accounting:		
Interest rate swaps and caps	**(50,169)**	24,036
	(53,425)	(1,311)
Reflected on consolidated statement of financial position based on remaining contractual maturity as:		
Non-current assets	**5,884**	32,306
Non-current liabilities	**(52,837)**	(33,617)
Current liabilities	**(6,472)**	–
	(53,425)	(1,311)

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 under hedge accounting:

A contract with notional amount of HK$708.2 million (2014: 708.2 million) as at 31 December 2015 will mature in April 2016 and is highly effective. This contract has fixed interest payments at a rate of 2.017% (2014: 2.017%) per annum for the year ended 31 December 2015 and has floating interest receipts at three months Hong Kong Inter-bank Offered Rate ("**HIBOR**") with HIBOR being repriced every three months.

The effective portion of the change in fair value of the derivative financial instruments, amounting to a gain of HK$9.5 million (2014: gain of HK$11.3 million), is recognised in other comprehensive income for the year ended 31 December 2015. The fair value change of the derivative financial instrument which was no longer highly effective hedge amounting to a gain of HK$4.1 million was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2014.

15 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivatives not under hedge accounting:

Contracts not under hedge accounting with total notional amount of HK$6,797.8 million (2014: HK$4,719.8 million) as at 31 December 2015 will mature from April 2016 to April 2020 (2014: April 2016 to August 2019). These contracts have fixed interest payments at rates ranging from 0.21% to 2.00% (2014: 0.21% to 2.91%) per annum and have floating interest receipts at one or three months HIBOR or at three months HIBOR minus 1.50% if HIBOR is within a pre-determined range (if applicable) with HIBOR being repriced every three months. The interest payments/receipts for contracts with notional amounts of HK$1,208.1 million will commence from April 2016.

The change in fair value of the derivative financial instruments not under hedge accounting amounting to a loss of HK$61.6 million (2014: loss of HK$21.4 million), is recognised in the profit or loss for the year ended 31 December 2015. In addition, as certain interest rate swap contracts previously designated under hedge accounting were no longer highly effective, the respective cumulative losses from inception of the hedge until then that was previously recognised in hedging reserve remains in equity and is released to profit or loss over the periods during which the interest payment in relation to the interest rate swap contracts affects the profit or loss. During the year, release of such cumulative losses from the hedging reserve amounted to HK$13.9 million (2014: HK$11.9 million). Accordingly, the total change in fair value of derivative financial instruments recognised in profit or loss was a net loss of HK$75.5 million (2014: net loss of HK$29.2 million).

The fair value of derivative financial instruments represented 0.22% (2014: 0.01%) of the net assets of Fortune REIT as at 31 December 2015.

The derivative financial instruments are measured at fair value at the end of the reporting period. Their fair values are determined based on the discounted future cash flows using the applicable yield curve for the remaining duration of the instruments.

The fair value of derivative financial instruments falls under Level 2 of the fair value hierarchy and is based on valuation of the instruments provided by the counterparty banks, which are determined using interest rates implied from observable market inputs such as market interest rates yield curves and contracted interest rates discounted at a rate that reflects the credit risk of various counterparties.

16 TRADE AND OTHER RECEIVABLES

	Group		Fortune REIT	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
(a) Trade receivables				
Outside parties	**35,417**	29,812	**–**	–
Related parties (Note 30)	**3,836**	2,578	**–**	–
	39,253	32,390	**–**	–
(b) Other receivables and prepayments				
Security deposits	**28,078**	23,846	**–**	–
Other receivables	**4,288**	2,917	**2,870**	2,475
Prepayments	**1,822**	1,700	**27,956**	54,235
	34,188	28,463	**30,826**	56,710
	73,441	60,853	**30,826**	56,710

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

	Group	
	2015 HK$'000	2014 HK$'000
0–30 days	**38,954**	31,495
31–90 days	**251**	885
Over 90 days	**48**	10
	39,253	32,390

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$34.2 million (2014: HK$28.8 million).

Included in the Group's trade receivable balance are debtors with a carrying amount of HK$5.0 million (2014: HK$3.6 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.

16 TRADE AND OTHER RECEIVABLES (Continued)

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

	Group	
	2015 HK$'000	2014 HK$'000
1–30 days	**4,723**	2,665
31–90 days	**251**	885
Over 90 days	**48**	10
	5,022	3,560

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 provision 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 provision required in excess of the allowance for doubtful debts.

Fortune REIT's prepayments included front end fees of HK$27.9 million (2014: HK$54.2 million) as at 31 December 2015 in respect of its subsidiaries' bank borrowings.

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

	Group and Fortune REIT	
	2015 HK$'000	2014 HK$'000
Denominated in:		
Singapore dollars	**2,870**	2,551

17 BANK BALANCES AND CASH

	Group		Fortune REIT	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Cash at bank and in hand	**523,339**	270,556	**468,863**	108,567
Fixed deposits with original maturity date less than 3 months	**187,000**	417,851	**–**	315,851
Cash and cash equivalents	**710,339**	688,407	**468,863**	424,418
Effective interest rate per annum	**0.26%**	0.40%	**N/A**	0.37%

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	
	2015 HK$'000	2014 HK$'000
Denominated in:		
Singapore dollars	**2,963**	4,403

18 BORROWINGS

	Group	
	2015 HK$'000	2014 HK$'000
Secured term loans	**7,845,351**	7,334,253
Unsecured term loans	**1,618,700**	1,618,700
Secured revolving loans	**1,470,000**	940,000
Unsecured revolving loans	**130,000**	–
Less: unamortised front end fees	**(55,027)**	(71,843)
	11,009,024	9,821,110
Carrying amount repayable:		
On demand or within one year	**3,780,054**	940,000
More than one year, but not more than two years	**3,940,320**	2,817,265
More than two years, but not more than five years	**3,288,650**	6,063,845
	11,009,024	9,821,110
Less: Amount due within one year shown under current liabilities	**(3,780,054)**	(940,000)
	7,228,970	8,881,110

18 BORROWINGS (Continued)

(i) In relation to the term loan of HK$2,830.0 million and revolving credit facility of HK$970.0 million under the facility agreement dated 11 April 2011 for a term of 5 years (the "**2011 Facilities**"), the amounts outstanding under the 2011 Facilities drawn down by certain subsidiaries as at 31 December 2015 was HK$3,154.0 million (2014: HK$3,268.0 million). Part of the term loan of approximately HK$638 million was early repaid due to the disposal of Nob Hill Square in April 2015 as disclosed in Note 14(ii). The 2011 Facilities are secured by, inter alia, a mortgage over certain investment properties. The 2011 Facilities bear interest at HIBOR plus a margin of 0.91% per annum.

On 22 December 2015, Fortune REIT, through its wholly owned subsidiary, entered into two 5-year term loan facility agreements for an aggregate amount of HK$3,200.0 million (the "**New Facilities**"), comprising a HK$2,000 million 5-year secured term loan facility and a HK$1,200 million 5-year unsecured term loan facility. The New Facilities are to be drawn down around March 2016 to refinance the outstanding amount of the 2011 Facilities as well as for other general corporate purpose.

(ii) In relation to the term loans with aggregate amount of HK$5,025.0 million under the facility agreements dated 7 October 2013 for terms between 3.5 years to 5 years (the "**2013 Facilities**"), the amounts outstanding under the 2013 Facilities drawn down by certain subsidiaries as at 31 December 2015 was HK$5,025.0 million (2014: HK$5,025 million). Term loans of HK$3,406.3 million under the 2013 Facilities are secured by, inter alia, a mortgage over certain investment properties. The 2013 Facilities bear interest at HIBOR plus a margin of ranging from 1.30% to 1.70% per annum.

(iii) In relation to the term loan of HK$1,100.0 million and revolving credit facility of HK$700.0 million under the facility agreement dated 8 April 2014 for a term of 5 years (the "**2014 Facilities**"), the amounts outstanding under the 2014 Facilities drawn down by a subsidiary as at 31 December 2015 was HK$1,600.0 million (2014: HK$1,600.0 million). The 2014 Facilities are secured by, inter alia, a mortgage over certain investment properties. The 2014 Facilities bear interest at HIBOR plus a margin of 1.40% per annum.

(iv) In relation to the term loans of HK$1,200.0 million and revolving credit facility of HK$400 million under the facility agreements dated 2 January 2015 for terms between 2 years to 5 years (the "**2015 Facilities**"), the amounts outstanding under the 2015 Facilities drawn down by certain subsidiaries as at 31 December 2015 was HK$1,285.1 million. Term loan of HK$1,155.1 million under the 2015 Facilities are secured by, inter alia, a mortgage over Laguna Plaza. The 2015 Facilities bear interest at HIBOR plus a margin ranging from 1.45% to 1.75% per annum. The 2015 Facilities was used to partly finance the acquisition of subsidiaries as disclosed in Note 14(i).

(v) The Trustee (in its capacity as Trustee of Fortune REIT) has provided guarantee for all the above facilities.

(vi) The above facilities (excluding the New Facilities) with aggregate amounts of HK$3,154.0 million, HK$4,088.7 million, HK$1,066.3 million, HK$1,600.0 million and HK$1,155.1 million will mature in 2016, 2017, 2018, 2019 and 2020 respectively.

18 BORROWINGS (Continued)

(vii) During the year, the Group has paid front end fees of HK$18.4 million (2014: HK$20.7 million) to the banks to secure the loan facilities. The front end fees are amortised over the respective loan periods. The movements in the front end fees and accumulated amortisation are as follow:

	Group	
	2015	2014
	HK$'000	HK$'000
At beginning of year	**127,825**	140,725
Addition	**18,438**	20,700
Reversal during the year	**(7,018)**	(33,600)
At end of year	**139,245**	127,825
Movement in accumulated amortisation:		
At beginning of year	**(55,982)**	(48,144)
Amortised during the year	**(33,810)**	(31,662)
Reversal during the year	**5,574**	23,824
At end of year	**(84,218)**	(55,982)
Net book values	**55,027**	71,843

(viii) The effective interest rates:

	Weighted average effective interest rate		Principal amount	
	2015	2014	**2015**	2014
	%	%	**HK$'000**	HK$'000
Interest bearing borrowing				
Fixed rate *	**2.56**	2.57	**5,708,000**	3,630,000
Variable rate	**1.54**	1.87	**5,356,051**	6,262,953
			11,064,051	9,892,953

* The effective interest rate had taken into account the effect of the interest rate swaps (including derivatives not under hedge accounting) 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.

19 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	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Group						
At beginning of year	**381,602**	349,744	**(3,367)**	(3,367)	**378,235**	346,377
Disposal of a subsidiary during the year (Note 14(ii))	**(15,087)**	–	**–**	–	**(15,087)**	–
Charged to profit or loss for the year	**31,719**	31,858	**–**	–	**31,719**	31,858
At end of year	**398,234**	381,602	**(3,367)**	(3,367)	**394,867**	378,235

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.

20 TRADE AND OTHER PAYABLES

	Group		Fortune REIT	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
(a) Trade payables				
Tenants' deposits				
— Outside parties	**453,704**	410,128	**–**	–
— Related parties (Note 30)	**13,907**	10,500	**–**	–
Rental received in advance				
— Outside parties	**22,110**	15,995	**–**	–
	489,721	436,623	**–**	–
(b) Other payables				
Trustee's fee	**2,081**	1,943	**2,081**	1,943
Other expenses				
— Outside parties	**106,142**	69,599	**3,237**	1,993
— Related parties (Note 30)	**62,103**	68,173	**–**	–
— Manager (Note 30)	**6,949**	6,011	**–**	–
Interest payable	**3,420**	4,079	**–**	–
Others	**3,568**	2,199	**3,568**	2,199
	184,263	152,004	**8,886**	6,135
Total	**673,984**	588,627	**8,886**	6,135

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$299.6 million (2014: HK$262.3 million) as at 31 December 2015.

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

	Group and Fortune REIT	
	2015 HK$'000	2014 HK$'000
Denominated in:		
Singapore dollars	**1,002**	891

21 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 are 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 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 2015 and 2014 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 2015 and 2014 mainly represents financial liabilities.

	Number of units	
	'000	HK$'000
Balance as at 1 January 2014	1,862,534	7,572,356
Issue of new units during the year:		
As payment of Manager's base fee for the period from 1 January to 30 September 2014	10,512	68,149
Balance in issue as at 31 December 2014	1,873,046	7,640,505
Issue of new units during the year:		
As payment of Manager's base fee for the period from 1 October to 31 December 2014 (Note (i))	3,244	24,742
Balance as at 31 December 2014	1,876,290	7,665,247
Issue of new units during the year:		
As payment of Manager's base fee for the period from 1 January to 30 September 2015	10,082	78,625
Balance in issue as at 31 December 2015	1,886,372	7,743,872
New units to be issued:		
As payment of Manager's base fee for the period from 1 October to 31 December 2015 (Note (i))	3,527	27,160
Balance as at 31 December 2015	1,889,899	7,771,032

Note:

(i) Manager's base fee payable to the Manager is in the form of units. On 5 January 2016, Fortune REIT issued 3,527,261 units at an issue price of HK$7.780 per unit to the Manager as base fee for the period from 1 October 2015 to 31 December 2015. On 2 January 2015, Fortune REIT issued 3,243,664 units at an issue price of HK$7.6277 to the Manager as base fee for the period from 1 October 2014 to 31 December 2014.

22 NET ASSET VALUE PER UNIT ATTRIBUTABLE TO UNITHOLDERS

Net asset value per unit is calculated based on the net assets attributable to unitholders of the Group of HK$24,106.3 million (2014: HK$22,375.5 million) and the total number of 1,889,899,303 (2014: 1,876,289,958) units in issue and to be issued, including the new units to be issued as payment of Manager's base fee.

23 NET CURRENT LIABILITIES

As at 31 December 2015, the Group's net current liabilities, defined as current assets less current liabilities, amounted to HK$4,140.9 million (2014: HK$1,179.7 million).

24 TOTAL ASSETS LESS CURRENT LIABILITIES

As at 31 December 2015, the Group's total assets less current liabilities amounted to HK$31,783.0 million (2014: HK$31,668.5 million).

25 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 35% (2014: 35%) and 45% (2014: 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 2015, the Group has aggregate borrowings with principal amount of HK$11,064 million (2014: HK$9,893 million).

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 2015.

26 FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	Group		Fortune REIT	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Financial assets				
Loans and receivables				
Trade and other receivables	**71,619**	59,153	**2,870**	2,475
Bank balances and cash	**710,339**	688,407	**468,863**	424,418
	781,958	747,560	**471,733**	426,893
Fair value				
Derivative financial instruments				
— Not under designated hedge accounting	**5,884**	32,306	**–**	–
Financial liabilities				
Amortised cost				
Other payables	**85,277**	86,700	**5,649**	4,142
Distribution payable	**444,312**	390,316	**444,312**	390,316
Borrowings	**11,009,024**	9,821,110	**–**	–
	11,538,613	10,298,126	**449,961**	394,458
Fair value				
Derivative financial instruments				
— In designated hedge accounting relationships	**3,256**	12,762	**–**	–
— Not under designated hedge accounting	**56,053**	20,855	**–**	–
	59,309	33,617	**–**	–

26 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. 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 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 last financial year and held constant throughout last financial period in the case of financial instruments that bear interest at floating rates. A range of 25 to 75 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 higher or lower and all other variables were held constant, the Group's profit before tax for the year would decrease or increase accordingly. This is mainly attributable to the Group's exposure to interest rates on its floating rate borrowings which is not hedged. The following analysis shows the Group's sensitivity to interest rates exposure:

Increase in interest rates basis points by:

	Decrease in the Group's profit	
	2015 HK$'000	2014 HK$'000
25 basis points	**13,390**	15,657
50 basis points	**26,780**	31,315
75 basis points	**40,170**	46,972

No interest rate sensitivity analysis in relation to time deposit of the Group and Fortune REIT as the Manager considered that the impact of interest rate risk on profit or loss for the year was insignificant.

26 FINANCIAL INSTRUMENTS (Continued)

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

Credit risk

Credit risk 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 default.

Trade receivable consists of rental revenue 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.

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 credit risk on liquid funds is limited because cash and fixed deposits are placed with reputable bank with high credit ratings assigned by international credit-rating agencies.

The credit risk on derivative financial instrument is limited because the counterparties are bank with high credit ratings assigned by international credit-rating agencies.

The maximum exposure to credit risk of the Group and Fortune REIT is represented by the carrying value of each financial asset on the statements of financial position.

Foreign currency risk

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

The net carrying amounts of monetary assets denominated in currencies other than their functional currency arise from Singapore dollars ("**S$**") denominated bank balances and deposits, other receivables and other payables amounting to HK$4.8 million (2014: HK$6.1 million) as at 31 December 2015. The foreign currency risk is managed by the Manager on an ongoing basis as well as to minimising the bank balance in Singapore dollars.

If HK$ were to strengthen against S$ by 5%, 10% and 15% (2014: 5%, 10% and 15%), the Group's profit for the year would decrease by:

	Decrease in the Group's and Fortune REIT's result	
	2015 HK$'000	2014 HK$'000
5%	**242**	303
10%	**483**	606
15%	**725**	909

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

26 FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk

The Manager monitors and maintains a level of cash and cash equivalents deemed adequate by the Manager to finance the Group's 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 fair value of investment properties of HK$35,918 million, presently available banking facilities of HK$470 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$7,506 million (2014: HK$5,428 million) as at 31 December 2015 with contracted net cash flows due within five years (2014: five years) from inception date.

26 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	3 months to 1 year	1 year to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount as at 31 December 2015
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2015							
Non-derivative financial liabilities							
Tenants' Deposits	–	48,922	119,089	191,163	108,437	467,611	467,611
Other payables	–	85,277	–	–	–	85,277	85,277
Bank borrowings — variable rate	1.52	41,955	3,255,367	4,170,033	3,907,683	11,375,038	11,009,024
Distribution Payable	–	444,312	–	–	–	444,312	444,312
Cash outflow		620,466	3,374,456	4,361,196	4,016,120	12,372,238	12,006,224
Derivative liabilities — net settlement							
Derivative financial instruments, cash outflow		12,503	34,187	29,625	31,617	107,932	59,309

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	1 year to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount as at 31 December 2014
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2014							
Non-derivative financial liabilities							
Tenants' Deposits	–	48,105	110,188	141,695	120,640	420,628	420,628
Other payables	–	86,700	–	–	–	86,700	86,700
Bank borrowings — variable rate	1.50	136,621	111,601	3,290,364	6,735,435	10,274,021	9,821,110
Distribution Payable	–	390,316	–	–	–	390,316	390,316
Cash outflow		661,742	221,789	3,432,059	6,856,075	11,171,665	10,718,754
Derivative liabilities — net settlement							
Derivative financial instruments, cash outflow		7,806	21,983	12,437	11,213	53,439	33,617

26 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	Total undiscounted cash flows	Carrying amount as at 31 December 2015
	HK$'000	**HK$'000**	**HK$'000**
2015			
Other payables	**5,649**	**5,649**	**5,649**
Distribution payable	**444,312**	**444,312**	**444,312**
	449,961	**449,961**	**449,961**

	On demand or less than 3 months	Total undiscounted cash flows	Carrying amount as at 31 December 2014
	HK$'000	HK$'000	HK$'000
2014			
Other payables	4,142	4,142	4,142
Distribution payable	390,316	390,316	390,316
	394,458	394,458	394,458

(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.

27 OPERATING LEASE ARRANGEMENTS

	Group	
	2015 HK$'000	2014 HK$'000
Minimum lease income under operating leases included in revenue	**1,362,286**	1,191,055

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	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Within one year	**1,056,752**	910,536	**156,426**	160,338	**1,213,178**	1,070,874
In the second to fifth year inclusive	**821,799**	808,282	**95,892**	116,969	**917,691**	925,251
Over five years	**21,009**	13,724	**–**	630	**21,009**	14,354
	1,899,560	1,732,542	**252,318**	277,937	**2,151,878**	2,010,479

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 one 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 18%.

28 CAPITAL COMMITMENT

As at 31 December 2015, the Group had capital commitments in respect of investment properties which were authorised but not contracted for of HK$349.6 million (2014: HK$216.0 million) and contracted but not provided for of HK$78.8 million (2014: HK$107.3 million).

29 MAJOR NON CASH TRANSACTIONS

During the year, Manager's base fee for the year ended 31 December 2015 of HK$105.8 million were and will be settled by the issuance of 10,082,084 units and 3,527,261 units, respectively.

In prior year, previous bank loans of HK$1,100 million were refinanced in part by the 2014 Facilities. The refinancing did not involve the settlement of cash by the Group as the previous bank loans were settled by the respective banks directly. In addition, the Manager's base fee for the year ended 31 December 2014 of HK$92.9 million were settled by the issuance of 13,756,144 units.

30 CONNECTED AND RELATED PARTY TRANSACTIONS

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

	Notes	2015 HK$'000	2014 HK$'000
Rent and rental related income from			
AMTD Strategic Capital Limited	*(f)*	**–**	5,320
ARA Asset Management (Fortune) Limited	*(h)*	**693**	582
A.S. Watson Retail (HK) Limited	*(d)*	**32,823**	30,373
BIGBOXX.com Limited	*(d)*	**2,245**	2,023
Cheung Kong Property Development Limited	*(b)*	**45,122**	43,778
Cheung Kong (Holdings) Limited ("**Cheung Kong**")	*(c)*	**52**	153
Citybase Property Management Limited	*(b)*	**3,317**	3,262
Hang Seng Bank Limited	*(g)*	**16,693**	15,253
HSBC Life (International) Limited	*(g)*	**24**	–
Hutchison Global Communications Limited	*(d)*	**1,488**	1,383
Hutchison International Limited	*(d)*	**2,714**	2,670
Hutchison Telephone Company Limited	*(d)*	**9,310**	8,954
Hutchison Telecommunications Services Limited	*(d)*	**–**	12
Sino China Enterprises Limited	*(b)*	**4**	–
Kingswood Property Services Limited	*(b)*	**–**	145
Metro Broadcast Corporation Limited	*(d)*	**880**	–
PARKnSHOP (HK) Limited	*(d)*	**153,650**	133,402
The Hongkong and Shanghai Banking Corporation Limited ("**HSBC**")	*(g)*	**14,068**	13,427
Towerich Limited	*(b)*	**61**	56
Carpark lease agency fee for the operations for the Group's carpark			
Cayley Property Management Limited	*(e)*	**64**	237
E-Park Parking Management Limited	*(b)*	**7,402**	6,332
Property management and project management fee			
Cayley Property Management Limited	*(e)*	**205**	637
Citybase Property Management Limited	*(b)*	**1,108**	951
Goodwell-Fortune Property Services Limited	*(b)*	**41,430**	37,003
Goodwell Property Management Limited	*(b)*	**158**	141
Guardian Property Management Limited	*(i)*	**1,470**	–
Savills Property Management Limited	*(i)*	**400**	–
Whampoa Property Management Limited	*(e)*	**725**	698

30 CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

	Notes	2015 HK$'000	2014 HK$'000
Marketing services fee			
Goodwell-Fortune Property Services Limited	*(b)*	**28,071**	26,159
Savills (Hong Kong) Limited	*(i)*	**99**	–
Advertising and promotion expenses			
Metro Broadcast Corporation Limited	*(d)*	**782**	809
Trustee's fee			
HSBC Institutional Trust Services (Singapore) Limited		**12,241**	10,721
Manager's acquisition fee and divestment fee			
ARA Asset Management (Fortune) Limited	*(h)*	**22,425**	–
Manager's base fee			
ARA Asset Management (Fortune) Limited	*(h)*	**105,785**	92,891
Manager's performance fee			
ARA Asset Management (Fortune) Limited	*(h)*	**41,045**	36,136
Valuation and other fees			
Jones Lang	*(j)*	**–**	777
Savills	*(k)*	**618**	–

Trade receivables with connected and related companies are as follows:

	Notes	2015 HK$'000	2014 HK$'000
A.S. Watson Retail (HK) Limited	*(d)*	**3**	19
Cheung Kong Property Development Limited	*(b)*	**3,608**	2,483
Hutchison Telephone Company Limited	*(d)*	**3**	–
PARKnSHOP (HK) Limited	*(d)*	**222**	76
		3,836	2,578

30 CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

Other payables with connected and related companies are as follows:

	Notes	2015 HK$'000	2014 HK$'000
ARA Asset Management (Fortune) Limited	(h)	**6,949**	6,011
Cayley Property Management Limited	(e)	**–**	2,509
Citybase Property Management Limited	(b)	**24,102**	24,046
Citytruth Property Management Limited	(b)	**41**	–
E-Park Parking Management Limited	(b)	**1,320**	1,059
Goodwell-Fortune Property Services Limited	(b)	**13,267**	13,103
Goodwell Property Management Limited	(b)	**20,314**	23,507
Whampoa Property Management Limited	(e)	**3,059**	3,949
		62,103	68,173
		69,052	74,184

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

	Notes	2015 HK$'000	2014 HK$'000
ARA Asset Management (Fortune) Limited	(h)	**211**	161
A.S. Watson Retail (HK) Limited	(d)	**979**	751
Citybase Property Management Limited	(b)	**1,000**	982
Hang Seng Bank Limited	(g)	**4,534**	4,139
HSBC	(g)	**2,650**	2,356
Hutchison Global Communications Limited	(d)	**385**	370
Hutchison Telephone Company Limited	(d)	**1,549**	1,470
PARKnSHOP (HK) Limited	(d)	**2,578**	255
Sino China Enterprises Limited	(b)	**4**	–
Towerich Limited	(b)	**17**	16
		13,907	10,500

30 CONNECTED AND RELATED PARTY TRANSACTIONS (Continued)

Notes:

(a) Significant holder of Fortune REIT (as defined in the REIT Code) being Focus Eagle Investments Limited (the "**Significant Holder**"), which holds approximately 21% of the outstanding units of Fortune REIT as at 31 December 2015.

(b) As disclosed in the listing document of Cheung Kong Property Holdings Limited ("**CK Property**") published on 8 May 2015, Cheung Kong and its subsidiaries have undergone a series of reorganisation (the "**Reorganisation**"), which was completed on 3 June 2015. Before the completion of the Reorganisation, these companies as well as the Significant Holder were subsidiaries of Cheung Kong and after the completion of the Reorganisation, they became subsidiaries of CK Property and CK Property is the holding company of the Significant Holder.

(c) Before the completion of the Reorganisation, Cheung Kong was the holding company of the Significant Holder and after the completion of the Reorganisation, Cheung Kong became an associated company (as defined in the REIT code) of the Significant Holder.

(d) These companies are associated companies (as defined in the REIT code) of the Significant Holder.

(e) Before the completion of the Reorganisation, these companies were subsidiaries of Hutchison Whampoa Limited, which were associated companies of the Significant Holder (as defined in the REIT code). After the completion of the Reorganisation, these companies became subsidiaries of CK Property.

(f) This company was a subsidiary of Cheung Kong for the year ended 31 December 2014.

(g) These companies are fellow subsidiaries of the Trustee.

(h) This company is the Manager of Fortune REIT. HK$3,240,000 divestment fee to Manager was charged against the gain on disposal of an investment property.

(i) These companies are fellow subsidiaries of Savills.

(j) Jones Lang LaSalle was the principal valuer of investment properties for the year ended 31 December 2014.

(k) Savills is the principal valuer of investment properties for the year ended 31 December 2015.

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

MAJOR ESTATE AGENTS AND CONTRACTORS

The top five estate agents and contractors and their respective value of service were as follows:

Contractors	Nature of services	Value of contract HK$ million	Percentage
Citybase Property Management Limited	Building Management	117.3	27.0%
Goodwell Property Management Limited	Building Management	94.4	21.7%
Goodwell-Fortune Property Services Limited	Property Management	89.2	20.5%
Union Contractors Limited	Projects and maintenance	62.1	14.3%
Whampoa Property Management Limited	Building Management	15.8	3.6%
Total		**378.8**	**87.1%**

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.

(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 fee[1] 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 fee[1] 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 2015	Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2012	Year ended 31 December 2011
Net assets attributable to unitholders[1] (HK$'000)	**24,106,324**	22,375,537	19,109,327	14,977,709	13,227,770
Net asset value per unit (HK$)	**12.76**	11.93	10.26	8.81	7.85
The highest traded price during the year (HK$)	**9.05**	7.84	8.61	6.96	4.23
The highest premium of the trade price to net asset value[2]	**N.A.**	N.A.	N.A.	N.A.	N.A.
The lowest traded price during the year (HK$)	**7.25**	5.60	5.89	3.70	3.19
The highest discount of the trade price to net asset value	**43.18%**	53.06%	42.59%	58.00%	59.36%
The net yield per unit[3]	**5.9%**	5.3%	5.8%	5.1%	7.0%

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 2015 was HK$698.6 million or 2.9% of the net assets attributable to unitholders as at 31 December 2015.
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 reporting period over the last traded price for the respective reporting period.

INTERESTED PARTY TRANSACTIONS

The transactions entered into during the financial year with "interested party" (as defined under Appendix 6 — Property Funds of the CIS Code) are as follows:

Name of Interested Party	Aggregate value of all interested party transactions entered during the financial period under review (excluding transactions of less than S$100,000 (HK$583,090 equivalent)[1] each) HK$ million
Base rent and charge-out collections	
ARA Asset Management (Fortune) Limited	1.6
A.S. Watson Retail (HK) Limited	13.0
Cheung Kong Property Development Limited	48.8
Hang Seng Bank Limited	19.7
Hutchison Telephone Company Limited	9.9
PARKnSHOP (HK) Limited	115.9
The Hongkong and Shanghai Banking Corporation Limited	15.0
Total	223.9

Saved as disclosed above, there were no additional interested party transactions (excluding transactions of less than S$100,000 (HK$583,090 equivalent)[1] each) entered into during the year ended 31 December 2015.

Note:
1. Exchange rate as at 1 January 2015.

Please also refer to connected and related party transactions in Note 30 in the Financial Statements.

CORPORATE INFORMATION

MANAGER

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YEUNG, Eirene, *Non-Executive Director*
MA Lai Chee, Gerald, *Non-Executive Director*
CHIU Yu, Justina, *Executive Director* and *Chief Executive Officer*
ANG Meng Huat, Anthony, *Executive Director*
LIM Lee Meng, *Independent Non-Executive Director and Lead Independent Director*
SNG Sow-Mei (alias POON Sow Mei), *Independent Non-Executive Director*
LAN Hong Tsung, David, *Independent Non-Executive Director*

COMPANY SECRETARY OF THE MANAGER

YEOH Kar Choo, Sharon

TRUSTEE

HSBC Institutional Trust Services (Singapore) Limited

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LEGAL ADVISER AS TO SINGAPORE LAW

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Design, Production and Printing: REF Financial Press Limited www.ref.com.hk

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