

✦  
✦ **Shaping  
Resilience  
Optimising  
Potential** ✦  
✦





## ABOUT FORTUNE REIT

Established in 2003, Fortune Real Estate Investment Trust (“**Fortune REIT**”) is a real estate investment trust constituted by a trust deed (the “**Trust Deed**”) (as amended, supplemented or otherwise modified from time to time). It is the first REIT to hold Hong Kong assets and is currently listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**SEHK**”). Fortune REIT holds a portfolio of 16 retail properties in Hong Kong, comprising approximately 3.0 million square feet (“**Sq.ft.**”) of retail space and 2,713 car parking lots.

## About the Manager

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

## 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.





## Shaping Resilience Optimising Potential

While the pandemic has dealt a strong blow to global economies in 2020, it came with longer term impact by forcing a change in the style people live and the way businesses operate. Despite the digital disruptions, we believe physical stores will be here to stay and co-exist with online platform for greater synergy in offering a complete shopping experience.

In 2020, we continue to maintain our competitiveness in the marketplace by enhancing our digital presence, upgrading our malls and investing in the Fortune Malls brand so as to attract customer loyalty and serve them better under the new normal. To enhance shopping experience and be able to delight and engage our customers anytime and anywhere, the Fortune Malls mobile APP was launched in June 2020. We will continue to refine our

business to respond to customer needs and provide a favourable business environment for tenants.



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**Welcome to  
Fortune REIT!**



# 2020 Corporate Milestones

## 10 January

The resolutions on the proposed amendments to the Trust Deed following the voluntary delisting of units from Singapore were approved at the extraordinary general meeting held in Hong Kong.

## 6 March

A final DPU of 25.15 Hong Kong cents for the six months ended 31 December 2019 was paid.

## 4 February

Announced financial results for the full year 2019. Total revenue and net property income reached a record high of HK\$1,959.7 million and HK\$1,480.9 million respectively.



## 24 April

The 2020 annual general meeting was held in Hong Kong, with directors' participation physically and via conference call. All resolutions were duly passed.



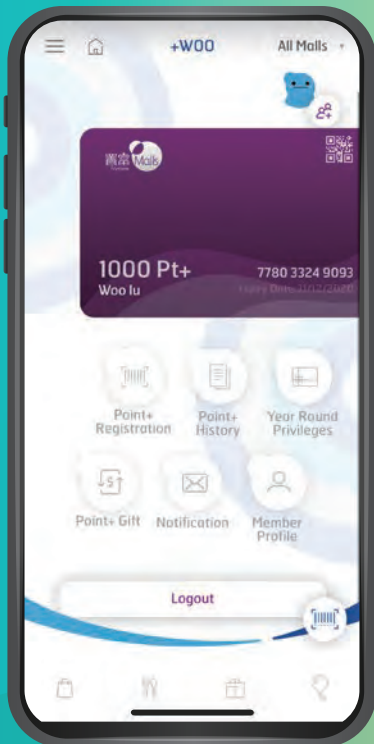
## 29 May

Fortune REIT is included in the MSCI Hong Kong Small Cap Index, effective as of the market close on 29 May 2020.



## 22 June

The Fortune Malls mobile APP was launched. It features the new Fortune+ loyalty programme and integrates the information and offers for shopping, dining and parking for all 16 Fortune Malls.



## 23 October

Fortune REIT secured its maiden five-year sustainability-linked loan of HK\$1 billion from DBS Bank.

## 24 July

Announced financial results for the six months ended 30 June 2020, with total revenue of HK\$951.8 million. The interim distribution per unit of 22.60 HK cents represented an annualized dividend yield of 6.5%.

## 18 September

An interim DPU of 22.60 Hong Kong cents for the six months ended 30 June 2020 was paid.

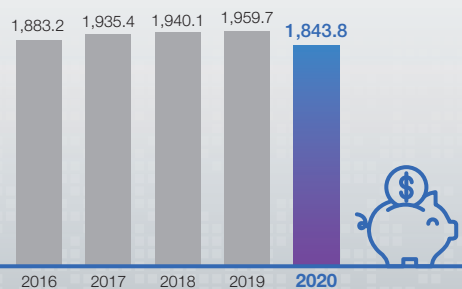
## 23 September

Fortune REIT won the most prestigious awards, “Overall Best IR Company Award” and “Grand ESG Award” and garnered a total of 13 Awards at HKIRA’s 6th Investor Relations Awards 2020.

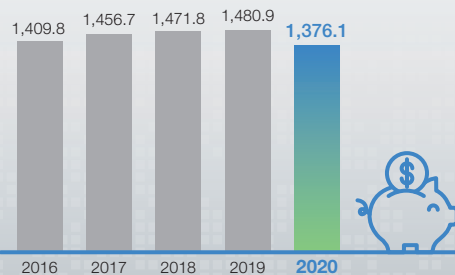


# Financial Highlights

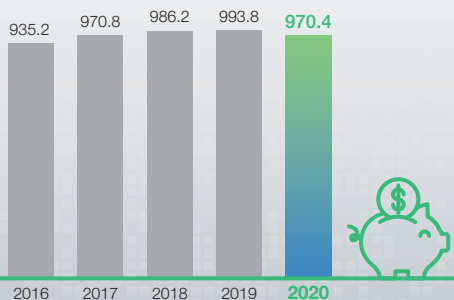
## Gross Revenue (HK\$m)



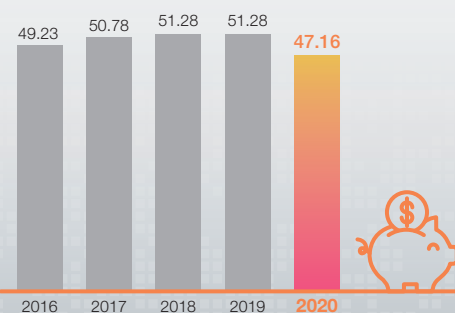
## Net Property Income (HK\$m)



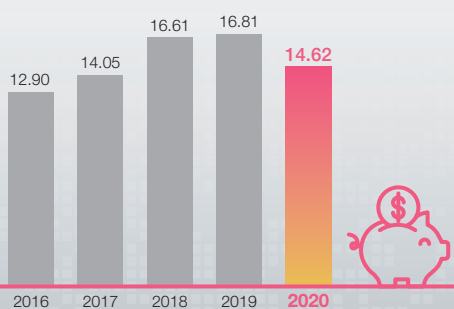
## Income Available for Distribution (HK\$m)



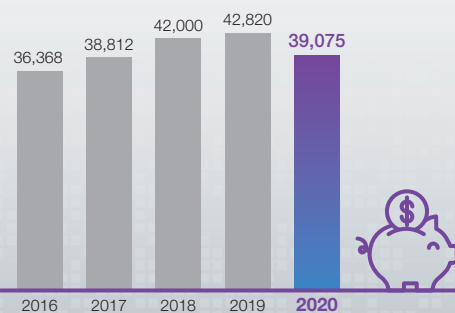
## Distribution Per Unit (HK cents)



## Net Asset Value Per Unit (HK\$)



## Property Valuation (HK\$m)





### Active Leasing Management

Amid the weak retail market, we have focused on retaining quality tenants. As a result, portfolio occupancy stood at 95.8% as at 31 December 2020 and a high tenant retention of 84% was recorded for Reporting Year.



### Asset Enhancement Initiatives

In 2021, we are looking to extend the success of +WOO Phase 1 AEs to Phase 2, giving a further boost to +WOO's leading position in Tin Shui Wai.

### Yield-accretive Acquisitions

Since IPO in 2003, Fortune REIT portfolio has become 11 times bigger to now HK\$39.1 billion. At the current gearing of 22.4%, Fortune REIT possesses ample debt headroom for future expansion.



# 3 Growth Strategies



# Chairman's Report



## Dear Unitholders,

I am pleased to present the annual report of Fortune REIT for the financial year ended 31 December 2020 (“**FY2020**” or the “**Reporting Year**”).

In 2020, the COVID-19 pandemic has posted severe threats to our health and daily activities, thus led to economic contractions of an unprecedented scale in Hong Kong and globally. With the dampened consumer sentiment caused by the social distancing measures put in place locally during the Reporting Year, Fortune REIT’s financial performance in FY2020 was impacted by negative rental reversion, lower carpark income as well as certain rent rebate granted to tenants. Total revenue and net property income fell 5.9% and 7.1% year-on-year to HK\$1,843.8 million and HK\$1,376.1 million respectively. Income available for distribution was HK\$970.4 million, 2.4% lower year-on-year. This led to a total distribution per Unit (“**DPU**”) for the Reporting Year of 47.16 HK cents, representing a yield of 6.4% based on the closing unit price of HK\$7.39 as at 31 December 2020.

**Chui Sing Loi (alias Tsui Sing Loi)**  
*Chairman*



## Proactive asset management to provide a sustainable platform for tenants

Under such a tough operating environment, we continued to work closely with our tenants. Rent concessions have been granted to certain tenants, with priority given to small to medium sized enterprises, to alleviate their operating pressure.

Demonstrating our asset management expertise in proactive lease renewals, we ended FY2020 with a portfolio occupancy of 95.8%. We completed lease transactions for more than 1,200,000 sq.ft. or 40% of total portfolio area during the Reporting Year. As a testament to the strong relationships we have built with our tenants over the years, FY2020 lease renewals reflected a high 84% tenant retention rate.

In June 2020, we successfully launched the Fortune Malls mobile APP. It integrates the information and offers for shopping, dining and parking of all 16 Fortune Malls. It also features the Fortune+ loyalty programme, which has served us well in pushing out marketing campaigns in a timely and effective way. We look to upgrade the APP with expanded features and continue to enhance customer experience at Fortune Malls with complementary digital initiatives.

## Robust balance sheet and financial flexibility for growth

Despite the COVID-19 situation, Fortune REIT maintains healthy liquidity through successful debt refinancing as we secured new facilities with aggregate amount of HK\$4 billion in FY2020. The new facilities also included our first sustainability-linked loan of HK\$1 billion, an important step towards driving a more sustainable business.

Our prudent approach to capital management and maintenance of a robust balance sheet have positioned us well, providing financial flexibility to meet the needs of future growth. The refinancing has strengthened our financial position with extended debt maturity, a well-staggered debt expiry and all our properties becoming unencumbered. Based on our gearing of 22.4% as at 31 December 2020 and the expanded gearing limit under the revised REIT Code, we have a debt headroom of HK\$21.7 billion for expansion opportunities.

## Commitment towards sustainability

COVID-19 is a timely reminder for us to operate our business in a responsible and sustainable way. In FY2020, the Board continued its supervision over the sustainability strategies and progress for Fortune REIT. The Board has also reviewed and endorsed an updated risk profile framework, incorporating ESG risks that are relevant to our business. We will continue to engage stakeholders and focus on the long-term sustainability of our assets to position ourselves stronger for the future.

## Outlook

Given the fluidity of the pandemic, the near-term outlook of the retail market remains uncertain with the operating environment expected to remain challenging in the months ahead. While our business is not immune to disruption brought by the pandemic, the years of a disciplined approach with a cautious investment strategy, a prudent capital management, a resilient neighborhood mall portfolio and a well-established Fortune Malls brand have given us a solid foundation to navigate the challenges ahead.

To pave the way for future growth, we are looking to start a major renovation at +WOO Phase 2 in 2021. With the leading position of +WOO within the neighborhood and success of the renovation completed earlier at its Phase 1, we are optimistic about its long-term prospect in capturing more business from the expanding residential catchment in Tin Shui Wai.

Fortune REIT's portfolio is characterized by the resilience of its neighborhood malls which focus predominantly on daily necessities. We will continue to monitor market risk and stay proactive in driving a sustainable operation.

## Appreciation

I would like to thank my fellow Directors for their invaluable contributions and guidance, the management team and our colleagues for their hard work and dedication, and our tenants, shoppers and partners for their continued support. We would also like to thank you, our Unitholders, for your unwavering trust and confidence in Fortune REIT since listing. Please stay safe and healthy.

**Chui Sing Loi (alias Tsui Sing Loi)**  
*Chairman*

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

Navigating  
Market  
Challenges

"Where is  
Ginza Station?"

This way  
please

 **Ginza Station**  
Walking 300m







Washroom

Phase 1, 1/F



ATM

Phase 1, G/F



Cinema

Phase 2, 1/F

# Management Discussion and Analysis

## Financial Review

Amid the disruptions by COVID-19 to Fortune REIT's portfolio of retail properties, revenue was down by 5.9% year-on-year to HK\$1,843.8 million (2019: HK\$1,959.7 million) for the financial year ended 31 December 2020. This was attributable to negative rental reversions, lower carpark income and certain rental concession granted to tenants.

Total property operating expenses (excluding the Manager's performance fee) decreased by 1.8% year-on-year to HK\$425.1 million (2019: HK\$433.0 million), due to lower leasing commissions and utility costs, but partly offset by higher advertising and promotion expenses and an allowance for credit losses. As a result, net property income decreased by 7.1% year-on-year to HK\$1,376.1 million (2019: HK\$1,480.9 million), while cost-to-revenue ratio was 23.1% (2019: 22.1%) for the Reporting Year.

Finance costs (excluding change in fair value of derivative financial instruments) decreased by 7.9% year-on-year to HK\$245.8 million (2019: HK\$266.9 million), attributable to lower HIBOR during the second half of 2020. Effective borrowing cost for the Reporting Year was 2.80% (2019: 3.12%).

Income available for distribution for the Reporting Year was HK\$970.4 million (2019: HK\$993.8 million), representing a year-on-year decrease of 2.4%. With a 95% distribution payout ratio for the Reporting Year, the DPU amounted to 47.16 HK cents (2019: 51.28 HK cents), representing a yield of 6.4% based on the closing unit price of HK\$7.39 as at 31 December 2020.

The final DPU of 24.56 HK cents for the year ended 31 December 2020 will be paid on 18 March 2021 to Unitholders on the registers of Unitholders of Fortune REIT as at 24 February 2021.

## Capital Management

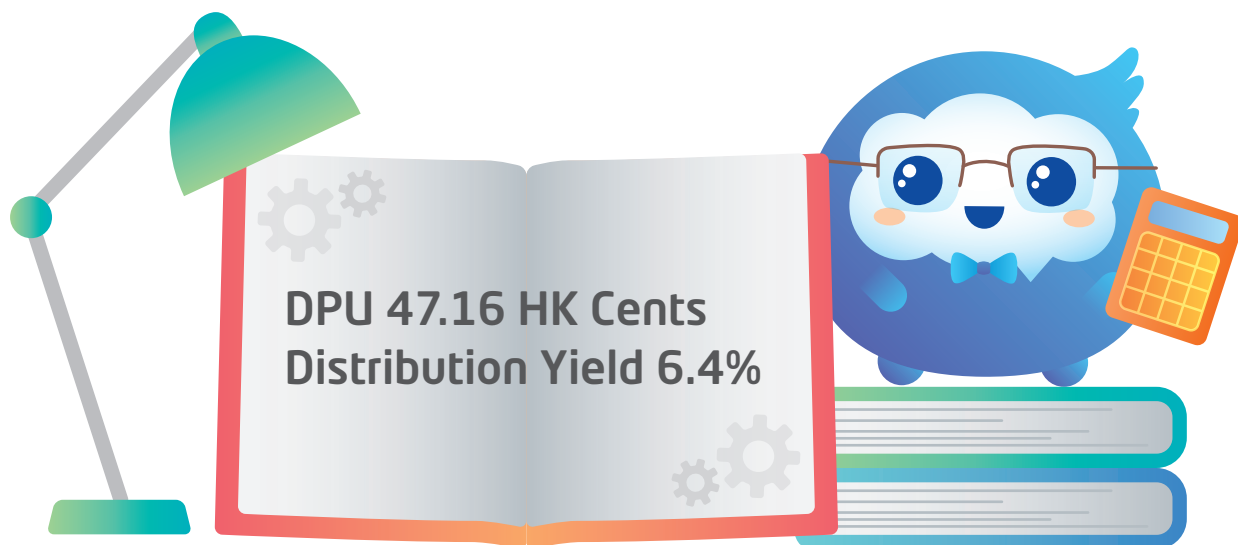
As at 31 December 2020, Fortune REIT's total committed loan facilities amounted to HK\$9,200 million (2019: HK\$8,900 million). Gearing ratio increased to 22.4% (2019: 19.8%), mainly due to lower property valuations. Gross liability as a percentage of its gross assets increased to 27.2% as at 31 December 2020 (2019: 24.2%).

In October 2020, Fortune REIT secured new loans amounted to HK\$4,000 million for the purpose of refinancing and other general corporate use. The new facilities consist of (i) a HK\$1,500 million three-year term loan; (ii) a HK\$1,500 million five-year term loan; and (iii) a HK\$1,000 million five-year sustainability-linked term loan. The refinancing not only extended the average maturity of the loan portfolio, the remaining secured property also became unsecured, which led to greater financial flexibility going forward.

Fortune REIT currently possesses sufficient financial resources to satisfy its financial commitment and working capital requirements. As at 31 December 2020, available liquidity stood at HK\$877.2 million (2019: HK\$530.4 million), comprising committed but undrawn facilities of HK\$700.0 million (2019: HK\$394.0 million) and cash and deposit of HK\$177.2 million (2019: HK\$136.4 million).

As at 31 December 2020, interest cost for approximately 50% (2019: 53%) of Fortune REIT's outstanding debts was hedged through interest rate swaps.

Net asset value per unit amounted to HK\$14.62 as at 31 December 2020, down 13.0% from HK\$16.81 at the end of 2019.



## Portfolio Valuation

Fortune REIT's portfolio of 16 retail properties was appraised at HK\$39,075 million as at 31 December 2020, down by 8.7% from the valuation as at 31 December 2019. This drop was attributable to lower rental projection adopted on the back of a softer retail environment. Jones Lang Lasalle Limited, the principal valuer, has adopted the valuation methodology of an income capitalization approach and cross-referenced with direct comparison approach. The average capitalization rate remained the same at 4.3%. The lower valuation has resulted in a revaluation loss of HK\$3,799.9 million for the Reporting Year.

## Business Review

The pandemic outbreak since early 2020 presented some unprecedented challenges for the Hong Kong economy. Hong Kong has maintained strict border control with different levels of social distancing measures locally for most part of the year, resulted in drastic decline in tourist arrivals and dampened domestic consumption. In particular, Hong Kong total retail sales value for 2020 as a whole dropped by 24.3% year-on-year, with the supermarket category being the only bright spot registering a sales growth of 9.7% year-on-year.

# Management Discussion and Analysis

Notwithstanding Fortune Malls' focus on providing day-to-day needs within the neighbourhood, social distancing measures led to lower footfall, which in turn has impacted our tenants' businesses to varying extent. Sectors such as restaurants, education operators, beauty parlours, fitness centers and entertainment venues were subject to mandatory social distancing restrictions, while tenants in retail sector suffered from weak demand in general. On the other hand, supermarkets, convenience stores and grocery stores as well as household and health products performed better and most of these tenants registered sales growth during the Reporting Year.

Amid the weak retail market, the Manager has focused on retaining quality tenants, striking a balance between rent and occupancy for a sustainable income. While negative rental reversion has been inevitable, portfolio occupancy remained stable throughout the year and stood at 95.8% as at 31 December 2020. A high tenant retention of 84% was recorded.

To support the businesses of our tenants, Fortune Malls launched various marketing campaigns and reward schemes to stimulate spending. These included cash coupons and gift redemptions to drive demands for takeaway at restaurants, entertainment centres, education centres and shops in general. The most notable one being the "Autumn Supreme Star Rewards", launched between October 2020 and December 2020, where shoppers could redeem cash coupons of up to 200% of their spending for a designated amount. These marketing initiatives drew favourable response and foot traffic to Fortune Malls.

## Fortune Malls APP and loyalty program

The pandemic has reshaped our world more digitally and locally. We continue to maintain competitiveness in the marketplace by enhancing our digital presence and upgrading our malls to build customer loyalty and serve them better under the new normal.

The launch of Fortune Malls mobile APP in June 2020 proved to be timely and successful. The wide range offering of daily necessities and services at Fortune Malls has always attracted some good regular crowds and the APP aims to strengthen our core competencies by integrating information and promotional offers for shopping, dining and parking across all 16 malls. Moreover, the Fortune+ loyalty programme, where members can convert spending into auspicious rewards, has empowered us to push out effective promotional campaigns to our target customers. With the limitation of on-site marketing amid social distancing measures, we have run successful campaigns via the APP to drive business for shops, eateries and entertainment centers at Fortune Malls.

## AEIs at +WOO Phase 2 to drive the next phase of growth

As we strive to grow, asset enhancement initiatives ("AEIs") will continue to be a major catalyst to drive growth from our portfolio. We are looking to extend the success of +WOO Phase 1 AEIs to Phase 2 in 2021. We have budgeted a capex of HK\$300 million for the project and rental downtime will be carefully managed by undertaking the project in phases. In addition to upgrading the shopping environment, we always look to delight customers and connect them with our brand value. +WOO Phase 1 has been the latest rejuvenation of the Fortune Malls brand showcasing not only new excitements such as adorable mascot Woolu, but also friendly facilities catering for parents, kids and the disabled. We aim to elevate shoppers' experience in Phase 2 by connecting with our shoppers even closer via various means. +WOO is set to further release its potential as the leading shopping mall in one of Hong Kong's largest residential communities.



## Driving A Sustainable Business

In 2020, Fortune REIT made progress on multiple fronts in driving a more sustainable business. On the operation side, we have implemented various digital initiatives including the Fortune Malls mobile APP. We will continue to refine our business to respond to customer needs and provide a favorable business environment for tenants.

As a mall operator, the health and safety of our workforce, customers, business partners and the entire community has always been Fortune REIT's priority. Since the beginning of the pandemic outbreak, we have been keeping abreast of the public health measures recommended by local health authorities and responded swiftly to put in the best practices at Fortune Malls. All frontline site staff are equipped with appropriate protective measures and have in place action plans for any emergency situations. In addition, a wide range of precautionary measures have been applied across Fortune Malls with frequent and thorough cleaning routines especially in areas with high-touch points. Where possible, sanitizers are offered to prompt frequent cleaning of hands while informative posters are widely displayed to remind the public of good hygiene practices.

Fortune REIT signed its maiden sustainability-linked loan in October 2020. This HK\$1,000 million 5-year term facility is structured to incorporate interest cost saving if certain predetermined environmental targets are met. It not only marks an important milestone towards green financing, but also demonstrates our strong commitment to integrating sustainability into our daily operations and achieving growth in a responsible manner.

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

## Outlook

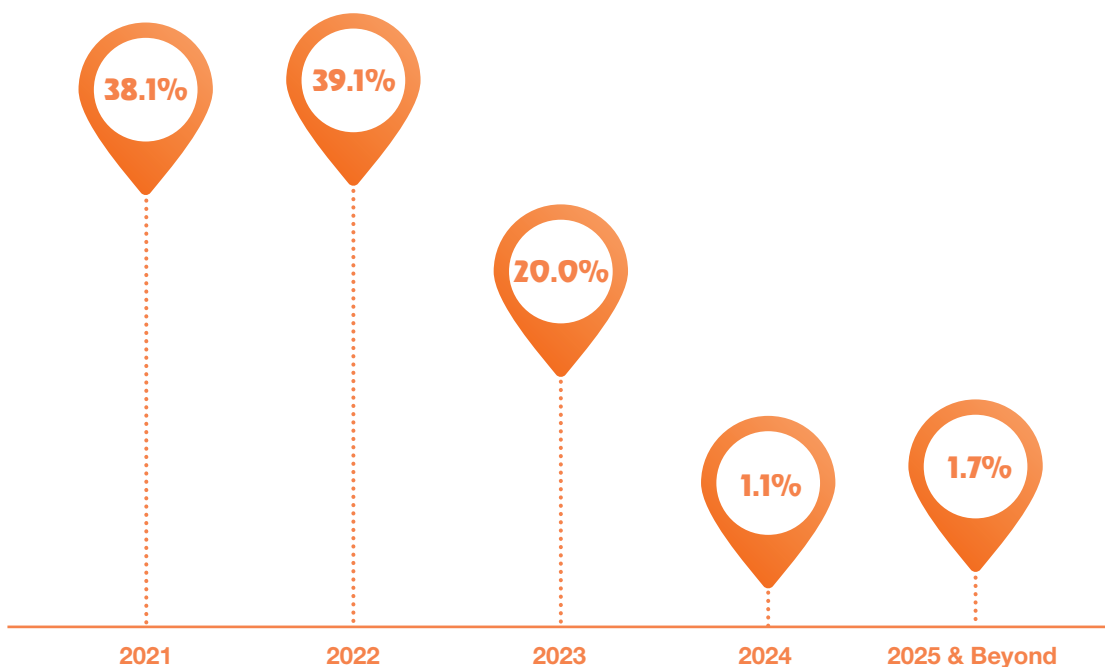
Hong Kong has experienced a major setback from the pandemic, with GDP having contracted year-on-year for 6 consecutive quarters and private consumption dropping by 10.2% for the full year of 2020. However, local economy showed improving signs as the year-on-year decline in GDP narrowed visibly from 9.0% in the second quarter of 2020 to 3.6% and 3.0% in the third and fourth quarter of 2020 respectively. The pace and degree of Hong Kong retail market recovery will very much depend on whether the pandemic can be managed in an effective manner in the near future with the roll-out of COVID-19 vaccines.

Fortune REIT takes pride in its resilience and track record for growth, spanning more than a decade. Regardless of the near-term challenges, we remain focused on safeguarding the long-term value for Unitholders through proactive asset management, effective cost control, robust balance sheet management and prudent acquisitions.

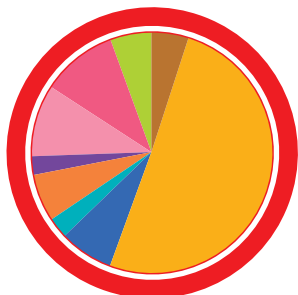
# Portfolio Key Statistics

As at 31 December 2020

## Portfolio Lease Expiry Profile<sup>1</sup>

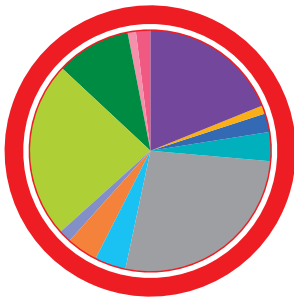


## Breakdown of Portfolio Property Operating Expenses<sup>2</sup>



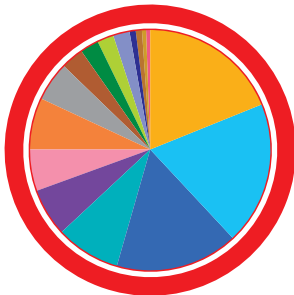
- 5.1% • Advertising and promotion
- 50.5% • Building management expenses
- 7.2% • Car park operating expenses
- 3.0% • Government rents and rates
- 6.4% • Leasing commission and marketing services fee
- 2.5% • Legal and other professional fees
- 9.7% • Property management fee
- 10.3% • Utilities
- 5.3% • Others

### Portfolio Tenant Trade Mix Analysis<sup>1</sup>



<b>19.1%</b> • Banking & Real Estate Services	<b>4.2%</b> • Homeware & Home Furnishing
<b>1.1%</b> • Community Services	<b>1.7%</b> • Leisure & Entertainment, Sports & Fitness
<b>2.3%</b> • Electronics, IT	<b>23.6%</b> • Services, Education
<b>4.0%</b> • Fashion & Shoes	<b>10.0%</b> • Supermarket
<b>27.1%</b> • Food & Beverages	<b>1.3%</b> • Wet Markets
<b>3.9%</b> • Gifts & Speciality, Hobbies, Toys, Jewellery	<b>1.7%</b> • Others

### Portfolio Analysis by Net Property Income<sup>2</sup>



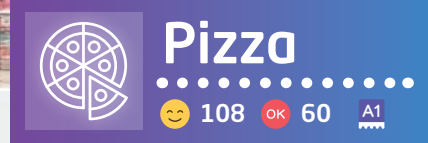
<b>18.9%</b> • Fortune City One	<b>3.2%</b> • Caribbean Square
<b>19.3%</b> • +WOO	<b>2.4%</b> • Jubilee Square
<b>16.3%</b> • Ma On Shan Plaza	<b>2.3%</b> • Tsing Yi Square
<b>8.7%</b> • Metro Town	<b>2.1%</b> • Smartland
<b>7.1%</b> • Belvedere Square	<b>0.8%</b> • Centre de Laguna
<b>6.5%</b> • Laguna Plaza	<b>0.8%</b> • Hampton Loft
<b>5.3%</b> • Fortune Metropolis	<b>0.7%</b> • Lido Avenue
<b>5.2%</b> • Waldorf Avenue	<b>0.4%</b> • Rhine Avenue

**Notes:**

1. Based on gross rental for the month of December 2020. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.
2. For the financial year ended 31 December 2020.

Resilient Trade  
Mix Caters For  
Domestic  
Non-discretionary  
Consumption

"Dad, can we have  
pizza for lunch?"



B1/F





2/F



### Chinese Restaurant

😊 88 OK 38 📞



### Noodles

😊 208 OK 80 A1 📞

G/F



# Advertising and Promotions



The launch of Fortune Malls mobile APP in June 2020 proved to be timely and successful. With the limitation of on-site marketing amid social distancing measures, we have run successful campaigns via the APP to drive business for our tenants. Moreover, to attract footfall stimulate spending at Fortune Malls, various marketing and reward schemes were launched during the Reporting Year. The most notable one being the “Autumn Supreme Star Rewards” where shoppers could redeem cash coupons of up to 200% of their spending.



Autumn Lucky Draw Campaign



Gift redemption programme at Fortune City One Market



Autumn Supreme Star Rewards





Chinese New Year event



Launch of Fortune Malls mobile APP



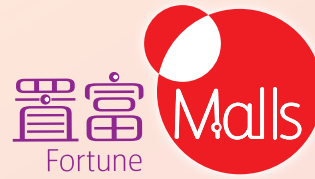
X'mas Lucky Draw Campaign



Decoration themed "Sylvanian Families Forest Playground" at +WOO



# Our Brand



## The Fortune Malls Logo

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

## Fortune in your Everyday Life

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

## An Added Dimension to Daily Shopping

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





## Flagship Malls



## Portfolio Malls



# Fortune REIT's Portfolio

## Portfolio at A Glance

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

As at 31 December 2020	Location	Gross Rentable Area (Sq.ft.)	Occupancy	Number of Car Parking Lots	Valuation (HK\$ million)	Purchase Price (HK\$ million)	
1	Fortune City One	Shatin	414,469	98.1%	653	8,087	2,559
2	+WOO	Tin Shui Wai	665,244	93.2%	622	7,880	5,849
3	Ma On Shan Plaza	Shatin	310,084	97.8%	290	5,622	934
4	Metro Town	Tseung Kwan O	180,822	99.6%	74	3,585	1,452
5	Fortune Metropolis	Hung Hom	332,168	88.7%	179	2,544	1,464
6	Belvedere Square	Tsuen Wan	276,862	91.4%	329	2,514	1,250
7	Laguna Plaza	Kwun Tong	163,203	100%	150	2,455	1,919
8	Waldorf Avenue	Tuen Mun	80,842	99.0%	73	1,738	400
9	Caribbean Square	Tung Chung	63,018	100%	117	1,150	428
10	Jubilee Square	Shatin	170,616	100%	97	926	218
11	Smartland	Tsuen Wan	123,544	98.9%	67	795	258
12	Tsing Yi Square	Tsing Yi	78,836	96.6%	27	790	230
13	Centre de Laguna	Kwun Tong	43,000	99.0%	N.A.	330	135
14	Hampton Loft	West Kowloon	74,734	100%	35	316	159
15	Lido Avenue	Tsuen Wan	9,836	100%	N.A.	209	75
16	Rhine Avenue	Tsuen Wan	14,604	97.6%	N.A.	134	40
<b>Total/Overall Average</b>			<b>3,001,882</b>	<b>95.8%</b>	<b>2,713</b>	<b>39,075</b>	<b>17,370</b>



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



1

## 置富第一城

Fortune City One



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

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





## Mall Features

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



2

嘉湖



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





## Mall Features

- ❖ **665,244** Sq.ft. Total GRA
- ❖ **Near Wetland Park**
- ❖ Completed In **1999**
- ❖ **Largest** Supermarket  
In Tin Shui Wai
- ❖ **Tin Shui Wai MTR Station**
- ❖ **622** Parking Lots
- ❖ Over **40** Loading/Unloading Bays
- ❖ **Adjoining 2 Hotel Towers**
- ❖ **4-House Cineplex**



3

## 馬鞍山廣場

Ma On Shan Plaza



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

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





## Mall Features

- ❖ 310,084 Sq.ft. Total GRA
- ❖ Hong Kong's Only Indoor Merry-go-round
- ❖ Completed In 1994
- ❖ Adjoining Ma On Shan Park
- ❖ Ma On Shan MTR Station
- ❖ 290 Parking Lots



# Fortune REIT's Portfolio

4 Metro Town



7 Laguna Plaza



5 Fortune Metropolis



8 Waldorf Avenue



6 Belvedere Square



9 Caribbean Square





10 Jubilee Square



14 Hampton Loft



11 Smartland



15 Lido Avenue



12 Tsing Yi Square



16 Rhine Avenue



13 Centre de Laguna











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Customer Services

# ESG Review

The global outbreak of COVID-19 pandemic has brought unprecedented challenges and uncertainties to our daily lives and the way we do business. Fortune REIT responded swiftly to the threat posed by COVID-19 to ensure all Fortune Malls are safe for our visitors and tenants. Health and safety is our paramount objective. The pandemic afforded Fortune REIT with an opportunity to review our preparedness to respond to the risks posed by crises and emergencies, and our robust business model allowed us to navigate through the challenges faced during the Reporting Year.

2020 has made us reflect on what matters most to us. In prioritising our sustainability efforts and to prepare us for our sustainability journey, Fortune REIT's Sustainability Committee, which assists the Board in managing sustainability issues, focused on fortifying Fortune REIT's sustainability strategy and governance. In doing so, the Sustainability Committee considered feedback from our internal and external stakeholders, industry megatrends, benchmarking indexes and market practices, and built upon the existing Environmental Policy which guides our operations towards sustainable long-term growth.

With a clear sustainability purpose, we are making conscientious efforts to grow as a responsible REIT manager and to further our strive to be a good corporate citizen. We are proud to have marked our commitment to sustainability by securing our first-ever sustainability-linked loan.



## Key focus areas



### Our Footprint

- Energy efficiency
- Waste reduction
- Water saving
- Climate change



### Our Community

- Giving back (CSR)
- Building an inclusive community
- Stakeholder engagement



### Our People

- Employee health and well-being
- Training and development



### Our Space

- Customer health and safety
- Innovation integration



### Our Conduct

- Business integrity and sustainability governance (Anti-corruption, Prevention of anti-competitive practices, Labour practices and human rights)
- Sustainable risk management



## Highlights of our Sustainability Achievements with Key Stakeholders

In our strive to pursue sustainability excellence, we will continue to present, engage and keep the channels of communication open with our stakeholders to ensure alignment with our sustainability strategy.

### Employees

- Promoted employee health and well-being, including workshops to address mental well-being and stress management
- Empowered our employees through training and developing talent with an average of 27 hours of training (per employee), including sessions on sustainability and anti-corruption

### Tenants and Visitors

- Adopted precautionary measures to ensure hygiene and safety of tenants and visitors
- Introduced innovative practices, including the Fortune Malls mobile APP to enhance the shopping experience of our shoppers and launched the Fortune+ loyalty program
- Improved accessibility of our malls to cater for diverse needs, and to offer safety and convenience to the elderly, families, disabled and vision impaired
- Supported our tenants through these challenging times by granting certain rent rebates to tenants, and stepped up promotional activities in an effort to boost tenant sales

### Property Manager and Contractors

- Provided ESG training to the Property Manager and contractors to drive our sustainability objectives and to promote best practices

### Local Community and Non-governmental Organisations

- Invested in community programs to promote environmental protection and social betterment, and co-organised community events



## Sustainability Governance

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

For further details of Fortune REIT's sustainability progress for the Reporting Year, please refer to our Environmental, Social and Governance Report 2020.

# Achievements and Awards



As a responsible corporation, Fortune REIT is committed to maintaining a two way dialogue with stakeholders and the investment community. Over the years, we strive to uphold the highest standards of corporate governance and our effort has been recognised by different organisations garnering Fortune REIT with a range of awards and accolades.



## CORPORATE GOVERNANCE

**Outstanding Listed Company Award 2020**  
– The Hong Kong Institute of Financial Analysts and Professional Commentators Limited –



## MSCI Hong Kong Small Cap Index

- Fortune REIT has been included in the index effective on 29 May 2020

## CORPORATE SUSTAINABILITY

### CarbonCare® ESG Label

– CarbonCare InnoLab –



**Hong Kong Smoke Free Leading Company Awards 2019 – Gold Award**

## 10 Years Plus Caring Company Logo

– Hong Kong Council of Social Service –

## CORPORATE COMMUNICATION

**Ranked World's Top 100 and Won 1 Grand & 7 Gold Awards for Annual Report at**

- 2020 International ARC Awards
- 2019 Vision Awards
- Mercury Excellence Awards 2019/2020

## HKIRA 6th Investor Relations Awards

### 2 Top honors

- Overall Best IR Company Award (Mid Cap)
- Grand ESG Award (Mid Cap)

### 11 award categories

- Best IR by CEO – Ms. Justina Chiu (Mid Cap)
- Best IR by CFO – Ms. Yuki Ng (Mid Cap)
- Best IRO – Ms. Jenny Hung (Mid Cap)
- Best IR Team (Mid Cap)
- Best IR Company (Mid Cap)
- Best Annual Report (Mid Cap)
- Best Investor Meeting (Mid Cap)
- Best Investor Presentation Material (Mid Cap)
- Best ESG (E) (Mid Cap)
- Best ESG (S) (Mid Cap)
- Best ESG (G) (Mid Cap)

– Hong Kong Investor Relations Association –



# Board of Directors and Senior Management

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



Chui Sing Loi  
(alias Tsui Sing Loi)



Chiu Kwok Hung, Justin



Lim Hwee Chiang



Yeung, Eirene



Ma Lai Chee, Gerald



Chiu Yu, Justina



Cheng Ai Phing



Yeo Annie  
(alias Yeo May Ann)



Koh Poh Wah

## Board of Directors

### **Chui Sing Loi (alias Tsui Sing Loi)**

*Chairman and Independent Non-Executive Director*

Mr. Chui, aged 72, has been appointed as an Independent Non-Executive Director, the Chairman of the Board and a member of the Audit Committee of the Manager from 1 January 2017. Before joining the Manager, Mr. Chui was an engineer and a civil servant involved in the development of Singapore Changi Airport from the start to its opening in 1981. He headed the Mechanical and Electrical Branch of Changi Airport Development Division of the Public Works Department and took part in the setting up of Indeco Engineers Pte. Ltd. (“**IEPL**”), a government-owned company for the management of the new airport’s engineering facilities. He was subsequently released from the civil service to take up the position of Deputy General Manager of IEPL, and later its General Manager. Within a few years, IEPL had expanded to include facilities management of Singapore’s largest two hospitals; and the supply and installation of building services systems to Singapore’s mass rapid transit stations and to China World Trade Centre in Beijing.

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

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

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

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

### **Chiu Kwok Hung, Justin**

*Non-Executive Director*

Dr. Chiu, aged 70, has been the Chairman and a Director of the Manager since the Manager’s incorporation in 2003. He stepped down as the Chairman of the Manager on 1 January 2017 and remains as a Non-Executive Director of the Manager. Dr. Chiu is also the Chairman of ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT, listed on the Main Board of the SEHK). Dr. Chiu is a Director of ARA Fund Management (Asia Dragon) Limited as the manager of the ARA Asia Dragon Fund. He is also the Founding Chairman and Director of ARA, the holding company of the Manager. Dr. Chiu is a Fellow of The Royal Institution of Chartered Surveyors, a Council Member and a Fellow of The Hong Kong Institute of Directors, a Fellow of Hong Kong Institute of Real Estate Administrators, a Vice Chairman of the Board of Governors of Hong Kong Baptist University Foundation, an Honorary Associate Member of Business of Trent University, Canada and a member of the Singapore Management University’s International Advisory Council in China. Dr. Chiu is an Honorary Professor of School of Pharmaceutical Sciences of Sun Yat-sen University and an Adjunct Professor in the School of Business of Hong Kong Baptist University. Dr. Chiu was previously a Senior Visiting Fellow of the Department of Land Economy at the University of Cambridge. Dr. Chiu was a member of the Standing Committee of the 12th Shanghai Committee of the Chinese People’s Political Consultative Conference of the People’s Republic of China.

## Board of Directors and Senior Management

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

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

### **Lim Hwee Chiang**

*Non-Executive Director*

Mr. John Lim, aged 64, has been a Director of the Manager since the Manager's incorporation in 2003. He is also the Co-Founder and Deputy Chairman of ARA (which was delisted from the Singapore Stock Exchange on 19 April 2017), the holding company of the Manager. He has been a Director of ARA since its establishment. He is also a Non-executive Director of ARA Trust Management (Suntec) Limited (the manager of Suntec REIT which is listed in Singapore), ARA Asset Management (Prosperity) Limited and Hui Xian Asset Management Limited (the managers of Prosperity REIT and Hui Xian REIT which are listed in Hong Kong). Mr. Lim is also the Chairman and Non-executive

Director of Suntec Singapore International Convention & Exhibition Services Pte. Ltd. and LOGOS Group. Mr. Lim was previously a Non-executive Director of ARA Trust Management (Cache) Limited (the manager of Cache Logistics Trust, renamed ARA LOGOS Logistics Trust in April 2020, which is listed in Singapore) and independent director and Chairman of the remuneration committee of Teckwah Industrial Corporation Limited which was delisted from Singapore Stock Exchange on 24 November 2020.

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

Prior to his role as Deputy Chairman of ARA, Mr Lim was Group CEO for 18 years, since co-founding it. Mr Lim has 40 years of experience in the real estate industry and has received many notable corporate awards. These include the PERE Global Awards 2020 and 2016 Industry Figure of the Year: Asia, Ernst & Young Entrepreneur Of the Year Singapore 2012, and the Outstanding CEO of the Year 2011 at the Singapore Business Awards 2012.

Mr. Lim, along with the Board of Directors of ARA, is also a recipient of the prestigious Best Managed Board (Gold) Award at the Singapore Corporate Awards 2012. In 2017, he was conferred the Public Service Medal (PBM) by the President of Singapore in recognition of his contributions to the community.

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*

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Ms. Yeung, aged 60, has been a Director of the Manager since 2003. She is a member of the Disclosures Committee of the Manager. Ms. Yeung is also an Executive Committee member, the Company Secretary, General Manager of Company Secretarial Department and a member of the Sustainability Committee of CK Asset. She is also the Company Secretary and Alternate Director to the Group Managing Director of CK Infrastructure Holdings Limited ("**CK Infrastructure**") and the Company Secretary of CK Life Sciences Int'l., (Holdings) Inc. ("**CK Life Sciences**").

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

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

Ms. Yeung is a member of the Main Board and GEM Listing Review Committee of SEHK, a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption and Deputy Chairman of the General Committee of The Chamber of Hong Kong Listed Companies. Ms. Yeung was a member of the Listing Committee of the Main Board and GEM of the SEHK.

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

### **Ma Lai Chee, Gerald**

*Non-Executive Director*

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Mr. Ma, aged 53, has been appointed a Director and a member of the Designated Committee of the Manager since June 2015 and was an Alternate Director to a Director of the Manager, Mr. Ip Tak Chuen, Edmond, from April 2008 to May 2015. Mr. Ma joined the CK Group in 1996 and is currently an Executive Committee member & General Manager, Corporate Business Development Department of CK Asset. He also serves as a Non-Executive Director and a member of the Designated (Finance) Committee of ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT). Mr. Ma is an Alternate Director to Mr. Lai Kai Ming, Dominic, Non-Executive Director of Hutchison Telecommunications Hong Kong Holdings Limited ("**HTHKH**"). He was the Vice Chairman and Non-executive Director of Goldin Financial Holdings Limited ("**Goldin**") from 23 July 2020 to 9 October 2020. CK Asset, Prosperity REIT, HTHKH and Goldin are listed on the Main Board of the SEHK.

Mr. Ma has over 30 years of management experience in different industries. He is a member of the Hospitality Services Committee of Caritas Hong Kong. He is also a member of the President's Circle, the Dean's Advisory Board for the Faculty of Arts and the Faculty Advisory Board of the UBC Sauder School of Business of the University of British Columbia, Canada. He holds a Bachelor of Commerce degree in Finance and a Master of Arts degree in Global Business Management.

### **Chiu Yu, Justina**

*Chief Executive Officer and Executive Director*

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Ms. Chiu, aged 40, 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.

## Board of Directors and Senior Management

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

### **Cheng Ai Phing**

*Independent Non-Executive Director*

Ms. Cheng, aged 63, has been appointed as an Independent Non-Executive Director, the Chairman of the Audit Committee, a member of the Disclosures Committee and Designated Committee of the Manager from 1 January 2017. She is also an Independent Director of Citibank Singapore Limited and Chairman of its Audit Committee, as well as an independent Director of KBS US Prime Property Management Pte. Ltd, the Manager of Prime US REIT listed in Singapore. Ms. Cheng is also an External Member of The Asian Infrastructure Investment Bank Audit & Risk Committee.

Ms. Cheng was a Senior Partner in Assurance at a Big Four International Accounting Firm for 36 years before her retirement in 2015. During her career with the Firm, she was the Firm's Country Leader for Global Financial Services, Real Estates, Public Sector and Banking and Complex Financial Instruments and served large listed and non-listed domestic and international clients in those industries. Ms. Cheng was also the Chairman of the Firm's Governance Committee for several years up to her retirement. Ms. Cheng is a Fellow Chartered Accountant of The Institute of Singapore Chartered Accountants ("ISCA") and a Fellow of CPA Australia.

Ms. Cheng currently sits on various governmental bodies and professional associations in Singapore. She is a member of the Accounting Standards Council of Singapore, a member of The Accounting and Corporate Regulatory Authority- Financial Reporting Technical Advisory Panel, a member of the SGX Disciplinary Committee and a member of SGX Appeal Committee. From 2012, Ms. Cheng has been appointed as a member of the Financial Reporting Committee of ISCA. Ms. Cheng holds a Bachelor of Accountancy degree from the University of Singapore.

### **Yeo Annie (alias Yeo May Ann)**

*Independent Non-Executive Director*

Ms. Yeo, aged 74, has been appointed as an Independent Non-Executive Director and a member of the Audit Committee of the Manager from 1 February 2017.

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

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

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

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

## **Koh Poh Wah**

*Independent Non-Executive Director*

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Ms. Koh, aged 64, has been appointed as Independent Non-Executive Director of the Manager from 1 August 2017. She is also a member of the Audit Committee of the Manager since 2 May 2018. She has more than 30 years of working experience in the areas of operations management, technology, financial and business re-engineering areas.

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

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

## **Senior Management**

### **Chiu Yu, Justina**

*Chief Executive Officer*

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

### **Hung Yuen Chun**

*Director, Investments and Investor Relations*

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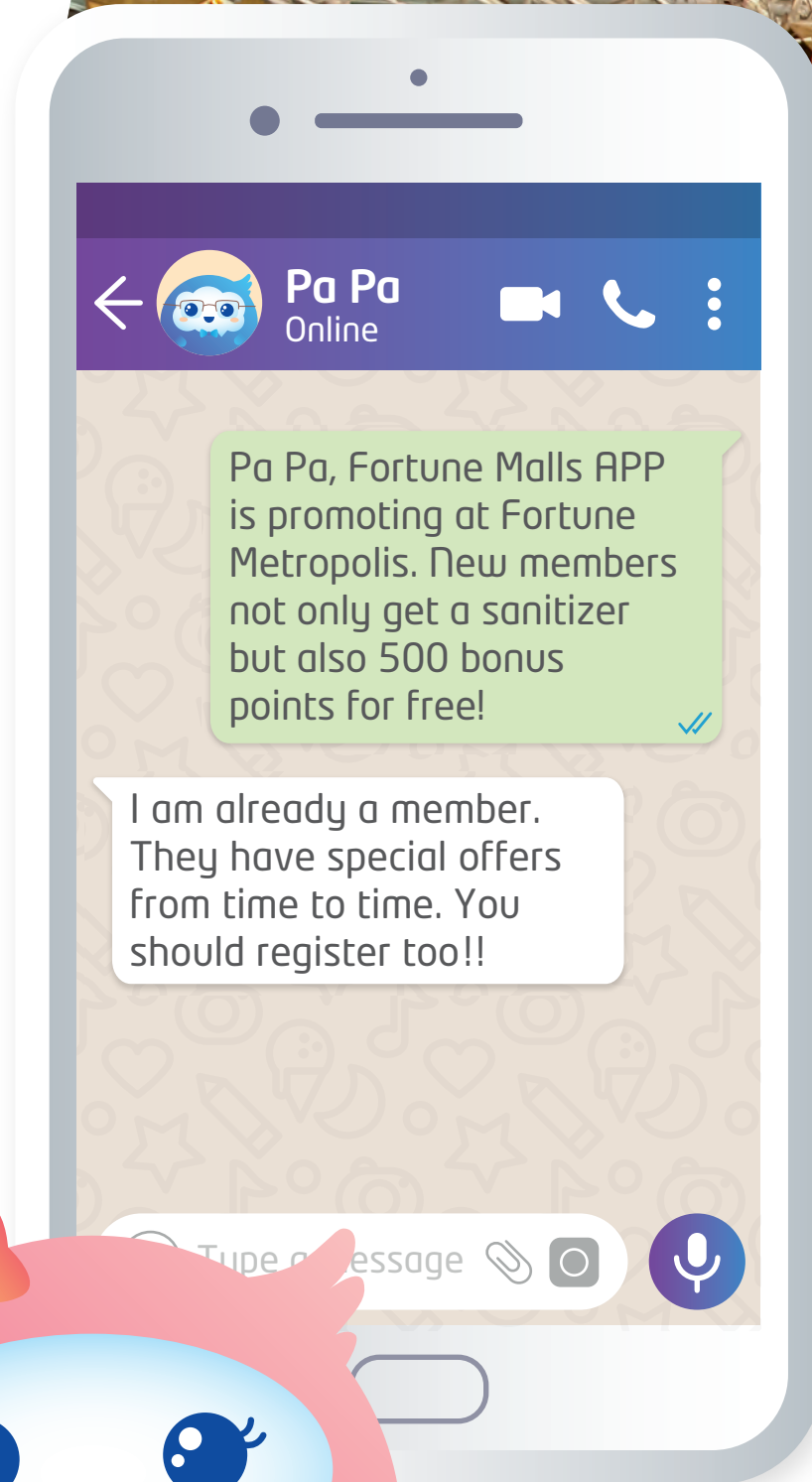
Ms. Hung joined the Manager in 2006. She is the Director, Investments and Investor Relations and a Responsible Officer of the Manager. Ms. Hung is responsible for communicating and liaising with Unitholders and investors of Fortune REIT.

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



❖ Digital Initiatives to Future Proof Our Retail Portfolio ❖







Fortune+新會員

快閃禮遇



# Corporate Governance Policies

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

With the objective of establishing and maintaining high standards of corporate governance, certain policies and procedures have been put in place to promote the operation of Fortune REIT in a transparent manner 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 listed on the SEHK. Its units have been voluntarily delisted from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and it was de-authorised by the Monetary Authority of Singapore ("**MAS**") on 21 October 2019. Fortune REIT and/or the Manager are subject to the applicable laws, rules and regulations in Hong Kong (the "**Applicable Rules**"), including the code provisions set out in the Corporate Governance Code (the "**CG Code**") of the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**").

The Manager confirms that Fortune REIT and the Manager have in material terms complied with the provisions of the Compliance Manual and have adhered to the principles and guidelines set out in the CG Code which are applicable to Fortune REIT and/or the Manager throughout the Reporting Year and have provided explanations in cases of deviations (if any) in this report. In addition, Fortune REIT and/or the Manager have adhered to the relevant laws and regulations that have a significant impact, including Employment Ordinance, Personal Data (Privacy) Ordinance, Minimum Wage Ordinance, Occupational Health and Safety Ordinance, and Competition Ordinance and there was no incidence of non-compliance of the relevant laws and regulations that

have a significant impact on Fortune REIT during the Reporting Year. Set out below is a summary of the key components of the corporate governance policies that have been adopted and complied with by the Manager and/or Fortune REIT.

During the Reporting Period, the Compliance Manual and the Trust Deed have been amended. The amendments to the Trust Deed constituting Fortune REIT were effective from 10 January 2020, following the delisting from the SGX-ST, MAS de-authorisation and the change of trustee. Following, the revised Compliance Manual has been approved by the Board of the Manager on 4 February 2020, to remove the Singapore requirements and to update the criteria for independence of Independent Non-Executive Directors ("**INEDs**").

The Securities and Futures Commission ("**SFC**") has revised the Code on Real Estate Investment Trusts ("**REIT Code**") effective 4 December 2020. The amendments to the REIT Code include:

- (i) allowing REITs to make investments in minority-owned properties (Minority-owned Properties) subject to various conditions;
- (ii) allowing REITs to make investments in property development projects in excess of the existing limit of 10% of gross asset value ("**GAV**") subject to unitholders' approval and other conditions;
- (iii) increasing the borrowing limit for REITs from 45% to 50% of GAV; and
- (iv) broadly aligning the requirements for REITs' connected party transactions and notifiable transactions with the requirements for listed companies, in line with existing policy and practices.

## Authorisation Structure

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

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

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

## 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, environment, social and governance (“ESG”), financial performance and 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 auditor of Fortune REIT (the “Auditor”). Ad-hoc Board meetings will be held, as and when necessary, to address significant transactions or issues that may arise in between scheduled meetings. In lieu of physical meetings, written resolutions may also be circulated for approval by the Board.





## Corporate Governance Policies

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

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

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

The Board comprises of persons who as a group provide core competencies, such as business and management experience, finance, legal and fund management experience necessary and critical to meet the Manager’s objectives. This also enables management to benefit from the in-depth knowledge of the Directors who collectively possess the core competencies relevant to the direction and growth of Fortune REIT and its subsidiaries (the “**Group**”). 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, including but not limited to gender, age, cultural, educational background and professional experience.

The Non-Executive Directors contribute to the Board process by monitoring and reviewing management’s performance against goals and objectives of Fortune REIT and/or the Manager. Their views and opinions provide

alternate perspectives to Fortune REIT’s business. When reviewing management’s proposals or decisions, they bring independent judgement to bear on business activities and transactions, particularly in circumstances involving conflicts of interest and complexities.

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

The Board has received written annual confirmations from Mr. Chui Sing Loi (alias Tsui Sing Loi), Ms. Cheng Ai Phing, Ms. Yeo Annie (alias Yeo May Ann) and Ms. Koh Poh Wah confirming his/her independence pursuant to the Independence Criteria for the year ended 31 December 2020. The Board has determined that all present INEDs (who are Mr. Chui Sing Loi (alias Tsui Sing Loi), Ms. Cheng Ai Phing, Ms. Yeo Annie (alias Yeo May Ann) and Ms. Koh Poh Wah) are independent in character and judgement and that there are no relationships or circumstances which are likely to affect or could appear to affect their judgement and no individual or small group of individuals dominates the Board’s decision-making process.

The Board considered Mr. Chui Sing Loi (alias Tsui Sing Loi), Ms. Cheng Ai Phing, Ms. Yeo Annie (alias Yeo May Ann) and Ms. Koh Poh Wah are independent from management and business relationships with the Manager and Fortune REIT and independent from the substantial shareholder of the Manager and substantial Unitholder of Fortune REIT. All INEDs have not served on the Board for 9 years or more.

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



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

The Chairman leads Board discussions and deliberations and is responsible for setting the meeting agenda of Board meetings. He ensures that Board meetings are held when necessary. He promotes high standards of corporate governance and maintains effective communication with the Unitholders. The CEO is responsible for the day-to-day management of the Manager and Fortune REIT. She executes the strategic plans set out by the Board and ensures that the Directors are kept updated and informed of Fortune REIT’s business via management reports.

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

The Board is of the view that there are sufficient safeguards and checks to ensure that the decision-making process of the Board is independent and based on the collective decision of Directors.

The Board regularly reviews the structure, size, composition and performance of the Board as well as the independence of Board members.

In considering persons for appointment or re-appointment as Directors, the Board will consider a number of factors to assess whether such persons are fit and proper to be Directors, including those set out in the Compliance Manual, such as (a) educational or other qualifications or experience having regard to the nature of the functions to be performed; (b) ability to carry out their duties competently, honestly and fairly; and (c) reputation, character, reliability and integrity.

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. During the Reporting Year, Management also provided monthly updates to the Board on Fortune REIT’s performance. All Directors are also provided with ongoing reports relating to the operational and financial performance of Fortune REIT to enable them to exercise effective oversight over Fortune REIT’s operational and financial performance.

Board meetings for each year are scheduled in advance to facilitate Directors’ individual administrative arrangements in respect of their on-going 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.

During the Reporting Year, the Board had separate and independent access to the Company Secretary and to senior management staff at all times. The Company Secretary, or her authorised designate(s), attended the scheduled meetings of the Board and Board committees and prepared minutes of 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 Unitholders’ value in the long-term.

## Corporate Governance Policies

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 2020 of Fortune REIT, the Manager received notifications regarding the following changes of Directors' information:

- Mr. Lim Hwee Chiang ceased to be an Independent director of Teckwah Industrial Corporation Limited with effect from 25 November 2020, as a result of its delisting from the Singapore Exchange Securities Trading Limited on 24 November 2020. Mr. Lim has been appointed as Chairman of LOGOS Group and Chairman of Minterest Group Advisory Board;
- Dr. Chiu Kwok Hung, Justin ceased to be a member of the Nomination Committee of CK Asset on 30

November 2020 and his appointment as a Senior Visiting Fellow of the Department of Land Economy at the University of Cambridge has expired;

- Mr. Ma Lai Chee, Gerald has resigned as a non-executive Director of Goldin Financial Holdings Limited (Stock Code: 530), which is listed in Hong Kong, on 9 October 2020;
- Ms. Eirene Yeung has been appointed as a member of the Sustainability Committee of CK Asset, effective from 1 December 2020 and her appointment as a non-executive Director of the Financial Reporting Council expired on 30 September 2020; and
- Ms. Chiu Yu, Justina has become a fellow member of the Royal Institute of Chartered Surveyors.

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

Members of the Board		Attendance
Chairman and Independent Non-Executive Director	Mr. Chui Sing Loi (alias Tsui Sing Loi)	5/5
Non-Executive Directors	Dr. Chiu Kwok Hung, Justin	5/5
	Mr. Lim Hwee Chiang	5/5
	Ms. Yeung, Eirene	5/5
	Mr. Ma Lai Chee, Gerald	5/5
CEO and Executive Director	Ms. Chiu Yu, Justina	5/5
Independent Non-Executive Directors	Ms. Cheng Ai Phing	5/5
	Ms. Yeo Annie (alias Yeo May Ann)	5/5
	Ms. Koh Poh Wah	5/5

Apart from the regular Board meetings, the Chairman had convened one meeting with INEDs without the presence of Executive Director 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, maintain and review the effectiveness of the financial reporting systems, internal controls and risk management systems and the internal audit function, ensure integrity of financial statements and provide arrangements whereby concerns on financial improprieties or other matters raised by "whistleblowers" are investigated and appropriate follow up action taken.

The Audit Committee meets with the internal and external Auditors, without the presence of management, at least once annually. Both the external Auditor and the internal Auditor have confirmed that for the Reporting Year, they had received full cooperation 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).

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

During the Reporting Year, the Audit Committee had:

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

- (ii) met with the Group’s internal and external Auditors on a half-yearly basis to discuss their findings as set out in their respective reports;
- (iii) reviewed and approved the consolidated statements of profit or loss and other comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows and independent external Auditor’s reports;
- (iv) reviewed the aggregate amount of fees paid to the external Auditor for the Reporting Year and the breakdown of the fees paid in total for audit and non-audit services respectively. It is satisfied that such non-audit services would not affect the independence of the external Auditor. The external Auditor 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 Tohmatsu as external Auditor at the forthcoming AGM of the Unitholders;
- (v) reviewed on a half-yearly basis, dealings by the Manager and Directors pursuant to the Code Governing Dealings in Units by Directors or the Manager (the “**Units Dealing Code**”); and
- (vi) reviewed the connected party transactions.

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

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

The Audit Committee met twice with the external Auditor for reviewing the audit plan, the half year and full year financial report and accounts of Fortune REIT during the Reporting Year.

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



## Corporate Governance Policies

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

The Audit Committee has put in place a whistle-blowing policy, which extends 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.

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

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

### Designated Committee

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

The Designated Committee presently comprises three members, namely Mr. Ma Lai Chee, Gerald, a Non-Executive Director, Ms. Chiu Yu, Justina, CEO and an Executive Director and Ms. Cheng Ai Phing, an INED. Ms. Chiu Yu, Justina is the Chairman of the Designated Committee. Two Designated Committee meetings were formally held in the Reporting Year to discuss on the hedging strategies and refinancing needs of Fortune REIT. All the members attended the meeting.

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 were no whistle-blowing incidents reported during the Reporting Year.

### Disclosures Committee

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

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

### Remuneration Matters

Since Fortune REIT does not bear the remuneration of the Manager's Board and staff, the Manager does not consider it applicable to include the information about the remuneration of its Directors and its key executives in this report. The Manager adopts the remuneration policies and practices of its holding company, ARA Group. Accordingly, the Manager has assessed ARA's remuneration policies and practices and deemed such remuneration policies and practices to be appropriate and adopted its remuneration framework for the Directors and key management personnel of the Manager.

## Internal Controls

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

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

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

## Risk Assessment and Management of Business Risk

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

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

Management meets regularly to review the operations of Fortune REIT and discuss continuous disclosure issues. Key risks (including ESG risks), control measures and management actions are continually identified, reviewed and monitored by management as part of Fortune REIT's enterprise-wide risk management framework. The internal Auditor assists and guides 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. At Fortune REIT, risks are proactively identified and addressed. The risk profiles are reported to the Audit Committee and the Board on a half-yearly basis to highlight changes in the risk assessment, quantitative and qualitative factors affecting the inherent risks and effectiveness of mitigatory controls supporting the residual risks. The ownership of these risks lies with the respective business functions with the overall stewardship residing with the Board.

## Corporate Governance Policies

Action plans to manage the risks are continually being monitored and refined by management and the Board. The internal Auditor conducts audits to review the risk management framework and processes and assesses the effectiveness of the internal controls system in Fortune REIT, including key financial, operational and compliance controls. Any material non-compliance or lapses in internal controls together with corrective measures are reported to the Audit Committee. Additionally, in performing its audit of the financial statements, the external Auditor 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 Auditor report any significant deficiencies in such internal controls to the Audit Committee.

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

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

### Conflicts of Interest

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

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

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

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

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

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



## 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 Listing Rules. Pursuant to the Units Dealing Code, Management Persons wishing to deal in any securities of Fortune REIT must first have regard to the provisions of Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct, as if the SFO applies to the securities of Fortune REIT. In addition, Management Persons must not make any unauthorised disclosure of confidential information or make any use of such information for the advantage of himself, itself or others. Management Persons who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which constitute notifiable transactions under Chapter 14 of the Listing Rules or any connected party transactions under the REIT Code or any inside information must refrain from dealing in the securities of Fortune REIT as soon as they become aware of or privy to them until proper disclosure of the information in accordance with the Applicable Rules is made. Management Persons who are privy to relevant negotiations or agreements or any inside information should caution those Management Persons who are not privy that there may be inside information and that they must not deal in the securities of Fortune REIT for a similar period. Similarly, where the Manager is in possession of any inside information, it must refrain from dealing in the securities of Fortune REIT as soon as it becomes privy to such information until proper disclosure of the information in accordance with the Applicable Rules is made. Pursuant to the Units Dealing Code, the Management Persons must not deal in any securities of Fortune REIT on any day on which Fortune REIT’s financial results are published and:

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

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

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

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

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

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

## Communication with Unitholders

The Applicable Rules require that a listed entity disclose to the market matters that would be likely to have a material effect on the price of the entity’s securities. The Manager upholds a strong culture of continuous disclosure and transparent communication with the Unitholders and the investing community. The CEO together with the Director, Investments and Investor Relations, oversee this function. The Manager’s disclosure policy requires timely and full disclosure of all material information relating to Fortune REIT by way of public releases or announcements through the SEHK and at the first instance and then including the said releases or announcements on Fortune REIT’s website at [www.fortunereit.com](http://www.fortunereit.com).

## Corporate Governance Policies

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, management will review Fortune REIT's most recent performance as well as discuss the business outlook for Fortune REIT.

### General Meetings

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

An AGM and an extraordinary general meeting ("**EGM**") were held during the Reporting Year. The attendance record of the Directors at the AGM and EGM is as follows:

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

The external Auditor 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

Under the Trust Deed, the Trustee or the Manager may (and the Manager shall at the request in writing of not less than 2 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.

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

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. 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 Auditor; (h) removal of the Trustee; and (i) a change in Fortune REIT's investment policy.

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

## 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 2020. They are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the ability of Fortune REIT to continue as a going concern.

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

## Review of Annual Report

The annual report of Fortune REIT for the year ended 31 December 2020 has been reviewed by the Audit Committee and the Disclosures Committee.

## New Units Issued

As at 31 December 2020, the total number of issued units of Fortune REIT was 1,954,817,025. As compared with the position as at 31 December 2019, a total of 17,274,799 new units were issued during the Reporting Year in the following manner:

- On 3 January 2020, 3,574,231 new units were issued to the Manager at a price of HK\$9.059 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's base fee of approximately HK\$32.4 million payable by Fortune REIT for the period from 1 October 2019 to 31 December 2019.
- On 1 April 2020, 4,746,852 new units were issued to the Manager at a price of HK\$6.747 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's base fee of approximately HK\$32.0 million payable by Fortune REIT for the period from 1 January 2020 to 31 March 2020.
- On 10 July 2020, 4,314,459 new units were issued to the Manager at a price of HK\$6.991 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's base fee of approximately HK\$30.2 million payable by Fortune REIT for the period from 1 April 2020 to 30 June 2020.
- On 6 October 2020, 4,639,257 new units were issued to the Manager at a price of HK\$6.573 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's base fee of approximately HK\$30.5 million payable by Fortune REIT for the period from 1 July 2020 to 30 September 2020.

## Repurchase, Sale or Redemption of Units

During the Reporting Year, other than the disposal of 3,000,000 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 2020.



# Connected Party Transactions

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

## Connected Party Transactions – Income

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

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Income for the year ended 31 December 2020 HK\$'000	Rental deposit received as at 31 December 2020 HK\$'000
ARA Asset Management (Fortune) Limited	Manager	Leasing and licensing transactions	5,204	1,463
A.S. Watson Retail (HK) Limited	Associate of a substantial holder <sup>1</sup>	Leasing and licensing transactions	31,890	1,227
Cheung Kong Property Development Limited	Associate of a substantial holder <sup>1</sup>	Licensing transactions	27,062	97
Citybase Property Management Limited	Associate of a substantial holder <sup>1</sup>	Leasing transactions	2,291	638
Hutchison International Limited	Associate of a substantial holder <sup>1</sup>	Leasing transactions	3,249	—
Hutchison Telephone Company Limited	Associate of a substantial holder <sup>1</sup>	Licensing transactions	9,403	1,628
PARKnSHOP (HK) Limited	Associate of a substantial holder <sup>1</sup>	Leasing and licensing transactions	152,095	3,299
Towerich Limited	Associate of a substantial holder <sup>1</sup>	Licensing transactions	73	20
<b>Total</b>			<b>231,267</b>	<b>8,372</b>

Note:

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

## Connected Party Transactions – Expenses

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

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Expenses for the year ended 31 December 2020 HK\$'000
Citybase Property Management Ltd	Associate of a substantial holder <sup>1</sup>	Property management and operations	1,060
E-Park Parking Management Limited	Associate of a substantial holder <sup>1</sup>	Carpark lease agency fee	8,765
Goodwell-Fortune Property Services Limited	Associate of a substantial holder <sup>1</sup>	Property and lease management fee and marketing service fee	70,473
Goodwell Property Management Limited	Associate of a substantial holder <sup>1</sup>	Property management and operations	200
Metro Broadcast Corporation Limited	Associate of a substantial holder <sup>1</sup>	Advertising and promotion expenses	138
<b>Total</b>			<b>80,636</b>

Note:

- The substantial holder being Focus Eagle.

## Connected Party Transactions

### Connected Party Transactions – Others

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

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Expenses for the year ended 31 December 2020 HK\$'000
ARA Asset Management (Fortune) Limited	Manager	Manager's fee	164,796
HSBC Institutional Trust Services (Asia) Limited (the "Trustee")	Trustee	Trustee's fee	12,411
Jones Lang LaSalle Limited	Principal valuer <sup>1</sup>	Valuation fees	520
<b>Total</b>			<b>177,727</b>

Note:

- Principal Valuer is no longer regarded as connected person of Fortune REIT subsequent to the amendment of the REIT Code with effect from 4 December 2020.

### Connected Party Transactions with the Trustee Connected Persons

#### Leasing/licensing transactions

The following table sets forth information on the leasing/licensing transactions between Fortune REIT and the Trustee (and its directors, senior executives, officers, controlling entities, holding companies, subsidiaries and associated companies all within the meaning of the REIT Code) and the HSBC Group<sup>1</sup> (collectively, the "Trustee Connected Persons") during the Reporting Year:

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Income for the year ended 31 December 2020 HK\$'000	Rental deposit received as at 31 December 2020 HK\$'000
Hang Seng Bank Limited	Trustee Connected Persons	Leasing and licensing transactions	21,417	5,878
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	Trustee Connected Persons	Leasing and licensing transactions	9,943	2,106
<b>Total</b>			<b>31,360</b>	<b>7,984</b>

Note:

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



## Provision of Ordinary Banking and Financial Services

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

## Confirmation by the INEDs

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

- (a) in the ordinary and usual course of business of Fortune REIT;
- (b) on normal commercial terms (to the extent that there are comparable transactions) or, where there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to Fortune REIT than terms available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreement and the Manager's internal procedures governing them, if any, on terms that are fair and reasonable and in the interests of the Unitholders as a whole.

## Report from Auditor of Fortune REIT

Messrs. Deloitte Touche Tohmatsu, auditor of Fortune REIT was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Review of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certificate Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions on leasing/licensing transactions, property management arrangements, third party service and other operational transactions and transactions involving ordinary banking and financial services disclosed by the Group from pages 60 to 63 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 2020 is 1,954,817,025 units.

## Holdings of Substantial Unitholders

As at 31 December 2020, each of the following persons was considered a “substantial holder”, and hence a “connected person” of Fortune REIT, for the purpose of the REIT Code:

Name	Direct interest		Deemed interest	
	Number of Units Held Long Position	Percentage of Unit Holdings	Number of Units Held Long Position	Percentage of Unit Holdings
Focus Eagle	413,074,684	21.13%	–	–
CK Asset <sup>1</sup>	–	–	525,630,684	26.89%

Note:

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

## Interests of the Manager

As at 31 December 2020, the Manager held 20,405,025 units, or approximately 1.04% of the issued units of Fortune REIT.

## Interests of the Directors

Details of the unitholding interests of the Directors of Fortune REIT as at 31 December 2020 were as follows:

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

Note:

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

## Holdings of the Other Connected Persons

HSBC Group, being the Trustee Connected Persons of Fortune REIT, held 386,300 units, or approximately 0.02% of the issued units of Fortune REIT as at 31 December 2020.

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 2020.

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 2020 and 31 December 2019:

- (a) The Manager was beneficially interested in 20,405,025 units as at 31 December 2020 and 6,130,226 units as at 31 December 2019; and
- (b) HSBC Group was beneficially interested in 386,300 units as at 31 December 2020 and did not hold any beneficial interest in any units as at 31 December 2019.



# Valuation Report

Our Ref : 2/20/00388  
DC/KEL/JW/BY/JYY/cn

15 January 2021

HSBC Institutional Trust Services (Asia) Limited  
(As trustee of Fortune Real Estate Investment Trust)  
17/F, Tower 2 & 3,  
HSBC Centre,  
1 Sham Mong Road, Kowloon

ARA Asset Management (Fortune) Limited  
(As Manager of Fortune Real Estate Investment Trust)  
Unit 901, Level 9  
Fortune Metropolis  
6 The Metropolis Drive  
Kowloon  
Hong Kong

## Valuation in respect of 16 Retail Properties for “Fortune REIT”

### Instructions

We refer to the instruction from ARA Asset Management (Fortune) Limited (“**ARA**”), acting as the manager of Fortune Real Estate Investment Trust (“**Fortune REIT**”), and HSBC Institutional Trust Services (Asia) Limited (“**Trustee**”) to conduct property valuations (“**Valuation**”) for the Fortune REIT’s property portfolio (the “**Portfolio**”) as at 31 December 2020 for the Annual Report in compliance with the relevant requirements set out in the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong (SFC), the trust deed of Fortune REIT and, where applicable, the Listing Rules of The Stock Exchange of Hong Kong.

The Portfolio as identified to us for this valuation is listed in Section 2.0 below.

We confirm that we have inspected the Portfolio, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing our opinion of market value of the Portfolio, with the benefit of existing tenancies, as at 31 December 2020 (the “**Date of Valuation**”).

### The Portfolio

The Portfolio comprises the following property interests:

#### 1 Fortune City One

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

#### 2 +WOO

+WOO Phase 1 and Phase 2 as well as other retail, kindergarten, parking lots and ancillary spaces to such areas (including loading bays and external walls), reserve shares and common areas within Kingswood Development, Tin Shui Wai, Yuen Long, New Territories, Hong Kong

#### 3 Ma On Shan Plaza

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

- 4 Metro Town**  
The Shopping Centre of Metro Town, 8 King Ling Road, Tseung Kwan O, New Territories, Hong Kong
- 5 Fortune Metropolis**  
Fortune Metropolis, The Metropolis, 6–10 Metropolis Drive, Hung Hom, Kowloon, Hong Kong
- 6 Belvedere Square**  
Various Shops, The Clinics, the Kindergartens, a Market, various Car Parking Spaces and Motor Cycle Spaces, Common Areas, Belvedere Garden Phase 1, Nos. 530–590 Castle Peak Road-Tsuen Wan; Belvedere Garden Phase 2, No. 620 Castle Peak Road — Tsuen Wan; Belvedere Garden Phase 3, Nos. 625 Castle Peak Road — Tsuen Wan, Tsuen Wan, New Territories, Hong Kong
- 7 Laguna Plaza**  
Commercial Development at Laguna Plaza, No. 88 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong
- 8 Waldorf Avenue**  
Shops on Level 3 and Various Carparks, Waldorf Garden, 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong
- 9 Caribbean Square**  
Caribbean Square, Caribbean Coast, 1 Kin Tung Road, Tung Chung, Lantau Island, New Territories, Hong Kong
- 10 Jubilee Square**  
Jubilee Square, Jubilee Garden, 2–18 Lok King Street, Shatin, New Territories, Hong Kong
- 11 Smartland**  
Various Portions in Smartland, East Asia Gardens, 16 Tsuen Wah Street, Tsuen Wan, New Territories, Hong Kong
- 12 Tsing Yi Square**  
Various Portions in Tsing Yi Square, Tsing Yi Garden, 7–19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong
- 13 Centre de Laguna**  
Centre de Laguna, 93 Cha Kwo Ling Road, Kindergarten on Ground Floor, 99 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong
- 14 Hampton Loft**  
Hampton Loft, Hampton Place, 11 Hoi Fan Road, Tai Kok Tsui, Kowloon, Hong Kong
- 15 Lido Avenue**  
Shops on Ground Floor, Lido Garden, 41–63 Castle Peak Road — Sham Tseng, Tsuen Wan, New Territories, Hong Kong
- 16 Rhine Avenue**  
Shops on Ground Floor, Rhine Garden, 38 Castle Peak Road — Sham Tseng, Tsuen Wan, New Territories, Hong Kong

# Valuation Report

## Basis of Valuation

Unless otherwise stated, our valuation has been prepared in accordance with the “HKIS Valuation Standards 2020 Edition” published by The Hong Kong Institute of Surveyors (“**HKIS**”), the “International Valuation Standards” published by the International Valuation Standards Council (“**IVSC**”) and the “RICS Valuation — Global Standards” published by the Royal Institution of Chartered Surveyors (“**RICS**”) subject to variation to meet local established law. Unless otherwise stated, our valuations are undertaken as External Valuers as defined in the relevant Valuation Standards.

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

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

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

## Valuation Methodologies

We have made use of the Income Capitalisation Method cross-referenced with the Direct Comparison Method.

### Income Capitalisation Method

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

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

### Direct Comparison Method

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

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

### Valuation Reconciliation

The results of the two valuation methods will be reconciled and the assessed value will be analysed in terms of estimated net property yield.

## Valuation Assumptions

### Valuation Assumptions

Our report is qualified by certain assumptions, definitions and limiting conditions as set out in our General Principles of Valuation, a copy of which is attached as Appendix 1.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Portfolio nor for any expenses or taxation which may be incurred in effecting sales. Unless otherwise stated, it is assumed that the Portfolio is free of encumbrances, restrictions and outgoings of an onerous nature which could affect the capital values of the Portfolio.

### **Title Investigation and Encumbrances**

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

### **Source of Information**

We have relied to a considerable extent on the information provided by ARA and have accepted advice given to us on such matters as identification of the Portfolio, planning approvals, statutory notices, easements, tenure, occupation, floor plans, floor areas, tenancy schedule and all other relevant matters.

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

- (1) Copy of Rent Roll as at 31 October 2020, 30 November 2020 and 31 December 2020;
- (2) Copy of Other Retail and Car Park incomes and Car Park expenses from January 2020 to December 2020;
- (3) Copy of layout plans of the Portfolio; and
- (4) Outstanding capital expenditure for +WOO.

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

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

### **Property Inspection**

We have inspected the exterior, and where possible the interior of the Properties between 23 November 2020 and 24 November 2020.

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

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

### **Site Investigation**

We have not carried out any investigations on site in order to determine the suitability of ground conditions and services etc. for future redevelopment, nor did we undertake archaeological, ecological or environmental surveys. Our valuation is on the basis that these aspects are satisfactory and that where developments are contemplated, no extraordinary expenses or delays will be incurred during the construction period due to these, or to archaeological or ecological matters. In the course of our assessments, we have assumed that no contamination affecting the Portfolio or the neighbouring land. However, should it be established subsequently that contamination exists at the Portfolio or on any neighbouring land, or that the premises have been or are being put to any contaminative use, we reserve the right to adjust the values reported herein.



# Valuation Report

## Plant and Machinery

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

## Telecommunication Facilities

We have assumed that all telecommunication facilities at the Portfolio are permitted and that all necessary approvals have been obtained from the relevant authorities.

## Valuation

A summary of our opinion of the market value of each property, subject to the existing tenancies, as at 31 December 2020, are as follows:

No.	Property name	Approximate Gross Rentable Area (sq.ft.)	No. of Parking Lots	Market Value as at 31 December 2020
1	Fortune City One	414,469	653	HK\$8,087,000,000
2	+WOO	665,244	622	HK\$7,880,000,000
3	Ma On Shan Plaza	310,084	290	HK\$5,622,000,000
4	Metro Town	180,822	74	HK\$3,585,000,000
5	Fortune Metropolis	332,168	179	HK\$2,544,000,000
6	Belvedere Square	276,862	329	HK\$2,514,000,000
7	Laguna Plaza	163,203	150	HK\$2,455,000,000
8	Waldorf Avenue	80,842	73	HK\$1,738,000,000
9	Caribbean Square	63,018	117	HK\$1,150,000,000
10	Jubilee Square	170,616	97	HK\$926,000,000
11	Smartland	123,544	67	HK\$795,000,000
12	Tsing Yi Square	78,836	27	HK\$790,000,000
13	Centre de Laguna	43,000	0	HK\$330,000,000
14	Hampton Loft	74,734	35	HK\$316,000,000
15	Lido Avenue	9,836	0	HK\$209,000,000
16	Rhine Avenue	14,604	0	HK\$134,000,000
<b>Total</b>		<b>3,001,882</b>	<b>2,713</b>	<b>HK\$39,075,000,000</b>

## Disclosure of Interest

Jones Lang LaSalle is unaware of any of our business, relationship or interest is in real, potential or apparent conflict with the performance required for the above-mentioned assignment.

## Satisfaction of Property Valuer Criteria In REIT Code

Jones Lang LaSalle and the qualifications of directors of our firm, are in a position to fulfill and comply fully with paragraphs 6.4, 6.5, 6.6, 6.7, 6.10 and 6.11 of the Code on Real Estate Investment Trusts ("REIT Code").

We are of the opinion that the market value of the unencumbered leasehold interest of the Portfolio, subject to the existing tenancies, as at 31 December 2020, was in the sum of **HK\$39,075,000,000 (HONG KONG DOLLARS THIRTY NINE BILLION AND SEVENTY FIVE MILLION)**.

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

### Conversion Factors

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

Yours faithfully

For and on behalf of

**Jones Lang LaSalle Limited**

**Dorothy Chow**

BSc(Hons), MSc, MHKIS, MRICS, RPS(GP)

Senior Director

Licence No.: E-182969

# Valuation Report

## 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.

<b>Description</b>	<p>City One Shatin is a comprehensive residential cum commercial development completed in phases between 1981 and 1989.</p> <p>The property mainly comprises various commercial areas within City One Shatin. Descriptions of the said commercial areas are set out below:</p> <ul style="list-style-type: none"><li>– The free standing commercial podium known as Fortune City One Plus (Commercial Block A) on the Ground Floor, 4th Floor and the Roof;</li><li>– 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;</li><li>– The wet market and kindergarten on the Ground Floor of residential tower blocks 34–36;</li><li>– Various single shops and non-domestic units dispersed throughout the development on the Ground Floor level of 12 individual tower blocks; and</li><li>– A total of 653 parking lots.</li></ul> <p>The total gross rentable area of the property (excluding parking lots) is approximately 38,505.11 sq m (414,469 sq ft).</p>
<b>Land Tenure</b>	<p>The property comprises portion of shares of and in Sha Tin Town Lot No. 1.</p> <p>Sha Tin Town Lot No. 1 is held under New Grant No. ST11064 for a term of 99 years commencing from 1 July 1898. The lease has been extended to expire on 30 June 2047. The annual Government rent payable is at 3% of the prevailing rateable value of the property.</p>
<b>Monthly Rental and Licence Income as at 31 December 2020</b>	Approximately HK\$24,862,800, exclusive of rates, Government rent, management fees and air-conditioning charges.
<b>Average Monthly Turnover Rent and Atrium Income for January 2020 to December 2020</b>	Approximately HK\$78,600
<b>Average Monthly Car Parking Income for January 2020 to December 2020</b>	Approximately HK\$971,300
<b>Market Value in Existing State as at 31 December 2020</b>	HK\$8,087,000,000 (HONG KONG DOLLARS EIGHT BILLION EIGHTY SEVEN MILLION)
<b>Estimated Net Property Yield</b>	3.8%

## +WOO

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

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

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

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

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

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

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

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

---

### Description

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

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

Details of the Fortune Kingswood are set out below:

#### **+WOO Phase 1 and Phase 2**

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



# Valuation Report

## The Locwood Court Property

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

## The Sherwood Court Property

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

## The Chestwood Court Property

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

## The Maywood Court Property

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

## The Kenswood Court Property

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

## The Lynwood Court Property

Comprises the Common Areas and Common Service Facilities of Lynwood Court.

The total gross rentable area of +WOO is approximately 61,802.68 sq m (665,244 sq ft). There are 622 car parking spaces.

<b>Land Tenure</b>	The property comprises portion of shares of and in Tin Shui Wai Town Lot Nos. 1, 2, 3, 4, 5, 6 and 7.  Tin Shui Wai Town Lot Nos. 1, 2, 3, 4, 5, 6 and 7 are held under New Grant No. 3466 from 1 July 1898 for 99 years and has been extended to expire on 30 June 2047. The annual Government rent payable is at 3% of the prevailing rateable value of the property.
<b>Monthly Rental and Licence Income as at 31 December 2020</b>	Approximately HK\$21,935,600, exclusive of rates, Government rent, management fees and air-conditioning charges.
<b>Average Monthly Turnover Rent and Atrium Income for January 2020 to December 2020</b>	Approximately HK\$158,600
<b>Average Monthly Car Parking Income for January 2020 to December 2020</b>	Approximately HK\$1,189,300
<b>Market Value in Existing State as at 31 December 2020</b>	HK\$7,880,000,000 (HONG KONG DOLLARS SEVEN BILLION EIGHT HUNDRED AND EIGHTY MILLION)
<b>Estimated Net Property Yield</b>	3.5%

## Ma On Shan Plaza

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

<b>Description</b>	<p>Ma On Shan Plaza is the commercial portion of a private residential cum commercial development known as Bayshore Towers completed in 1994.</p> <p>The property comprises the entire shopping centre on Levels 2 (including the atrium) and Level 3 of a 5-storey podium (including a Basement, Ground Floor and Level 1) and 290 parking lots on the Basement Floor of the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 28,807.51 sq m (310,084 sq ft).</p>
<b>Land Tenure</b>	<p>The property comprises portion of shares of and in Sha Tin Town Lot No. 382.</p> <p>Sha Tin Town Lot No. 382 is held under New Grant No. 12378 for a term commencing from 6 December 1991 to 30 June 2047. The annual Government rent payable is at 3% of the prevailing rateable value of the property.</p>
<b>Monthly Rental and Licence Income as at 31 December 2020</b>	Approximately HK\$19,633,100, exclusive of rates, Government rent, management fees and air-conditioning charges.
<b>Average Monthly Turnover Rent and Atrium Income for January 2020 to December 2020</b>	Approximately HK\$17,300
<b>Average Monthly Car Parking Income for January 2020 to December 2020</b>	Approximately HK\$732,900
<b>Market Value in Existing State as at 31 December 2020</b>	HK\$5,622,000,000 (HONG KONG DOLLARS FIVE BILLION SIX HUNDRED AND TWENTY TWO MILLION)
<b>Estimated Net Property Yield</b>	4.4%

# Valuation Report

## Metro Town

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

<b>Description</b>	<p>Metro Town is a private residential cum commercial development completed in two phases in 2006 and 2007.</p> <p>The property comprises the commercial podium on the Ground Level, Level 1, Level 2, Level 3, Level 5 and the covered footbridge of a 5-storey commercial podium of the development. It also comprises a total of 74 commercial parking lots on Level 2 of the commercial podium of the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 16,798.77 sq m (180,822 sq ft).</p>
<b>Land Tenure</b>	<p>The property comprises portion of shares of and in Tseung Kwan O Town Lot No. 73.</p> <p>Tseung Kwan O Town Lot No. 73 is held under New Grant No. SK9700 for a term of 50 years commencing from 11 February 2003. The annual Government rent payable for the property is at 3% of the prevailing rateable value of the property.</p>
<b>Monthly Rental and Licence Income as at 31 December 2020</b>	Approximately HK\$11,085,600, exclusive of rates, Government rent, management fees and air-conditioning charges.
<b>Average Monthly Turnover Rent Income for January 2020 to December 2020</b>	Approximately HK\$14,500
<b>Average Monthly Car Parking Income for January 2020 to December 2020</b>	Approximately HK\$312,100
<b>Market Value in Existing State as at 31 December 2020</b>	HK\$3,585,000,000 (HONG KONG DOLLARS THREE BILLION FIVE HUNDRED AND EIGHTY FIVE MILLION)
<b>Estimated Net Property Yield</b>	3.8%

## Fortune Metropolis

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

<b>Description</b>	<p>Fortune Metropolis is the commercial portion of a commercial/office/hotel/serviced apartment development, known as The Metropolis, completed in 2001.</p> <p>The property comprises the three levels of retail premises on L7, L8 and L9 Floors and 179 parking lots on Level 5 and Level 6 of the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 30,859.16 sq m (332,168 sq ft).</p>
<b>Land Tenure</b>	<p>The property comprises portion of shares of and in Kowloon Inland Lot No. 11077.</p> <p>Kowloon Inland Lot No. 11077 is held under a Conditions of Grant No. 12444 for a term commencing from 14 February 1997 to 30 June 2047. The annual Government rent payable is at 3% of the prevailing rateable value of the property.</p>
<b>Monthly Rental and Licence Income as at 31 December 2020</b>	Approximately HK\$7,158,800, exclusive of rates, Government rent, management fees and air-conditioning charges.
<b>Average Monthly Turnover Rent and Atrium Income for January 2020 to December 2020</b>	Approximately HK\$27,000
<b>Average Monthly Car Parking Income for January 2020 to December 2020</b>	Approximately HK\$375,200
<b>Market Value in Existing State as at 31 December 2020</b>	HK\$2,544,000,000 (HONG KONG DOLLARS TWO BILLION FIVE HUNDRED AND FORTY FOUR MILLION)
<b>Estimated Net Property Yield</b>	3.5%



# Valuation Report

## Belvedere Square

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

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### Description

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

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

#### Belvedere Garden Phase 1

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

#### Belvedere Garden Phase 2

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

#### Belvedere Garden Phase 3

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

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

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### Land Tenure

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

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

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

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

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<b>Monthly Rental and Licence Income as at 31 December 2020</b>	Approximately HK\$8,497,000, exclusive of rates, Government rent, management fees and air-conditioning charges.
<b>Average Monthly Turnover Rent and Atrium Income for January 2020 to December 2020</b>	Approximately HK\$41,300
<b>Average Monthly Car Parking Income for January 2020 to December 2020</b>	Approximately HK\$629,200
<b>Market Value in Existing State as at 31 December 2020</b>	HK\$2,514,000,000 (HONG KONG DOLLARS TWO BILLION FIVE HUNDRED AND FOURTEEN MILLION)
<b>Estimated Net Property Yield</b>	4.4%

## Laguna Plaza

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

<b>Description</b>	<p>Laguna Plaza is one of the commercial centres of a comprehensive private residential development known as Laguna City completed in 1991.</p> <p>The property comprises the shopping centre on the Ground Level, Level 1 and Level 2 and 150 parking lots on the Basement 1 and Basement 2 of the 5-storey commercial podium of the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 15,161.93 sq m (163,203 sq ft).</p>
<b>Land Tenure</b>	<p>The property comprises portion of shares of and in New Kowloon Inland Lot No. 6055.</p> <p>New Kowloon Inland Lot No. 6055 is held under Condition of Exchange No. UB12004 for a term of residue of 99 years less 3 days commencing from 1 July 1898. The lease has been extended to expire on 30 June 2047. The annual Government rent payable is at 3% of the prevailing rateable value of the property.</p>
<b>Monthly Rental and Licence Income as at 31 December 2020</b>	Approximately HK\$7,412,800, exclusive of rates, Government rent, management fees and air-conditioning charges.
<b>Average Monthly Turnover Rent and Atrium Income for January 2020 to December 2020</b>	Approximately HK\$128,300

# Valuation Report

<b>Average Monthly Car Parking Income for January 2020 to December 2020</b>	Approximately HK\$655,200
<b>Market Value in Existing State as at 31 December 2020</b>	HK\$2,455,000,000 (HONG KONG DOLLARS TWO BILLION FOUR HUNDRED AND FIFTY FIVE MILLION)
<b>Estimated Net Property Yield</b>	4.0%

## Waldorf Avenue

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

<b>Description</b>	<p>Waldorf Garden is a private residential cum commercial development completed in 1982.</p> <p>The property comprises a retail floor on Level 3, bicycle parking area on Level 1, and 73 car parking spaces on Levels 1 and 2 within a 4-storey podium of the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 7,510.41 sq m (80,842 sq ft).</p>
<b>Land Tenure</b>	<p>The property comprises portion of shares of and in Tuen Mun Town Lot No. 194.</p> <p>Tuen Mun Town Lot No. 194 is held under New Grant No. 2344 for a term of 99 years from 1 July 1898. The lease is extended to expire on 30 June 2047. The annual Government rent payable is 3% of the prevailing rateable value of the property.</p>
<b>Monthly Rental and Licence Income as at 31 December 2020</b>	Approximately HK\$6,284,200, exclusive of rates, Government rent, management fees and air-conditioning charges.
<b>Average Monthly Turnover Rent Income for January 2020 to December 2020</b>	Approximately HK\$28,700
<b>Average Monthly Car Parking Income for January 2020 to December 2020</b>	Approximately HK\$146,100
<b>Market Value in Existing State as at 31 December 2020</b>	HK\$1,738,000,000 (HONG KONG DOLLARS ONE BILLION SEVEN HUNDRED AND THIRTY EIGHT MILLION)
<b>Estimated Net Property Yield</b>	4.5%

## Caribbean Square

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

<b>Description</b>	<p>Caribbean Square is the commercial portion of a private residential cum commercial development, known as “Caribbean Coast”, completed between 2002 and 2008.</p> <p>The property comprises the commercial accommodation, the wet market and the kindergarten on ground floor within the development. It also comprises a total of 117 parking lots on the ground floor (i.e. 1st floor as stipulated in land search record) of Phase 6 of the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 5,854.52 sq m (63,018 sq ft).</p>
<b>Land Tenure</b>	<p>The property comprises portion of shares of and in Tung Chung Town Lot No. 5.</p> <p>Tung Chung Town Lot No. 5 is held under New Grant No. IS8102 for a term commencing from 26 June 1997 to 30 June 2047. The annual Government rent payable for the property is at 3% of the prevailing rateable value of the property.</p>
<b>Monthly Rental and Licence Income as at 31 December 2020</b>	Approximately HK\$3,982,500, exclusive of rates, Government rent, management fees and air-conditioning charges.
<b>Average Monthly Turnover Rent Income for January 2020 to December 2020</b>	Approximately HK\$11,500
<b>Average Monthly Car Parking Income for January 2020 to December 2020</b>	Approximately HK\$250,400
<b>Market Value in Existing State as at 31 December 2020</b>	HK\$1,150,000,000 (HONG KONG DOLLARS ONE BILLION ONE HUNDRED AND FIFTY MILLION)
<b>Estimated Net Property Yield</b>	4.4%



# Valuation Report

## Jubilee Square

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

<b>Description</b>	<p>Jubilee Square is the commercial portion of a private residential cum commercial development, known as Jubilee Garden, completed in 1986.</p> <p>The property comprises a free-standing 7-storey shopping centre and a wet market on the 1st Floor of the podium of Jubilee Garden. It also comprises a total of 97 parking lots on the 1st Floor of the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 15,850.61 sq m (170,616 sq ft).</p>
<b>Land Tenure</b>	<p>The property comprises portion of shares of and in Sha Tin Town Lot No. 87.</p> <p>Sha Tin Town Lot No. 87 is held under New Grant No. ST11326 for a term of 99 years commencing from 1 July 1898. The lease is extended to expire on 30 June 2047. The annual Government rent payable is at 3% of the prevailing rateable value of the property.</p>
<b>Monthly Rental and Licence Income as at 31 December 2020</b>	Approximately HK\$3,110,400, exclusive of rates, Government rent, management fees and air-conditioning charges.
<b>Average Monthly Turnover Rent Income for January 2020 to December 2020</b>	Approximately HK\$8,400
<b>Average Monthly Car Parking Income for January 2020 to December 2020</b>	Approximately HK\$383,800
<b>Market Value in Existing State as at 31 December 2020</b>	HK\$926,000,000 (HONG KONG DOLLARS NINE HUNDRED AND TWENTY SIX MILLION)
<b>Estimated Net Property Yield</b>	4.5%

## Smartland

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

<b>Description</b>	<p>Smartland is portion of the commercial portion of a residential cum commercial development, known as East Asia Gardens, completed in 1981.</p> <p>The property comprises various retail premises on the Ground and 1st Floors, the whole of 2nd Floor, the reserved podium roof on the 3rd Floor, portions of external walls (except the portion at A101 on Ground Floor) and 67 parking lots in the Basement Floor of a 4-storey podium (including the Basement).</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 11,477.52 sq m (123,544 sq ft).</p>
<b>Land Tenure</b>	<p>The property comprises portion of shares of and in Tsuen Wan Town Lot No. 247.</p> <p>Tsuen Wan Town Lot No. 247 is held under New Grant No. 5591 for a term of 99 years commencing from 1 July 1898. The lease term has been extended to expire on 30 June 2047. The annual Government rent payable is 3% of the prevailing rateable value of the Property.</p>
<b>Monthly Rental and Licence Income as at 31 December 2020</b>	Approximately HK\$2,891,300, exclusive of rates, Government rent, management fees and air-conditioning charges.
<b>Average Monthly Turnover Rent and Atrium Income for January 2020 to December 2020</b>	Approximately HK\$9,700
<b>Average Monthly Car Parking Income for January 2020 to December 2020</b>	Approximately HK\$223,700
<b>Market Value in Existing State as at 31 December 2020</b>	HK\$795,000,000 (HONG KONG DOLLARS SEVEN HUNDRED AND NINETY FIVE MILLION)
<b>Estimated Net Property Yield</b>	4.7%

# Valuation Report

## Tsing Yi Square

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

<b>Description</b>	<p>Tsing Yi Square is the commercial portion of a private residential cum commercial development, known as Tsing Yi Garden, completed in 1986.</p> <p>The property comprises various retail shops on the Ground Floor and 1st Floor and 27 parking lots within the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 7,324.04 sq m (78,836 sq ft).</p>
<b>Land Tenure</b>	<p>The property comprises portion of shares of and in Tsing Yi Town Lot No. 101.</p> <p>Tsing Yi Town Lot No. 101 is held under New Grant No. TW6229 for a term of 99 years commencing from 1 July 1898. The lease has been extended and expiry on 30 June 2047. The annual Government rent payable is at 3% of the prevailing rateable value of the property.</p>
<b>Monthly Rental Income as at 31 December 2020</b>	Approximately HK\$3,041,100, exclusive of rates, Government rent, management fees and air-conditioning charges.
<b>Average Monthly Car Parking Income for January 2020 to December 2020</b>	Approximately HK\$55,200
<b>Market Value in Existing State as at 31 December 2020</b>	HK\$790,000,000 (HONG KONG DOLLARS SEVEN HUNDRED AND NINETY MILLION)
<b>Estimated Net Property Yield</b>	4.7%

## 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.

<b>Description</b>	<p>Centre de Laguna is the commercial development within a private residential cum commercial development, known as Laguna City, completed in 1992.</p> <p>The property comprises the commercial accommodation on the Ground and Upper Ground Floors of the commercial development and a kindergarten on Ground Floor of Blocks 32 to 38 of the development.</p> <p>The total gross rentable area of the property is approximately 3,994.80 sq m (43,000 sq ft).</p>
<b>Land Tenure</b>	<p>The property comprises portion of shares of and in Kowloon Inland Lot No. 6100.</p> <p>Kowloon Inland Lot No. 6100 is held under a Conditions of Exchange No. 12071 for a term commencing from 31 October 1989 to 30 June 2047. The annual Government rent payable for the property is at 3% of the prevailing rateable value of the property.</p>
<b>Monthly Rental and Licence Income as at 31 December 2020</b>	Approximately HK\$1,150,800, exclusive of rates, Government rent, management fees and air-conditioning charges.
<b>Market Value in Existing State as at 31 December 2020</b>	HK\$330,000,000 (HONG KONG DOLLARS THREE HUNDRED AND THIRTY MILLION)
<b>Estimated Net Property Yield</b>	4.2%



# Valuation Report

## Hampton Loft

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

<b>Description</b>	<p>Hampton Loft is the commercial portion of a private residential cum commercial development, known as Hampton Place, completed in 2003.</p> <p>The property comprises the commercial units on the 5th floor and 6th floor of the development and a total of 35 commercial parking lots on the 1st floor of the development.</p> <p>The total gross rentable area of the property (excluding the parking lots) is approximately 6,942.96 sq m (74,734 sq ft).</p>
<b>Land Tenure</b>	<p>The property comprises portion of shares of and in Kowloon Inland Lot No. 11107.</p> <p>Kowloon Inland Lot No. 11107 is held under Conditions of Sale No. 12554 for a term of 50 years commencing from 13 December 1999. The annual Government rent payable is at 3% of the prevailing rateable value of the property.</p>
<b>Monthly Rental and Licence Income as at 31 December 2020</b>	Approximately HK\$1,188,100, exclusive of rates, Government rent, and management fees.
<b>Average Monthly Car Parking Income for January 2020 to December 2020</b>	Approximately HK\$69,100
<b>Market Value in Existing State as at 31 December 2020</b>	HK\$316,000,000 (HONG KONG DOLLARS THREE HUNDRED AND SIXTEEN MILLION)
<b>Estimated Net Property Yield</b>	4.8%

## Lido Avenue

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

<b>Description</b>	<p>Lido Garden is a private residential cum commercial development completed in 1989.</p> <p>The property comprises various retail units on Ground Floor of the development.</p> <p>The total gross rentable area of the property is approximately 913.79 sq m (9,836 sq ft).</p>
<b>Land Tenure</b>	<p>The property comprises portion of shares of and in Tsuen Wan Marine Lot No. 4.</p> <p>Tsuen Wan Marine Lot No. 4 is held under a Conditions of Sale No. 2309 for a term of 75 years, renewable for 24 years, commencing from 1 July 1898. The lease is extended to expire on 30 June 2047. The annual Government rent payable is at 3% of the prevailing rateable value of the property.</p>
<b>Monthly Rental Income as at 31 December 2020</b>	Approximately HK\$839,700, exclusive of rates, Government rent, and management fees.
<b>Market Value in Existing State as at 31 December 2020</b>	HK\$209,000,000 (HONG KONG DOLLARS TWO HUNDRED AND NINE MILLION)
<b>Estimated Net Property Yield</b>	4.8%

## Rhine Avenue

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

<b>Description</b>	<p>Rhine Garden is a private residential cum commercial development completed in 1992.</p> <p>The property comprises four retail units on Ground Floor and AHU Room on Podium Level 1 of the development.</p> <p>The total gross rentable area of the property is approximately 1,356.74 sq m (14,604 sq ft).</p>
<b>Land Tenure</b>	<p>The property comprises portion of shares of and in Lot No. 261 in Demarcation District No. 390.</p> <p>Lot No. 261 in Demarcation District No. 390 is held under New Grant No. TW6771 for a term commencing from 1 September 1990 to 30 June 2047. The annual Government rent payable is at 3% of the prevailing rateable value of the property.</p>
<b>Monthly Rental Income as at 31 December 2020</b>	Approximately HK\$446,300, exclusive of rates, Government rent, management fees and air-conditioning charges.
<b>Market Value in Existing State as at 31 December 2020</b>	HK\$134,000,000 (HONG KONG DOLLARS ONE HUNDRED AND THIRTY FOUR MILLION)
<b>Estimated Net Property Yield</b>	4.0%

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

# Report of the Trustee

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

## **HSBC Institutional Trust Services (Asia) Limited**

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

Hong Kong  
4 February 2021

# Independent Auditor's Report

**Deloitte.**

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## TO THE UNITHOLDERS OF FORTUNE REAL ESTATE INVESTMENT TRUST

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

## Report on the Audit of the Financial Statements

### Opinion

We have audited the consolidated financial statements of Fortune Real Estate Investment Trust ("**Fortune REIT**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 95 to 142, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, distribution statement, consolidated statement of changes in net assets attributable to unitholders and consolidated statement of cash flows of the Group for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial disposition of the Group as at 31 December 2020, and of its consolidated financial transactions and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**").

### Basis for Opinion

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



# Independent Auditor's Report

## Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
<b>Valuation of investment properties</b> <p>We identified the valuation of investment properties as a key audit matter as they represented 99% of total assets of the Group as at 31 December 2020 and significant judgement is required in determining their fair value.</p> <p>As disclosed in Note 13 to the consolidated financial statements, investment properties of the Group are retail properties in Hong Kong comprising retail space and car park space. The carrying amounts of investment properties amounted to HK\$39,075 million as at 31 December 2020 and their change in fair value included in the loss for the year was HK\$3,800 million. As disclosed in Note 13 to the consolidated financial statements, in estimating the fair value of investment properties, ARA Asset Management (Fortune) Limited (the “<b>Manager</b>” of Fortune REIT) engaged an independent qualified external valuer (the “<b>Valuer</b>”) to perform the valuation and worked with the Valuer to establish inputs to the valuation model.</p> <p>As disclosed in Notes 4(a) and 13 to the consolidated financial statements, the fair value is based on the valuation performed by the Valuer using income capitalisation approach which is a method of valuation whereby the existing net rental incomes (i.e. exclusive of rates, government rent, management fees and air-conditioning charges) of all lettable units of each property are capitalised for the respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at their respective market rents as at the valuation date. This involves the making of certain assumptions and the use of estimates in respect of the capitalisation rate, by reference to the yields derived from analysing the sales transactions of similar properties in Hong Kong and adjusted to take account of the Valuer’s knowledge of the market expectation from property investors to reflect factors specific to the Group’s investment properties. A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.</p>	<p>Our procedures in relation to the valuation of investment properties included:</p> <ul style="list-style-type: none"><li>• Evaluating the competency, capabilities and objectivity of the Valuer;</li><li>• Obtaining an understanding of the valuation process and significant assumptions and critical judgement areas of the Valuer to assess if the approaches are consistent with relevant accounting requirements and industry norms;</li><li>• Evaluating the appropriateness of the judgements made by the Manager and the Valuer, in particular the valuation model and the capitalisation rate based on our knowledge of the property market in Hong Kong; and</li><li>• Assessing the reasonableness of other key parameters, including market rentals, in the valuation model by comparing them against market data and entity-specific information such as rental income, tenancy summary, details and size of the properties on a sampling basis.</li></ul>

## Other Information

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

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

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

## Responsibilities of Manager and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

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

# Independent Auditor's Report

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Appendix C of the REIT Code, and for no other purpose. We do not assume responsibility towards or accept liability to other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. In addition, we are required to assess whether the consolidated financial statements have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix C of the REIT Code.

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

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

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

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

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

### **Report on Matters Under the Relevant Provisions of the Trust Deed and the Relevant Disclosure Provisions of Appendix C of the REIT Code**

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

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

#### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

4 February 2021



# Financial Statements

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# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	6	<b>1,843,824</b>	1,959,697
Property operating expenses	7	<b>(425,123)</b>	(432,994)
<b>Net property income before manager's performance fee</b>		<b>1,418,701</b>	1,526,703
Manager's performance fee		<b>(42,566)</b>	(45,846)
<b>Net property income</b>		<b>1,376,135</b>	1,480,857
Manager's base fee		<b>(122,230)</b>	(127,714)
Foreign currency exchange loss, net		<b>(78)</b>	(111)
Interest income		<b>159</b>	1,613
Trust expenses	8	<b>(14,477)</b>	(23,566)
Change in fair value of investment properties	13	<b>(3,799,917)</b>	662,591
Finance costs	9	<b>(426,612)</b>	(298,115)
<b>(Loss)/profit before taxation and transactions with unitholders</b>		<b>(2,987,020)</b>	1,695,555
Income tax expense	10 11	<b>(205,938)</b>	(218,751)
<b>(Loss)/profit for the year, before transactions with unitholders</b>		<b>(3,192,958)</b>	1,476,804
Distributions to unitholders		<b>(921,890)</b>	(993,763)
<b>Net comprehensive (expense)/income for the year</b>		<b>(4,114,848)</b>	483,041
Basic (loss)/earnings per unit (HK cents)	12	<b>(163.66)</b>	76.33

# Distribution Statement

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>(Loss)/profit for the year, before transactions with unitholders</b>		<b>(3,192,958)</b>	1,476,804
<b>Adjustments:</b>			
Manager's base fee		<b>122,230</b>	127,714
Change in fair value of investment properties	13	<b>3,799,917</b>	(662,591)
Change in fair value of derivative financial instruments	9	<b>180,789</b>	31,172
Non-cash finance costs		<b>30,434</b>	–
Deferred tax	11	<b>29,999</b>	–
Foreign currency exchange loss, net		–	111
Other non-tax deductible trust expenses		–	20,553
<b>Income available for distribution (note (i))</b>		<b>970,411</b>	993,763
<b>Distributions to unitholders</b>			
Interim distribution		<b>440,745</b>	505,449
Final distribution		<b>481,145</b>	488,314
		<b>921,890</b>	993,763
<b>Payout ratio (note (ii))</b>		<b>95%</b>	100%
<b>Distribution per unit (HK cents)</b>			
Interim distribution per unit (note (iii))		<b>22.60</b>	26.13
Final distribution per unit (note (iv))		<b>24.56</b>	25.15
		<b>47.16</b>	51.28

Notes:

- (i) Subsequent to the voluntary delisting of Fortune REIT from the Singapore Exchange Securities Trading Limited in October 2019 and the corresponding amendments on the trust deed dated 4 July 2003 (as amended, supplemented, or otherwise modified from time to time) (the "**Trust Deed**") on 10 January 2020, starting from the financial year ended 31 December 2020, the distribution policy of Fortune REIT is to distribute not less than 90% of consolidated net profit after tax (before transactions with unitholders) for the relevant financial period adjusted to eliminate the effects of certain adjustments in the Trust Deed ("**Net Profit After Tax**"). Income available for distribution for the year ended 31 December 2020 is HK\$970.4 million.

In respect of the financial years prior to and including the financial year ended 31 December 2019, the distribution policy of Fortune REIT was to distribute, 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 the Manager) after deduction of applicable expenses ("**Net Tax-Exempt Income**"); and (b) 90% of Net Profit After Tax. Net Tax-Exempt Income and Net Profit After Tax for the year ended 31 December 2019 was HK\$993.8 million and HK\$920.2 million, respectively. Accordingly, the income available for distribution for the year ended 31 December 2019, based on the Net Tax-Exempt Income, was HK\$993.8 million.

- (ii) Distribution amount to unitholders of HK\$921.9 million for the year ended 31 December 2020 (2019: HK\$993.8 million), represented a payout ratio of 95% (2019: 100%) of Fortune REIT's income available for distribution of HK\$970.4 million for the year ended 31 December 2020 (2019: HK\$993.8 million).
- (iii) The distribution per unit of 22.60 HK cents for the six months ended 30 June 2020 (six months ended 30 June 2019: 26.13 HK cents) was calculated based on the interim distribution to unitholders amount of HK\$440.7 million (six months ended 30 June 2019: HK\$505.4 million) over 1,950,177,768 units (30 June 2019: 1,933,977,332 units), represented issued units as at 30 June 2020 of 1,945,863,309 units (30 June 2019: 1,930,988,000 units) plus the number of units issued after the distribution period to the Manager as settlement of the Manager's base fee for its services in the second quarter of 2020 of 4,314,459 units (second quarter of 2019: 2,989,332 units). Interim distribution was paid on 18 September 2020 (2019 interim distribution: 29 August 2019).
- (iv) The distribution per unit of 24.56 HK cents for the six months ended 31 December 2020 (six months ended 31 December 2019: 25.15 HK cents) is calculated based on the final distribution to unitholders amount of HK\$481.1 million (six months ended 31 December 2019: HK\$488.3 million) over 1,958,886,876 units (31 December 2019: 1,941,116,457 units), representing issued units as at 31 December 2020 of 1,954,817,025 units (31 December 2019: 1,937,542,226 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 2020 of 4,069,851 units (fourth quarter of 2019: 3,574,231 units). Final distribution will be paid on 18 March 2021 (2019 final distribution: 6 March 2020).

# Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investment properties	13	39,075,000	42,820,000
Derivative financial instruments	14	–	1,327
<b>Total non-current assets</b>		<b>39,075,000</b>	42,821,327
<b>Current assets</b>			
Trade and other receivables	15	84,094	85,496
Bank balances	16	177,167	136,375
Derivative financial instruments	14	–	6,291
<b>Total current assets</b>		<b>261,261</b>	228,162
<b>Total assets</b>		<b>39,336,261</b>	43,049,489
<b>Non-current liabilities</b>			
Derivative financial instruments	14	180,256	13,684
Borrowings	17	5,164,705	4,979,800
Deferred tax liabilities	18	530,770	500,771
<b>Total non-current liabilities</b>		<b>5,875,731</b>	5,494,255
<b>Current liabilities</b>			
Trade and other payables	19	717,317	750,586
Borrowings	17	3,594,667	3,499,379
Distribution payable		481,996	488,314
Derivative financial instruments	14	6,599	–
Provision for taxation		28,449	192,835
<b>Total current liabilities</b>		<b>4,829,028</b>	4,931,114
<b>Total liabilities, excluding net assets attributable to unitholders</b>		<b>10,704,759</b>	10,425,369
<b>Net assets attributable to unitholders</b>		<b>28,631,502</b>	32,624,120
<b>Units in issue and to be issued ('000)</b>	20	<b>1,958,887</b>	1,941,116
<b>Net asset value per unit attributable to unitholders (HK\$)</b>	21	<b>14.62</b>	16.81

The consolidated financial statements on pages 95 to 142 were approved and authorised for issue by ARA Asset Management (Fortune) Limited, as the Manager of Fortune Real Investment Trust on 4 February 2021 and were signed on its behalf by:

**Lim Hwee Chiang**  
Director

**Chiu Yu, Justina**  
Director



# Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the year ended 31 December 2020

	Units in issue and to be issued HK\$'000	Unit issue costs HK\$'000	Retained Profits HK\$'000	Total HK\$'000
<b>Net assets attributable to unitholders as at 1 January 2019</b>	8,113,501	(286,279)	24,186,143	32,013,365
<b>OPERATIONS</b>				
Profit for the year, before transactions with unitholders	–	–	1,476,804	1,476,804
Distribution paid and payable of 26.13 HK cents per unit for the six months ended 30 June 2019	–	–	(505,449)	(505,449)
Distribution payable of 25.15 HK cents per unit for the six months ended 31 December 2019	–	–	(488,314)	(488,314)
Net comprehensive income for the year	–	–	483,041	483,041
<b>UNITHOLDERS' TRANSACTIONS</b>				
Creation of units				
– Manager's base fee paid in units	127,714	–	–	127,714
Increase in net assets resulting from unitholders' transactions	127,714	–	–	127,714
<b>Net assets attributable to unitholders as at 31 December 2019</b>	8,241,215	(286,279)	24,669,184	32,624,120
<b>OPERATIONS</b>				
Loss for the year, before transactions with unitholders	–	–	(3,192,958)	(3,192,958)
Distribution paid and payable of 22.60 HK cents per unit for the six months ended 30 June 2020	–	–	(440,745)	(440,745)
Distribution payable of 24.56 HK cents per unit for the six months ended 31 December 2020	–	–	(481,145)	(481,145)
Net comprehensive expense for the year	–	–	(4,114,848)	(4,114,848)
<b>UNITHOLDERS' TRANSACTIONS</b>				
Creation of units				
– Manager's base fee paid/payable in units	122,230	–	–	122,230
Increase in net assets resulting from unitholders' transactions	122,230	–	–	122,230
<b>Net assets attributable to unitholders as at 31 December 2020</b>	8,363,445	(286,279)	20,554,336	28,631,502

# Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 HK\$'000	2019 HK\$'000
<b>Operating activities</b>		
(Loss)/profit before taxation and transactions with unitholders	<b>(2,987,020)</b>	1,695,555
Adjustments for:		
Manager's base fee paid/payable in units	<b>122,230</b>	127,714
Change in fair value of investment properties	<b>3,799,917</b>	(662,591)
Interest income	<b>(159)</b>	(1,613)
Other finance costs	<b>245,823</b>	266,943
Change in fair value of derivative financial instruments	<b>180,789</b>	31,172
Allowance for credit losses	<b>5,996</b>	–
Operating cash flows before movement in working capital	<b>1,367,576</b>	1,457,180
Increase in trade and other receivables	<b>(4,594)</b>	(20,956)
Decrease in trade and other payables	<b>(42,659)</b>	(37,981)
Cash generated from operations	<b>1,320,323</b>	1,398,243
Income tax paid	<b>(340,325)</b>	(13,370)
<b>Net cash from operating activities</b>	<b>979,998</b>	1,384,873
<b>Investing activities</b>		
Upgrading of investment properties	<b>(54,917)</b>	(157,409)
Interest received	<b>159</b>	1,532
<b>Net cash used in investing activities</b>	<b>(54,758)</b>	(155,877)
<b>Financing activities</b>		
Drawdown of borrowings	<b>5,839,000</b>	1,176,000
Repayment of borrowings	<b>(5,545,000)</b>	(1,575,060)
Distribution paid	<b>(929,059)</b>	(987,222)
Interest paid	<b>(215,389)</b>	(249,238)
Payment of front-end fees	<b>(34,000)</b>	–
<b>Net cash used in financing activities</b>	<b>(884,448)</b>	(1,635,520)
Net increase/(decrease) in cash and cash equivalents	<b>40,792</b>	(406,524)
Cash and cash equivalents at beginning of the year	<b>136,375</b>	542,899
<b>Cash and cash equivalents at end of the year</b>	<b>177,167</b>	136,375
<b>Represented by:</b>		
Cash at bank	<b>177,167</b>	46,375
Fixed deposits with original maturity date less than 3 months	<b>–</b>	90,000
	<b>177,167</b>	136,375

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 1 General Information

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

The registered offices and principal places of business of the Manager in Singapore and Hong Kong are 5 Temasek Boulevard, #12-01 Suntec Tower 5, Singapore 038985 and Unit 901, Level 9, Fortune Metropolis, 6 Metropolis Drive, Hung Hom, Kowloon, Hong Kong, respectively. The registered office of the Trustee is 1 Queen’s Road Central, Hong Kong.

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

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

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

### (a) Property management fees

#### Property management fee

Under the property management agreement, Goodwell-Fortune Property Services Limited (the “**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.

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

#### Marketing services fee

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

- one month’s base rent for securing a tenancy of three years or more;
- one-half month’s base rent for securing a tenancy of less than three years;
- 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.

## 1 General Information (Continued)

### (b) Trustee's fees

The Trustee's fees charged by the Trustee is 0.03% per annum (subject to a minimum of HK\$50,000 per month) on the value of the real estate properties and are accrued daily and paid monthly in arrears in accordance with the Trust Deed.

### (c) Manager's fees

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

#### Base fee

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

#### Performance fee

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

### (d) Acquisition fee and divestment fee

The Manager is entitled to receive the following fees:

#### Acquisition fee

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

#### Divestment fee

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 2 Application of Amendments to International Financial Reporting Standards

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

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) for the first time, which are pertinent to the Group and are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
-------------------------------	------------------------

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current year had no material impact on the Group’s financial position and performance for the current and prior year and/or on the disclosures set out in these consolidated financial statements.

#### Impacts on application of Amendments to IAS 1 and IAS 8 Definition of Material

The Group has applied the Amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

### Amendments to IFRSs in issue but not yet effective

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>1</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020 <sup>2</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023.

The Manager anticipates that the application of the above amendments to IFRSs that are not yet effective will have no material impact on the Group’s consolidated financial statements in the foreseeable future.



### 3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

#### 3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements are drawn up in accordance with the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the relevant provisions of the Trust Deed and the REIT Code issued by the SFC.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have same similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies

#### (a) Basis of consolidation

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

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

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

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

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

All intragroup assets and liabilities, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

#### (b) Investment properties

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

Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value, adjusted to exclude any prepaid or accrued operating lease income. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

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

### 3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

#### 3.2 Significant accounting policies (Continued)

##### (c) Financial instruments

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

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

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

##### **Financial assets**

###### *Classification and subsequent measurement of financial assets*

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies (Continued)

#### (c) Financial instruments (Continued)

##### *Financial assets (Continued)*

##### *Classification and subsequent measurement of financial assets (Continued)*

A financial asset is held for trading if:

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

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

##### (i) *Amortised cost and interest income*

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

##### (ii) *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income (“**FVTOCI**”) or designated as FVTOCI are measured at FVTPL.

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

### 3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

#### 3.2 Significant accounting policies (Continued)

##### (c) Financial instruments (Continued)

###### *Financial assets (Continued)*

###### *Impairment of financial assets*

The Group performs impairment assessment under expected credit loss (“**ECL**”) model on financial assets (including trade and other receivables and bank balances) which are subject to impairment assessment under IFRS 9 Financial Instruments (“**IFRS 9**”). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

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

###### *(i) Significant increase in credit risk*

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

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

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies (Continued)

#### (c) Financial instruments (Continued)

##### *Financial assets (Continued)*

##### *Impairment of financial assets (Continued)*

##### (i) *Significant increase in credit risk (Continued)*

- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

##### (ii) *Definition of default*

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

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

### 3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

#### 3.2 Significant accounting policies (Continued)

##### (c) Financial instruments (Continued)

###### **Financial assets (Continued)**

###### *Impairment of financial assets (Continued)*

###### (iii) *Credit-impaired financial assets*

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

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

###### (iv) *Write-off policy*

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

###### (v) *Measurement and recognition of ECL*

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

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies (Continued)

#### (c) Financial instruments (Continued)

##### **Financial assets (Continued)**

##### *Impairment of financial assets (Continued)*

##### (v) *Measurement and recognition of ECL (Continued)*

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

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

##### *Derecognition of financial assets*

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

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

##### **Financial liabilities and equity**

##### *Classification as debt or equity*

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

##### **Equity instruments**

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

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

### 3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

#### 3.2 Significant accounting policies (Continued)

##### (c) Financial instruments (Continued)

###### *Financial liabilities*

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

###### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

###### *Financial liabilities at amortised cost*

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

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

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

###### *Derecognition of financial liabilities*

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies (Continued)

#### (c) Financial instruments (Continued)

##### *Derivative financial instruments*

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

#### (d) Leases

##### *Definition of a lease*

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

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

##### *The Group as a lessor*

##### *Classification and measurement of leases*

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

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the terms of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. Variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

Interest and rental income which are derived from the Group's ordinary course of business are presented as revenue.



### 3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

#### 3.2 Significant accounting policies (Continued)

##### (d) Leases (Continued)

###### *The Group as a lessor (Continued)*

###### *Allocation of consideration to components of a contract*

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

###### *Refundable rental deposits*

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

###### *Lease modification*

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

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

##### (e) Revenue from contracts with customers

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies (Continued)

#### (e) Revenue from contracts with customers (Continued)

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

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

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

##### *Output method*

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

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date (rental contracts in which the Group bills a fixed amount of car park space and charge-out collections for each hour/month of service provided), the Group recognises revenue in the amount to which the Group has the right to invoice.

#### (f) Foreign currencies

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

In preparing the financial statements of each individual group entity, transactions in currencies other than Hong Kong dollar are recognised in Hong Kong dollar at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

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

### 3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

#### 3.2 Significant accounting policies (Continued)

##### (g) Borrowing costs

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 3 Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

### 3.2 Significant accounting policies (Continued)

#### (h) Taxation (Continued)

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same tax authority.

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.

## 4 Key Sources of Estimation Uncertainty

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

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

## 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 use of estimation techniques which may have a significant effect on the amounts recognised in the consolidated financial statements other than as follows:

### (a) Valuation of investment properties

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

As at 31 December 2020, the carrying amount of the Group's investment properties is HK\$39,075 million (2019: HK\$42,820 million).

### (b) Valuation of derivative financial instruments

As described in Note 14, the fair value of derivative financial instruments that are not quoted in active markets are determined by using certain valuation techniques. Where valuation techniques are used to determine 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 2020 represented assets amounting to nil (2019: HK\$7.6 million) and liabilities amounting to HK\$186.9 million (2019: HK\$13.7 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 management of the Manager, in order to allocate resources to segments and to assess their performance.

The Group owns 16 (2019: 16) properties as at 31 December 2020 which are located in Hong Kong. Revenue and net property income of each property (which constitutes an operating segment) are the measures reported to the Manager for the purposes of resource allocation and performance assessment. The Manager considers that all existing properties held by the Group, consisting of retail shopping malls, have similar economic characteristics and have similar nature in providing leasing service to similar type of retail tenants for rental income. In addition, the cost structure and the economic environment in which they operate are similar. Therefore, the Manager concluded that each of the properties or operating segments are aggregated into a single reportable segment and no further analysis for segment information is presented.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 6 Revenue

	2020 HK\$'000	2019 HK\$'000
Revenue arising from operating leases:		
Fixed	1,491,590	1,589,679
Variable	3,205	5,848
Charge-out collections	244,162	246,548
Car park revenue	102,088	113,519
Other income	2,779	4,103
	<b>1,843,824</b>	1,959,697

Notes:

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

## 7 Property Operating Expenses

	2020 HK\$'000	2019 HK\$'000
Advertising and promotion	21,335	18,308
Building management expenses	212,607	215,729
Car park operating expenses	30,405	31,504
Government rents and rates	12,644	12,988
Leasing commission and marketing services fee	26,977	34,425
Legal and other professional fees	10,557	7,036
Property management fee	44,927	47,989
Utilities	43,498	48,023
Others	22,173	16,992
	<b>425,123</b>	432,994

## 8 Trust Expenses

	2020 HK\$'000	2019 HK\$'000
Trustee's fee	12,411	14,448
Other charges	2,066	9,118
	<b>14,477</b>	23,566

## 9 Finance Costs

	2020 HK\$'000	2019 HK\$'000
Interest expenses on bank borrowings	192,415	257,880
Amortisation of front-end fees	20,193	18,783
Commitment fee	1,126	1,471
Interest rate swaps expenses/(income) realised	32,089	(11,191)
	<b>245,823</b>	266,943
Change in fair value of derivative financial instruments	180,789	31,172
	<b>426,612</b>	298,115

## 10 (Loss)/Profit Before Taxation and Transactions with Unitholders

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

	2020 HK\$'000	2019 HK\$'000
Fees to external auditor		
– Audit services	1,580	1,592
– Non-audit services	1,379	1,337
Fees to internal auditor	350	450
Valuation fees (paid to principal valuer)	520	532
Bank charges	596	554
Allowance for credit losses	5,996	–
Public relation and non-deal roadshow expenses	884	1,025

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 11 Income Tax Expense

	2020 HK\$'000	2019 HK\$'000
Current tax:		
– Hong Kong	175,939	190,127
– Singapore	–	22
– Over provision in prior years	–	(835)
	<b>175,939</b>	189,314
Deferred taxation (Note 18)		
– Current year	29,999	29,480
– Over provision in prior years	–	(43)
	<b>29,999</b>	29,437
	<b>205,938</b>	218,751

Fortune REIT's subsidiaries in Hong Kong are subject to Hong Kong Profits Tax at 16.5% (2019: 16.5%) for the year ended 31 December 2020. Taxation arising in Singapore was calculated at 17% for the year ended 31 December 2019.

The income tax varied from the amount of income tax determined by applying the applicable Hong Kong profits tax rate of 16.5% (2019: 16.5%) for the Group to the profit before taxation and transactions with unitholders as a result of the following differences:

	2020 HK\$'000	2019 HK\$'000
(Loss)/profit before taxation and transactions with unitholders	<b>(2,987,020)</b>	1,695,555
Tax at the applicable income tax rate	<b>(492,858)</b>	279,767
Tax effect of expenses not deductible for tax purpose	<b>698,822</b>	61,915
Tax effect of income not taxable for tax purpose	<b>(26)</b>	(122,053)
Over provision in prior years	–	(878)
Taxation for the year	<b>205,938</b>	218,751

## 12 (Loss)/Earnings Per Unit

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

	2020 HK\$'000	2019 HK\$'000
(Loss)/profit for the year, before transactions with unitholders	<b>(3,192,958)</b>	1,476,804
Weighted average number of units outstanding during the year Number of units ('000)	<b>1,950,980</b>	1,934,837
Basic (loss)/earnings per unit (HK cents)	<b>(163.66)</b>	76.33

The weighted average number of units outstanding during the year takes into account the 4,069,851 (2019: 3,574,231) units issuable as Manager's base fee for the period from 1 October 2020 to 31 December 2020 (2019: 1 October 2019 to 31 December 2019), which were issued to the Manager on 8 January 2021 (2019: 3 January 2020).

No diluted (loss)/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 Investment Properties

	2020 HK\$'000	2019 HK\$'000
<b>FAIR VALUE</b>		
At beginning of year	<b>42,820,000</b>	42,000,000
During the year:		
Capital expenditure incurred in upgrading investment properties	<b>54,917</b>	157,409
Change in fair value of investment properties	<b>(3,799,917)</b>	662,591
At end of year	<b>39,075,000</b>	42,820,000

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 13 Investment Properties (Continued)

Description of property	Tenure of land	Terms of leases	Remaining term of lease	Location	Valuation	
					2020 HK\$'000	2019 HK\$'000
Fortune City One	Leasehold	149 years	26.5 years	No. 1 & 2 Ngan Shing Street, 8 Lok Shing Street, Shatin, New Territories, Hong Kong	<b>8,087,000</b>	8,860,000
+WOO	Leasehold	149 years	26.5 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	<b>7,880,000</b>	8,794,000
Ma On Shan Plaza	Leasehold	55.5 years	26.5 years	No. 608 Sai Sha Road, Ma On Shan, Shatin, New Territories, Hong Kong	<b>5,622,000</b>	6,225,000
Metro Town	Leasehold	50 years	32 years	No. 8 King Ling Road, Tseung Kwan O, Hong Kong	<b>3,585,000</b>	3,975,000
Fortune Metropolis	Leasehold	50.5 years	26.5 years	No. 6–10 Metropolis Drive, Kowloon, Hong Kong	<b>2,544,000</b>	2,841,000
Belvedere Square	Leasehold	149 years	26.5 years	No. 530–590, 620 & 625, Castle Peak Road, Tsuen Wan, New Territories, Hong Kong	<b>2,514,000</b>	2,637,000
Laguna Plaza	Leasehold	149 years	26.5 years	88 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong	<b>2,455,000</b>	2,702,000
Waldorf Avenue	Leasehold	149 years	26.5 years	No. 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong	<b>1,738,000</b>	1,847,000



### 13 Investment Properties (Continued)

Description of property	Tenure of land	Terms of leases	Remaining term of lease	Location	Valuation	
					2020 HK\$'000	2019 HK\$'000
Caribbean Square	Leasehold	50 years	26.5 years	No. 1 Kin Tung Road, Tung Chung, New Territories, Hong Kong	<b>1,150,000</b>	1,263,000
Jubilee Square	Leasehold	149 years	26.5 years	No. 2-18 Lok King Street, Fo Tan, Shatin, New Territories, Hong Kong	<b>926,000</b>	1,011,000
Tsing Yi Square	Leasehold	149 years	26.5 years	No. 7-19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong	<b>790,000</b>	831,000
Smartland	Leasehold	149 years	26.5 years	No. 16 Tsuen Wah Street, Tsuen Wan, New Territories, Hong Kong	<b>795,000</b>	830,000
Centre de Laguna	Leasehold	58 years	26.5 years	93/99 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong	<b>330,000</b>	345,000
Hampton Loft	Leasehold	50 years	29 years	No. 11 Hoi Fan Road, Kowloon, Hong Kong	<b>316,000</b>	316,000
Lido Avenue	Leasehold	149 years	26.5 years	No. 41-63 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong	<b>209,000</b>	209,000
Rhine Avenue	Leasehold	57 years	26.5 years	No. 38 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong	<b>134,000</b>	134,000
					<b>39,075,000</b>	42,820,000

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 13 Investment Properties (Continued)

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

As at 31 December 2020 and 2019, independent valuations were undertaken by Jones Lang LaSalle ("**Jones Lang**"). This firm is an independent qualified external valuer not related to the Group and has appropriate professional qualifications and recent experience in the valuation of similar properties in the relevant locations. The fair value of investment properties falls under Level 3 of fair value hierarchy. There were no transfer into or out of Level 3 during the year. The valuation of the properties is principally arrived at using income capitalisation approach which is a method of valuation whereby the existing net rental incomes (i.e. exclusive of rates, government rent, management fees and air-conditioning charges) of all lettable units of each property are capitalised for the respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at their respective market rents as at the valuation date. As at 31 December 2020, the net monthly rental incomes range from HK\$0.4 million to HK\$24.9 million (2019: HK\$0.5 million to HK\$25.8 million). In the valuation, the market rentals of all lettable units of the properties are assessed and capitalised at market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The market yield which is the capitalisation rate adopted is made by reference to the yields derived from similar properties in Hong Kong and adjusted to take account of the valuer's knowledge of the market expectation from property investors to reflect factors specific to the Group's investment properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The adopted capitalisation rates in the valuation range from 4.0%–4.8% (2019: 4.0%–4.8%). The capitalisation rate is one of the key parameters in the valuation method of income capitalisation and it involves the exercise of professional judgment in relation to the adjustments made by the valuer. A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.

- (ii) All of the Group's property interests in properties located in Hong Kong are held under medium-term leases which are finance lease in nature. The properties have been leased out under operating leases, most of which contain tenancy periods ranging from two to three years. Subsequent renewals are negotiated with the lessees at prevailing market rates.
- (iii) The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the functional currencies of the relevant group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.
- (iv) None of the investment properties as at 31 December 2020 was pledged to secure banking facilities granted to the Group. As at 31 December 2019, properties with total fair value of HK\$6,225 million have been mortgaged as collaterals for credit facilities granted by the banks.

## 14 Derivative Financial Instruments

	2020 HK\$'000	2019 HK\$'000
Derivative financial instruments are analysed as:		
Derivatives not under hedge accounting:		
Interest rate swaps	<b>(186,855)</b>	(6,066)
Reflected on consolidated statement of financial position based on remaining contractual maturity as:		
Current assets	–	6,291
Non-current assets	–	1,327
Current liabilities	<b>(6,599)</b>	–
Non-current liabilities	<b>(180,256)</b>	(13,684)
	<b>(186,855)</b>	(6,066)

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

### Derivatives not under hedge accounting:

Contracts not under hedge accounting with total notional amount of HK\$4,408.2 million (2019: HK\$4,486.2 million) as at 31 December 2020 will mature from April 2021 to August 2027 (2019: July 2020 to March 2024). These contracts have fixed interest payments at rates ranging from 1.535% to 2.245% (2019: 1.5075% to 2.245%) per annum and have floating interest receipts at one or three months Hong Kong Inter-bank Offered Rate (“**HIBOR**”).

The change in fair value of the derivative financial instruments not under hedge accounting amounting to a loss of HK\$180.8 million (2019: HK\$31.2 million), is recognised as finance costs in the profit or loss for the year ended 31 December 2020.

The fair value of derivative financial instruments falls under Level 2 of the fair value hierarchy and is based on valuation of the instruments provided by the counterparty banks, which are determined using interest rates implied from observable market inputs such as market interest rates yield curves and contracted interest rates discounted at a rate that reflects the credit risk of various counterparties. There were no transfers between Level 1 and 2 during the year.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 15 Trade and Other Receivables

	2020 HK\$'000	2019 HK\$'000
Trade receivables	58,612	42,881
Less: allowance for credit losses	(5,996)	–
	<b>52,616</b>	42,881
Other receivables and prepayments		
– Security deposits	25,666	25,671
– Other receivables	1,986	13,620
– Prepayments	3,826	3,324
	<b>31,478</b>	42,615
	<b>84,094</b>	85,496

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

	2020 HK\$'000	2019 HK\$'000
0 – 30 days	44,386	40,554
31 – 90 days	8,230	2,327
	<b>52,616</b>	42,881

There is no credit period given on billing for rental of properties. No interest is charged on the trade receivables for the first 10 days from the date of the invoice. The gross carrying amount of trade receivables include accrued rentals in respect of rent free periods amounted to HK\$33.2 million (2019: HK\$29.7 million).

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$19.4 million (2019: HK\$13.2 million) which are past due as at the reporting date. Out of the past due balances, an aggregate gross carrying amount of HK\$6.0 million (31 December 2019: nil) has been past due 90 days or more and considered as default for which allowance for credit losses has been made.

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

## 15 Trade and Other Receivables (Continued)

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

	2020 HK\$'000	2019 HK\$'000
Denominated in: Singapore dollar	–	10,406

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

## 16 Bank Balances

	2020 HK\$'000	2019 HK\$'000
Cash at bank	177,167	46,375
Fixed deposits with original maturity date less than 3 months	–	90,000
Cash and cash equivalents	177,167	136,375
Effective interest rate per annum	–	0.11%

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

## 17 Borrowings

	2020 HK\$'000	2019 HK\$'000
Secured term loans	–	2,000,000
Unsecured term loans	8,500,000	6,200,000
Unsecured revolving loans	300,000	306,000
	<b>8,800,000</b>	8,506,000
Less: unamortised front-end fees	<b>(40,628)</b>	(26,821)
	<b>8,759,372</b>	8,479,179
Carrying amount repayable:		
Within one year	3,594,667	3,499,379
More than one year, but not more than two years	1,197,200	3,785,000
More than two years, but not more than five years	3,967,505	1,194,800
	<b>8,759,372</b>	8,479,179
Less: Amount due within one year shown under current liabilities	<b>(3,594,667)</b>	(3,499,379)
	<b>5,164,705</b>	4,979,800



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 17 Borrowings (Continued)

- (i) On 23 October 2020, Fortune REIT through its wholly-owned subsidiary, entered into a 3-year HK\$1,500 million unsecured term loan facility, a 5-year HK\$1,500 million unsecured term loan facility and a 5-year sustainability-linked HK\$1,000 million unsecured term loan facility. These facilities were used in part to refinance the existing loan facilities due in 2020 and the balance was used to finance the corporate funding requirement of the Group.

As at 31 December 2020, the total committed loan facilities amounted to HK\$9,200 million (2019: HK\$8,900 million), bear interest at HIBOR plus a margin ranging from 0.98% to 1.30% (2019: HIBOR plus a margins ranging from 0.98% to 1.30%) per annum.

As at 31 December 2019, the secured term loan facilities are secured by, inter alia, mortgages over certain investment properties of the Group and interests in certain subsidiaries of Fortune REIT as disclosed in Note 13.

The Trustee (in its capacity as trustee of Fortune REIT) has provided guarantee for all the loan facilities as at 31 December 2019 and 2020.

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

	2020 HK\$'000	2019 HK\$'000
At beginning of year	26,821	45,604
Addition during the year	34,000	–
Amortised during the year	(20,193)	(18,783)
At end of year	40,628	26,821

- (iii) The effective interest rates:

	Weighted average effective interest rate during the year		Principal amount	
	2020 %	2019 %	2020 HK\$'000	2019 HK\$'000
<b>Interest bearing borrowing</b>				
Fixed rate*	2.91	2.93	4,408,150	4,486,150
Variable rate	2.19	2.86	4,391,850	4,019,850
			<b>8,800,000</b>	8,506,000

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

## 18 Deferred Tax Liabilities

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

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

	Accelerated tax depreciation	
	2020 HK\$'000	2019 HK\$'000
At beginning of year	500,771	471,334
Charged to profit or loss for the year	29,999	29,437
At end of the year	530,770	500,771

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.

## 19 Trade and Other Payables

	2020 HK\$'000	2019 HK\$'000
Trade payables		
– Tenants' deposits	477,712	505,062
– Rental received in advance	50,602	27,931
	528,314	532,993
Other payables		
– Trustee's fee	996	1,091
– Manager's performance fee	6,108	7,639
– Operating expenses	167,504	201,773
– Interest payable	9,382	86
– Others	5,013	7,004
	189,003	217,593
	717,317	750,586

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

The tenants' deposits to be settled after twelve months from the end of the reporting period based on lease term amounted to HK\$263.4 million (2019: HK\$266.5 million) as at 31 December 2020.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 19 Trade and Other Payables (Continued)

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

	2020 HK\$'000	2019 HK\$'000
Denominated in:		
Singapore dollar	–	107

## 20 Units in Issue and to be Issued

	Number of units '000	HK\$'000
Balance as at 1 January 2019	1,927,905	8,113,501
Issue of new units during the year:		
As payment of Manager's base fee for the period from 1 January to 30 September 2019	9,637	95,335
Balance in issue as at 31 December 2019	1,937,542	8,208,836
Issue of new units during the year:		
As payment of Manager's base fee for the period from 1 October to 31 December 2019 (note (i))	3,574	32,379
Balance as at 31 December 2019	1,941,116	8,241,215
Issue of new units during the year:		
As payment of Manager's base fee for the period from 1 January 30 September 2020	13,701	92,683
Balance in issue as at 31 December 2020	1,954,817	8,333,898
New units to be issued:		
As payment of Manager's base fee for the period from 1 October to 31 December 2020 (note (i))	4,070	29,547
Balance as at 31 December 2020	1,958,887	8,363,445

Note:

- (i) Manager's base fee payable to the Manager is in the form of units. On 8 January 2021, Fortune REIT issued 4,069,851 units at an issue price of HK\$7.26 per unit to the Manager as base fee for the period from 1 October 2020 to 31 December 2020. On 3 January 2020, Fortune REIT issued 3,574,231 units at an issue price of HK\$9.059 per unit to the Manager as base fee for the period from 1 October 2019 to 31 December 2019.

## 21 Net Asset Value Per Unit Attributable to Unitholders

Net asset value per unit is calculated based on the net assets attributable to unitholders of the Group of HK\$28,631.5 million (2019: HK\$32,624.1 million) and the total number of 1,958,886,876 (2019: 1,941,116,457) units in issue and to be issued, including the new units to be issued as payment of Manager's base fee.

## 22 Net Current Liabilities

As at 31 December 2020, the Group's net current liabilities, defined as current liabilities less current assets, amounted to HK\$4,567.8 million (2019: HK\$4,703.0 million).

## 23 Total Assets Less Current Liabilities

As at 31 December 2020, the Group's total assets less current liabilities amounted to HK\$34,507.2 million (2019: HK\$38,118.4 million).

## 24 Capital Risk Management Policies and Objectives

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

The capital structure of the Group consists of debts, which includes borrowings, cash and cash equivalents and net assets attributable to unitholders comprising issued and issuable units, reserves and retained profits. The Group is required to maintain the aggregate borrowing not exceeding 50% (2019: 45%) of the gross asset value of the Group in accordance with the REIT Code issued by the SFC. As at 31 December 2020, the Group has aggregate borrowings with principal amount of HK\$8,800 million (2019: HK\$8,506 million) and it represents 22% (2019: 20%) of the gross asset value of the Group.

The management's strategy remains unchanged from prior year. The Group is in compliance with externally imposed capital requirements as at 31 December 2020 and 2019.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 25 Financial Instruments

### (a) Categories of financial instruments

	2020 HK\$'000	2019 HK\$'000
<b>Financial assets</b>		
Trade and other receivables	80,268	82,172
Bank balances	177,167	136,375
At amortised cost	257,435	218,547
Derivative financial instruments	–	7,618
<b>Financial liabilities</b>		
Tenants' deposits	477,712	505,062
Other payables	82,924	102,607
Distribution payable	481,996	488,314
Borrowings	8,759,372	8,479,179
At amortised cost	9,802,004	9,575,162
Derivative financial instruments	186,855	13,684

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

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

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

#### Interest rate risk

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

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



## 25 Financial Instruments (Continued)

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

#### Interest rate risk (Continued)

##### *Interest rate sensitivity analysis*

The sensitivity analysis below has been taken into account the economic effect of the interest rate swaps which were entered into to swap a portion of the Group's borrowings from floating rate to fixed rate and therefore the loan is analysed as fixed rate. In addition, it has been determined based on the Group's exposure to interest rates for derivative and non-derivative instruments at the end of the reporting period and assumed the stipulated changes taking place at the beginning of the financial year and held constant throughout the financial period in the case of financial instruments that bear interest at floating rates. 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the effect from reasonably possible change in interest rates.

If the interest rates have been 50 basis points (2019: 50 basis points) higher or lower and all other variables were held constant, the Group's loss before tax for the year would increase or decrease by HK\$22.0 million (2019: profit before tax decrease or increase by HK\$20.1 million) respectively. This is mainly attributable to the Group's exposure to interest rates on its floating rate borrowings which are not economically hedged.

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

#### Credit risk and impairment assessment

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

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

Trade receivables with gross carrying amount of HK\$58.6 million (2019: HK\$42.9 million) consists of rental revenue and charge-out collections receivables from tenants or counterparties. The Manager monitors the balances on an ongoing basis. Credit evaluations are performed by the Property Manager on behalf of the Manager before lease agreements are entered into with tenants. In addition, the Group performs impairment assessment under ECL model on trade balances individually. In this regard, the Manager considers that the Group's credit risk is significantly reduced.

For trade receivables, the Company has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by performing individual assessment based on past due status. As at 31 December 2020, included in the Group's gross amount of trade receivables is an amount of HK\$6.0 million (2019: nil) which is overdue by more than 90 days and categorised as credit impaired. During the year ended 31 December 2020, loss allowance provision for the amount of HK\$6.0 million was recognised in the profit or loss for the Group (2019: nil). The remaining gross amount of trade receivables is categorized as low risk and the ECL is insignificant.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 25 Financial Instruments (Continued)

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

#### Credit risk and impairment assessment (Continued)

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

For other receivables and security deposits, the Manager makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The Manager believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2020 and 2019, the Group assessed the ECL for other receivables and deposits to be insignificant and thus no loss allowance is recognised.

The Group assessed 12m ECL on liquid funds. The credit risk on liquid funds of gross amount of HK\$177.2 million (2019: HK\$136.4 million) is limited because deposits are placed with reputable banks with external credit rating of at least A1 assigned by an international credit-rating agency. The credit risk on derivative financial instrument is limited because the counterparties are banks with external credit rating of at least A1 assigned by an international credit-rating agency.

#### Foreign currency risk

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

The net carrying amounts of monetary assets denominated in currencies other than their functional currency arise from Singapore dollar (“S\$”) denominated other receivables and other payables amounting to HK\$10.3 million as at 31 December 2019. The foreign currency risk is managed by the Manager on an ongoing basis.

If HK\$ were to strengthen against S\$ by 10% for the year ended 31 December 2019, the Group’s profit before taxation for the year would decrease by HK\$1.0 million. Conversely, if the HK\$ were to weaken against S\$, there would be an equal and opposite effect on the Group’s profit before taxation for the year.

No sensitivity analysis is presented since the Group’s exposure to S\$ is insignificant for the year ended 31 December 2020.

#### Liquidity risk

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

Taking into account the headroom of the fair value of investment properties of HK\$39,075 million for obtaining additional banking facility, presently available banking facilities of HK\$700 million and internal financial resources of the Group, the Manager is of the opinion that the Group has sufficient working capital for its present requirements within one year from the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

## 25 Financial Instruments (Continued)

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

#### Liquidity risk (Continued)

##### Liquidity risk analysis

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

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

The Group's derivative financial instruments are interest rate swaps with notional amount totaling HK\$4,408.2 million (2019: HK\$4,486.2 million) as at 31 December 2020 with contracted net cash flows due within seven years (2019: five years) from inception date.

	Weighted average interest rate %	On demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 2 years HK\$'000	Over 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount as at 31 December 2020 HK\$'000
<b>2020</b>							
<b>Non-derivative financial liabilities</b>							
Tenants' deposits	-	42,026	172,286	156,194	107,206	477,712	477,712
Other payables	-	82,924	-	-	-	82,924	82,924
Distribution payable	-	481,996	-	-	-	481,996	481,996
Bank borrowings	1.37	329,592	3,370,732	1,259,424	4,119,758	9,079,506	8,759,372
Cash outflow		936,538	3,543,018	1,415,618	4,226,964	10,122,138	9,802,004
<b>Derivative financial liabilities - net settlement</b>							
Derivative financial instruments, cash outflow		11,041	37,711	47,603	128,922	225,277	186,855

	Weighted average interest rate %	On demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 2 years HK\$'000	Over 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount as at 31 December 2019 HK\$'000
<b>2019</b>							
<b>Non-derivative financial liabilities</b>							
Tenants' deposits	-	61,887	176,718	155,371	111,086	505,062	505,062
Other payables	-	102,607	-	-	-	102,607	102,607
Distribution payable	-	488,314	-	-	-	488,314	488,314
Bank borrowings	3.81	385,270	3,433,700	3,933,018	1,208,511	8,960,499	8,479,179
Cash outflow		1,038,078	3,610,418	4,088,389	1,319,597	10,056,482	9,575,162
<b>Derivative financial liabilities - net settlement</b>							
Derivative financial instruments, cash (inflow)/outflow		(45)	1,900	4,135	14,103	20,093	13,684

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 25 Financial Instruments (Continued)

### (c) Fair value

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

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

## 26 Operating Lease Arrangements

The Group rents out its investment properties in Hong Kong under operating leases. Operating lease income represents rentals receivable by the Group for its investment properties. Leases are negotiated for term ranging primarily from two to three years with monthly fixed rental, except for certain leases of which variable rents are charged on higher of base rent or contingent rent based on the percentage of sales mainly ranging from 1% to 30% (2019: 1% to 30%).

Undiscounted lease payment receivable on leases are as follows:

	2020 HK\$'000	2019 HK\$'000
Within one year	1,177,284	1,318,015
In the second year	598,765	706,630
In the third year	219,822	227,105
In the fourth year	38,841	30,433
In the fifth year	27,662	14,696
After five years	15,849	9,641
	<b>2,078,223</b>	2,306,520

## 27 Capital Commitment

As at 31 December 2020, the Group had capital commitments for upgrading investment properties which were contracted but not provided for of HK\$60.2 million (2019: HK\$102.4 million).

## 28 Major Non Cash Transactions

The Manager's base fee for the periods from 1 January to 30 September 2020 amounting to HK\$92.7 million and 1 October to 31 December 2020 amounting to HK\$29.5 million were settled by the issuance of 13,700,568 units during the year and 4,069,851 units subsequently, respectively.

In prior year, the Manager's base fee for the periods from 1 January to 30 September 2019 amounting to HK\$95.3 million and 1 October to 31 December 2019 amounting to HK\$32.4 million were settled by the issuance of 9,636,723 units during the year and 3,574,231 units subsequently, respectively.

## 29 Reconciliation of Liabilities Arising from Financing Activities

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

	Borrowings (Note 17) HK\$'000	Distribution payable HK\$'000	Interest payable (Note 19) HK\$'000	Total HK\$'000
At 1 January 2019	8,859,456	481,007	219	9,340,682
Financing cash flows	(399,060)	(987,222)	(249,238)	(1,635,520)
Finance costs	18,783	–	248,160	266,943
Distribution to unitholders	–	993,763	–	993,763
Other changes	–	766	945	1,711
At 31 December 2019	<b>8,479,179</b>	<b>488,314</b>	<b>86</b>	<b>8,967,579</b>
Financing cash flows	<b>260,000</b>	<b>(929,059)</b>	<b>(215,389)</b>	<b>(884,448)</b>
Finance costs	<b>20,193</b>	–	<b>225,630</b>	<b>245,823</b>
Distribution to unitholders	–	<b>921,890</b>	–	<b>921,890</b>
Other changes	–	<b>851</b>	<b>(945)</b>	<b>(94)</b>
At 31 December 2020	<b>8,759,372</b>	<b>481,996</b>	<b>9,382</b>	<b>9,250,750</b>



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 30 Connected and Related Party Transactions

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

	Notes	2020 HK\$'000	2019 HK\$'000
<b>Rent and rental related income from</b>			
ARA Asset Management (Fortune) Limited	(e)	5,204	5,231
A.S. Watson Retail (HK) Limited	(c)	31,890	36,115
BIGBOXX.com Limited	(c)	–	1,643
Cheung Kong Property Development Limited	(b)	27,062	22,012
Citybase Property Management Limited	(b)	2,291	2,289
Hang Seng Bank Limited	(d)	21,417	21,352
Hutchison Telecommunication Services Limited	(c)	–	12
Hutchison International Limited	(c)	3,249	3,249
Hutchison Telephone Company Limited	(c)	9,403	9,364
PARKnSHOP (HK) Limited	(c)	152,095	148,634
Sino China Enterprises Limited	(b)	–	14
The Hongkong and Shanghai Banking Corporation Limited (“HSBC”)	(d)	9,943	9,962
Towerich Limited	(b)	73	72
<b>Car park lease agency fee for the operations for the Group’s car park</b>			
E-Park Parking Management Limited	(b)	8,765	9,586
<b>Property management and project management fee</b>			
Citybase Property Management Limited	(b)	1,060	1,108
Goodwell-Fortune Property Services Limited	(b)	44,927	47,989
Goodwell Property Management Limited	(b)	200	181
<b>Marketing services fee</b>			
Goodwell-Fortune Property Services Limited	(b)	25,546	33,500
<b>Advertising and promotion expenses</b>			
Metro Broadcast Corporation Limited	(c)	138	508
<b>Trustee’s fee</b>			
HSBC Institutional Trust Services (Singapore) Limited	(g)	–	12,022
HSBC Institutional Trust Services (Asia) Limited	(g)	12,411	2,426
<b>Manager’s base fee</b>			
ARA Asset Management (Fortune) Limited	(e)	122,230	127,714
<b>Manager’s performance fee</b>			
ARA Asset Management (Fortune) Limited	(e)	42,566	45,846
<b>Back office support service</b>			
CK Asset Holdings Limited (“CK Asset”)	(b)	–	21
<b>Valuation and other fees</b>			
Jones Lang	(f)	520	532

### 30 Connected and Related Party Transactions (Continued)

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

#### Trade receivables

	Notes	2020 HK\$'000	2019 HK\$'000
A.S. Watson Retail (HK) Limited	(c)	–	70
PARKnSHOP (HK) Limited	(c)	20	20
		<b>20</b>	90

#### Other payables

	Notes	2020 HK\$'000	2019 HK\$'000
ARA Asset Management (Fortune) Limited	(e)	6,107	7,639
HSBC Institutional Trust Services (Asia) Limited	(g)	996	1,091
Citybase Property Management Limited	(b)	20,872	34,110
E-Park Parking Management Limited	(b)	1,616	1,571
Goodwell-Fortune Property Services Limited	(b)	15,217	13,033
Goodwell Property Management Limited	(b)	15,197	25,480
		<b>52,902</b>	74,194
		<b>60,005</b>	82,924

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

	Notes	2020 HK\$'000	2019 HK\$'000
ARA Asset Management (Fortune) Limited	(e)	1,463	1,463
A.S. Watson Retail (HK) Limited	(c)	1,227	1,445
Cheung Kong Property Development Limited	(b)	97	–
Citybase Property Management Limited	(b)	638	638
Hang Seng Bank Limited	(d)	5,878	5,722
HSBC	(d)	2,106	2,183
Hutchison Telephone Company Limited	(c)	1,628	1,614
PARKnSHOP (HK) Limited	(c)	3,299	2,297
Towerich Limited	(b)	20	20
		<b>16,356</b>	15,382

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 30 Connected and Related Party Transactions (Continued)

Notes:

- (a) Substantial holder of Fortune REIT (as defined in the REIT Code) being Focus Eagle Investments Limited ("**Focus Eagle**") (the "**Substantial Holder**"), which holds more than 10% of the units of Fortune REIT as at 31 December 2020. Prior to the amendment of the REIT Code on 4 December 2020, Focus Eagle was defined as significant holder of Fortune REIT.
- (b) These companies are subsidiaries of CK Asset and CK Asset is the holding company of Focus Eagle.
- (c) These companies are associates (as defined in the REIT code) of CK Asset.
- (d) These companies are fellow subsidiaries of the Trustee.
- (e) This company is the Manager of Fortune REIT.
- (f) Jones Lang was the principal valuer of investment properties for the years ended 31 December 2020 and 2019. Principal valuer is no longer regarded as connected person of Fortune REIT subsequent to the amendment of the REIT Code with effect from 4 December 2020.
- (g) With effect from 24 October 2019, HSBC Institutional Trust Services (Singapore) Limited was retired as Trustee and HSBC Institutional Trust Services (Asia) Limited was appointed as the trustee of Fortune REIT.

In addition, the Trustee (in its capacity as trustee of Fortune REIT) has provided guarantees for all bank loan facilities granted to the Group as at 31 December 2019 and 2020.

### 31 Particulars of Principal Subsidiaries of Fortune REIT

Particulars of the principal subsidiaries which are wholly owned by Fortune REIT as at 31 December 2020 and 2019 are as follows:

Name of company	Country/ Place of incorporation	Effective equity interest held by Fortune REIT				Issued and fully paid capital			Principal activities
		As at 31 December 2020		As at 31 December 2019		Ordinary shares	Redeemable preference shares	Non- voting deferred shares	
		Directly %	Indirectly %	Directly %	Indirectly %				
Ace Courage Limited	British Virgin Islands ("BVI")	-	100	-	100	8	56,058,600	-	Property investment in Centre de Laguna
Advance Castle Investment Limited	Hong Kong	-	100	-	100	1	-	-	Property investment in Laguna Plaza
Bysean Limited	Hong Kong	-	100	-	100	2	-	-	Property investment in part of the Belvedere Square
Bysky Limited	Hong Kong	-	100	-	100	2	-	-	Property investment in part of the Belvedere Square
FRT Finance (HK) Limited	Hong Kong	100	-	100	-	2	-	-	Financing
Full Belief Limited	BVI	-	100	-	100	8	109,000,000	-	Property investment in Hampton Loft
Fullforce Limited	Hong Kong	-	100	-	100	2	-	-	Property investment in part of the Belvedere Square
Genuine Joy Limited	BVI	-	100	-	100	8	394,690,000	-	Property investment in Caribbean Square
Mega Gain Resources Limited	Hong Kong	-	100	-	100	1	436,400,000	-	Property investment in Metro Town
Million Nice Development Limited	Hong Kong	-	100	-	100	2	-	-	Property investment in Fortune City One
Partner Now Limited	BVI	-	100	-	100	8	30,810,000	-	Property investment in Lido Avenue
Poko Shine Limited	Hong Kong	100	-	100	-	2	874,570,000	-	Property investment in Ma On Shan Plaza
Proven Effort Limited	BVI	-	100	-	100	8	17,495,400	-	Property investment in Rhine Avenue
Quebostar Limited	Hong Kong	-	100	-	100	100,000	-	-	Property investment in part of the Belvedere Square
Quick Switch Limited	BVI	-	100	-	100	8	79,000,000	-	Property investment in Smartland
Team Challenge Limited	BVI	-	100	-	100	8	95,620,200	-	Property investment in Tsing Yi Square
Tidmarsh Investments Limited	BVI	-	100	-	100	8	-	-	Property investment in part of the Belvedere Square
Tin Shui Wai Development Limited	Hong Kong	-	100	-	100	1,000	-	-	Property investment in +WOO

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

## 31 Particulars of Principal Subsidiaries of Fortune REIT (Continued)

Name of company	Country/ Place of incorporation	Effective equity interest held by Fortune REIT						Issued and fully paid capital			Principal activities
		As at 31 December 2020		As at 31 December 2019		Ordinary shares	Redeemable preference shares	Non- voting deferred shares			
		Directly	Indirectly	Directly	Indirectly						
		%	%	%	%	HK\$	HK\$	HK\$			
Vision Million Limited	BVI	-	100	-	100	8	810,000,000	-	Property investment in Fortune Metropolis		
Waldorf Realty Limited	Hong Kong	100	-	100	-	210,000	-	210,000	Property investment in Waldorf Avenue		
Yee Pang Realty Limited	Hong Kong	100	-	100	-	10,000	8,000,000	-	Property investment in Jubilee Square		

Notes:

(i) The above table lists the subsidiaries of Fortune REIT which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

(ii) All redeemable preference shares issued by the subsidiaries are held by Fortune REIT.

The redeemable preference shares issued by the subsidiaries are redeemable at the option of the subsidiaries and they have the following terms:

(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 thereof among the holders of ordinary shares in proportion to the nominal amounts of ordinary shares held by them respectively and one half of the balance of such assets shall belong to and be distributed among the holders of the non-voting deferred shares and the other half thereof to and among the holders of the ordinary shares in proportion in each case to the nominal amount of the shares held by them respectively.

(iv) The place of operations of all the above property investment subsidiaries is Hong Kong.

(v) As at 31 December 2019, interests in certain subsidiaries were pledged as securities for the loan and credit facility granted by the banks to the subsidiaries.

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



# Other Information

## Major Estate Agents and Contractors

Contractors	Nature of services	Value of contract HK\$ million	Percentage
Citybase Property Management Limited	Building Management	141.2	34.3%
Goodwell Property Management Limited	Building Management	104.8	25.5%
Goodwell-Fortune Property Services Limited	Property Management	90.1	21.9%
T&D Engineering Limited	Projects and Maintenance	21.1	5.1%
E-park Parking Management Limited	Carpark Management	8.8	2.1%
<b>Total</b>		<b>366.0</b>	<b>88.9%</b>

## Performance Table

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017	Year ended 31 December 2016
Net assets attributable to unitholders <sup>1</sup> (HK\$'000)	<b>28,631,502</b>	32,624,120	32,013,365	26,887,767	24,544,883
Net asset value per unit (HK\$)	<b>14.62</b>	16.81	16.61	14.05	12.90
The highest traded price during the year (HK\$)	<b>9.40</b>	11.28	9.87	9.82	10.18
The highest premium of the trade price to net asset value <sup>2</sup>	<b>N.A.</b>	N.A.	N.A.	N.A.	N.A.
The lowest traded price during the year (HK\$)	<b>6.20</b>	8.70	8.58	8.52	7.30
The highest discount of the trade price to net asset value	<b>57.6%</b>	48.2%	48.3%	39.4%	43.4%
The net yield per unit <sup>2</sup>	<b>6.4%</b>	5.6%	5.7%	5.3%	5.5%

Notes:

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

# Corporate Information

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CHIU Kwok Hung, Justin  
*Non-Executive Director*

LIM Hwee Chiang  
*Non-Executive Director*

YEUNG, Eirene  
*Non-Executive Director*

MA Lai Chee, Gerald  
*Non-Executive Director*

CHIU Yu, Justina  
*Chief Executive Officer and Executive Director*

CHENG Ai Ping  
*Independent Non-Executive Director*

YEO Annie (alias YEO May Ann)  
*Independent Non-Executive Director*

KOH Poh Wah  
*Independent Non-Executive Director*

## Company Secretary of the Manager

YEOH Kar Choo, Sharon  
CHIANG Wai Ming

## Trustee

HSBC Institutional Trust Services (Asia) Limited

## Stock Code

778

## Legal Adviser of the Manager

Baker McKenzie

## Unit Registrar

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## Auditor

Deloitte Touche Tohmatsu  
*Registered Public Interest Entity Auditors*

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Manager

**ARA**

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