



**Fortune Real Estate Investment Trust  
Financial Statements  
For the financial year ended 31 December 2011**

These figures have not been audited but have been reviewed by our auditors.

Fortune Real Estate Investment Trust ("Fortune REIT") is a real estate investment trust constituted by a Trust Deed entered into on 4 July 2003 (as amended) made between ARA Asset Management (Fortune) Limited, as the Manager of Fortune REIT, and HSBC Institutional Trust Services (Singapore) Limited, as the Trustee of Fortune REIT. Fortune REIT was listed on the Singapore Exchange Securities Trading Limited and The Stock Exchange of Hong Kong Limited on 12 August 2003 and 20 April 2010 respectively.

Fortune REIT holds a portfolio of fourteen retail properties in Hong Kong, spread across Kowloon and the New Territories, comprising approximately 2.0 million square feet of retail space and 1,660 car parking lots. The retail properties are Fortune City One, Ma On Shan Plaza, Metro Town, Fortune Metropolis, Waldorf Avenue, Caribbean Square, Smartland, Jubilee Square, Tsing Yi Square, Nob Hill Square, Centre de Laguna, Hampton Loft, Lido Avenue and Rhine Avenue. They house tenants from diverse trade sectors such as supermarkets, food and beverage outlets, banks, real estate agencies, and education providers.

**Financial Statements Announcement**  
**For the period from 1 January 2011 to 31 December 2011**

**1 (a) (i) Statement of comprehensive Income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year**

	HK\$ '000		%	HK\$ '000		%
	Actual 1/10/11 to 31/12/11 <sup>(a)</sup>	Actual 1/10/10 to 31/12/10 <sup>(a)</sup>		Increase/ (Decrease)	Actual 1/1/11 to 31/12/11 <sup>(a)</sup>	
Revenue <sup>(b)</sup>	189,265	176,358	7.3%	736,005	676,457	8.8%
Charge-out collections <sup>(c)</sup>	42,680	41,386	3.1%	173,420	160,806	7.8%
<b>Total revenue</b>	<b>231,945</b>	<b>217,744</b>	<b>6.5%</b>	<b>909,425</b>	<b>837,263</b>	<b>8.6%</b>
Property management fees	(5,515)	(5,024)	9.8%	(21,152)	(19,265)	9.8%
Other property operating expenses <sup>(d)</sup>	(59,347)	(55,640)	6.7%	(226,122)	(202,716)	11.5%
Property operating expenses	(64,862)	(60,664)	6.9%	(247,274)	(221,981)	11.4%
Net property income (before manager's performance fee)	167,083	157,080	6.4%	662,151	615,282	7.6%
Manager's performance fee	(5,128)	(4,712)	8.8%	(20,025)	(18,458)	8.5%
<b>Net property income</b>	<b>161,955</b>	<b>152,368</b>	<b>6.3%</b>	<b>642,126</b>	<b>596,824</b>	<b>7.6%</b>
Interest Income	3,827	-	NM	5,336	-	NM
<b>Net property income after interest income</b>	<b>165,782</b>	<b>152,368</b>	<b>8.8%</b>	<b>647,462</b>	<b>596,824</b>	<b>8.5%</b>
Change in fair value of properties <sup>(e)</sup>	662,562	848,067	(21.9%)	3,043,804	1,760,977	72.8%
Change in fair value of financial instruments <sup>(f)</sup>	(10,081)	21,491	(146.9%)	3,038	(54,879)	105.5%
Profit before borrowing costs	818,263	1,021,926	(19.9%)	3,694,304	2,302,922	60.4%
Borrowing costs	(25,026)	(26,379)	(5.1%)	(111,827)	(109,750)	1.9%
Profit before tax	793,237	995,547	(20.3%)	3,582,477	2,193,172	63.3%
Hong Kong taxation :						
Current taxation	(17,161)	(16,466)	4.2%	(69,973)	(62,741)	11.5%
Deferred taxation	(8,304)	(3,349)	148.0%	(21,902)	(15,174)	44.3%
Total Hong Kong taxation	(25,465)	(19,815)	28.5%	(91,875)	(77,915)	17.9%
<b>Net profit of property companies</b>	<b>767,772</b>	<b>975,732</b>	<b>(21.3%)</b>	<b>3,490,602</b>	<b>2,115,257</b>	<b>65.0%</b>
Manager's base fee	(12,392)	(10,057)	23.2%	(45,827)	(37,246)	23.0%
Foreign exchange gain <sup>(g)</sup>	3	114	(97.4%)	52	190	(72.6%)
Non-tax deductible trust expenses <sup>(h)</sup>	(13,494)	(6,159)	119.1%	(80,249)	(56,230)	42.7%
Tax deductible trust expenses	(878)	(767)	14.5%	(4,059)	(3,439)	18.0%
Non tax-exempt income <sup>(i)</sup>	879	306	187.3%	3,110	923	236.9%
Singapore taxation	(150)	(52)	188.5%	(528)	(156)	238.5%
Total trust expenses	(26,032)	(16,615)	56.7%	(127,501)	(95,958)	32.9%
<b>Net profit of the Group, before transactions with unitholders</b>	<b>741,740</b>	<b>959,117</b>	<b>(22.7%)</b>	<b>3,363,101</b>	<b>2,019,299</b>	<b>66.5%</b>
Distributions to unitholders <sup>(j)</sup>	(115,142)	(105,661)	9.0%	(442,283)	(406,487)	8.8%
<b>Net profit of Group, after transactions with unitholders</b>	<b>626,598</b>	<b>853,456</b>	<b>(26.6%)</b>	<b>2,920,818</b>	<b>1,612,812</b>	<b>81.1%</b>
Net profit of the Group, before transactions with unitholders	741,740	959,117	(22.7%)	3,363,101	2,019,299	66.5%
Add/(Less):						
Manager's base fee	12,392	10,057	23.2%	45,827	37,246	23.0%
Foreign exchange gain <sup>(g)</sup>	(3)	(114)	(97.4%)	(52)	(190)	(72.6%)
Non-tax deductible trust expenses <sup>(h)</sup>	13,494	6,159	119.1%	80,249	56,230	42.7%
Change in fair value of financial instruments <sup>(f)</sup>	10,081	(21,491)	(146.9%)	(3,038)	54,879	105.5%
Change in fair value of properties <sup>(e)</sup>	(662,562)	(848,067)	(21.9%)	(3,043,804)	(1,760,977)	72.8%
<b>Income available for distribution <sup>(i)</sup></b>	<b>115,142</b>	<b>105,661</b>	<b>9.0%</b>	<b>442,283</b>	<b>406,487</b>	<b>8.8%</b>

**Footnotes:**

- (a) *The Group's financial information incorporates the financial statements of the Trust and the 14 Property Companies.*
- (b) *Revenue includes rental income, car park income, license income, atrium income and others.*
- (c) *Charge-out collections consist of expenses related to the operation of the properties that are payable by tenants and licensees and these expenses include air conditioning charges, management fees, promotional charges, government rents, utility charges, cleaning charges and government rates.*
- (d) *There was no allowance for doubtful debt in other property operating expenses for the period 1 January 2011 to 31 December 2011 (2010:HK\$0.003 million).*
- (e) *On 31 December 2011, an independent valuation was undertaken by Knight Frank Petty Limited. The firm is an independent valuer having appropriate professional qualifications and experiences in the location and category of the properties being valued. The valuations for the fourteen properties were based on a combination of the Investment Method and Direct Comparison Method. The valuations adopted amounted to HK\$16,388 million (31 December 2010: HK\$13,300 million).*
- (f) *The amount relates to the gain/loss arising from the re-measurement of the plain vanilla interest rate swaps which were not designated for hedge accounting as at 31 December 2011.*
- (g) *Foreign exchange gain represents realised and unrealised foreign exchange differences. The unrealised exchange difference arose from translation of monetary assets and liabilities denominated in foreign currencies into Hong Kong dollars at rates of exchange ruling at the end of the reporting period. The realised exchange difference arose from the settlement of foreign currencies payables at the transaction dates. All exchange differences are included in the statement of comprehensive income.*
- (h) *Included in the non-tax deductible trust expenses for the period 1 January 2011 to 31 December 2011 is a one-time write-off of unamortized debt front end fee of HK\$50.6 million relating to the previous term loan and revolving credit facility of HK\$3,100 million before the refinancing as well as HK\$10.0 million for part of the acquisition costs for the proposed acquisition of the Belvedere Garden Property and the Provident Centre Property. Included in the non-tax deductible trust expenses for the period 1 January 2010 to 31 December 2010 was a provision of HK\$30.0 million for the cost of the dual primary listing on The Stock Exchange of Hong Kong Limited.*
- (i) *Non tax-exempt income refers mainly to interest income from fixed deposits.*
- (j) *The amount of distribution to unitholders has been distributed and/or accrued as distribution payable in the Statement of Financial Position.*
- (k) *Fortune REIT's distribution policy is to distribute to unitholders on a semi-annual basis, the higher of (i)100% of its tax-exempt income (except 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 (ii) 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 Code on Real Estate Investment Trust (the "REIT Code").*
- (l) *There is no investment income, write-off for stock obsolescence, impairment in the value of investments, profit on sale of investments, properties or plant and equipment, exceptional and extraordinary items during the financial period and the previous corresponding financial period.*

**1 (a) (ii) Statement of other comprehensive income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year**

	HK\$ '000		%	HK\$ '000		%
	Actual 1/10/11 to 31/12/11	Actual 1/10/10 to 31/12/10	Increase/ (Decrease)	Actual 1/1/11 to 31/12/11	Actual 1/1/10 to 31/12/10	Increase/ (Decrease)
Net profit of Group, after transactions with unitholders	626,598	853,456	(26.6%)	2,920,818	1,612,812	81.1%
Other comprehensive (loss)/income:						
Cash flow hedge <sup>(a)</sup>	16,125	-	NM	(72,563)	27,097	(367.8%)
Total comprehensive income	642,723	853,456	(24.7%)	2,848,255	1,639,909	73.7%

**Footnote:**

(a) There is no tax effect relating to the component of the other comprehensive income.

1 (b)(i) Statement of financial position, together with a comparative statement as at the end of the immediately preceding financial year

	Trust		Group <sup>(a)</sup>	
	HK\$ '000		HK\$ '000	
	Actual 31/12/11	Actual 31/12/10	Actual 31/12/11	Actual 31/12/10
<b>Current assets</b>				
Cash and bank balances	434,237	457,756	881,721	506,073
Trade and other receivables	39,615	58,419	49,809	63,241
Total current assets	473,852	516,175	931,530	569,314
<b>Non-current assets</b>				
Investment in property companies	5,470,134	5,470,134	-	-
Investment properties <sup>(b)</sup>	-	-	16,388,000	13,300,000
Total non-current assets	5,470,134	5,470,134	16,388,000	13,300,000
<b>Total assets</b>	<b>5,943,986</b>	<b>5,986,309</b>	<b>17,319,530</b>	<b>13,869,314</b>
<b>Current liabilities</b>				
Trade and other payables	18,055	5,907	347,940	269,747
Distribution payable <sup>(c)</sup>	227,478	201,995	227,478	201,995
Borrowings	-	-	420,000	79,000
Provision for taxation	1,472	1,244	7,225	8,977
Total current liabilities	247,005	209,146	1,002,643	559,719
<b>Non-current liabilities</b>				
Borrowings	-	-	2,794,231	2,772,448
Deferred tax liabilities	-	-	170,067	148,165
Derivative liabilities <sup>(d)</sup>	-	-	124,819	55,294
Total non-current liabilities	-	-	3,089,117	2,975,907
<b>Total liabilities</b>	<b>247,005</b>	<b>209,146</b>	<b>4,091,760</b>	<b>3,535,626</b>
<b>Net assets attributable to unitholders</b>	<b>5,696,981</b>	<b>5,777,163</b>	<b>13,227,770</b>	<b>10,333,688</b>

**Footnotes:**

- (a) The Group's financial information incorporates the financial statements of the Trust and the 14 Property Companies.
- (b) Investment properties are stated at valuation based on an independent professional valuation carried out by Knight Frank Petty Limited, the independent valuer on 31 December 2011. During the period, some capital costs were incurred and included in the investment properties value.
- (c) Distribution payable is the amount of income available for distribution accrued from 1 July 2011 to 31 December 2011. This is to comply with the REIT Code after the dual primary listing in Hong Kong, and for Fortune REIT's distribution policy please refer to footnote (k) of section 1(a)(i).
- (d) The derivative liabilities relate to the fair value of the plain vanilla interest rate swaps transacted to hedge the interest rate risk on the term loan.

**1 (b)(ii) Aggregate amount of borrowings**

As at 31/12/11

Amount repayable in one year or less, or on demand  
 Amount repayable after one year

Secured <sup>(a)</sup>	Unsecured
HK\$ '000	HK\$ '000
420,000	-
2,794,231	-
3,214,231	-

As at 31/12/10

Amount repayable in one year or less, or on demand  
 Amount repayable after one year

Secured <sup>(a)</sup>	Unsecured
HK\$ '000	HK\$ '000
79,000	-
2,772,448	-
2,851,448	-

**Footnote:**

- (a) Fortune REIT has in place a term loan and revolving credit facility of a total of HK\$3,800.0 million. As at 31 December 2011, HK\$3,250.0 million had been drawdown (31 December 2010: HK\$2,907.7 million).

Included in the amount repayable after one year is an unamortized debt front end fee of HK\$35.8 million (31 December 2010: HK\$56.3 million). The total debt front end fee of HK\$41.8 million paid in April 2011 was financed by internal resources of Fortune REIT. The Facility is secured by, inter alia, a mortgage over Fortune City One, Ma On Shan Plaza, Fortune Metropolis, Smartland, Tsing Yi Square, Nob Hill Square, Centre de Laguna, Lido Avenue and Rhine Avenue.

1 (c) Statement of cash flows

	Group		Group	
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
	Actual 1/10/11 to 31/12/11	Actual 1/10/10 to 31/12/10	Actual 1/1/11 to 31/12/11	Actual 1/1/10 to 31/12/10
<b>Operating Activities</b>				
Profit before taxation	767,355	978,984	3,455,504	2,097,370
Adjustments for:				
Change in fair value of properties	(662,562)	(848,067)	(3,043,804)	(1,760,977)
Change in fair value of financial instruments	10,081	(21,491)	(3,038)	54,879
Debt front end fee	2,090	5,037	62,283	22,162
Depreciation	-	-	-	44
Allowance for doubtful debts	-	-	-	3
Base fee paid in units	12,392	10,057	45,827	37,246
Interest income	(4,706)	(306)	(8,446)	(923)
Borrowing costs	25,026	26,379	111,827	109,750
Operating profit before changes in working capital	149,676	150,593	620,153	559,554
Decrease/(Increase) in trade and other receivables	1,156	(3,841)	16,516	(15,625)
Increase/(Decrease) in trade and other payables	53,162	(11,796)	77,286	(6,727)
Cash generated from operating activities	203,994	134,956	713,955	537,202
Income taxes paid	(71,952)	(59,616)	(72,253)	(60,999)
<b>Cash flow from operating activities</b>	<b>132,042</b>	<b>75,340</b>	<b>641,702</b>	<b>476,203</b>
<b>Investing Activities</b>				
Placement of fixed deposits	-	-	(150,000)	(80,000)
Withdrawal of fixed deposits	50,000	-	80,000	-
Upgrading of investment properties	(27,978)	(15,247)	(44,196)	(39,023)
Interest received	4,113	306	5,362	923
<b>Cash flow from/(used in) investing activities</b>	<b>26,135</b>	<b>(14,941)</b>	<b>(108,834)</b>	<b>(118,100)</b>
<b>Financing Activities</b>				
Distribution paid	-	-	(416,623)	(380,621)
Repayment of borrowings	(400,000)	-	(479,000)	(51,000)
Drawdown of borrowings	300,000	79,000	821,300	94,000
Payment of debt front end fee	-	-	(41,800)	-
Borrowing costs paid	(39,665)	(26,379)	(111,097)	(109,750)
<b>Cash flow (used in)/from financing activities</b>	<b>(139,665)</b>	<b>52,621</b>	<b>(227,220)</b>	<b>(447,371)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>18,512</b>	<b>113,020</b>	<b>305,648</b>	<b>(89,268)</b>
Cash and cash equivalents at beginning of the period	713,209	313,053	426,073	515,341
Cash and cash equivalents at end of the period <sup>(a)</sup>	731,721	426,073	731,721	426,073

**Footnote:**

(a) Cash and cash equivalents as at 31 December 2011 excluded HK\$150 million fixed deposits with maturity date more than 3 months.

**Financial Statements Announcement**  
**For the period from 1 January 2011 to 31 December 2011**

**1 (d)(i) Statement of changes in net assets attributable to unitholders**

<b>Statement for the fourth quarter FY2011</b>	Actual				
	Issued Units	Unit issue costs	Hedging reserve	Retained profits	Net
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Group</b>					
<b>Balance as at 1 October 2011</b>	<b>6,379,021</b>	<b>(271,593)</b>	<b>(89,103)</b>	<b>6,554,330</b>	<b>12,572,655</b>
Total comprehensive income	-	-	16,125	741,740	757,865
<b>Unitholders' transactions</b>					
Creation of units					
-management fee paid/payable in units	12,392	-	-	-	12,392
Distribution paid and payable to Unitholders	-	-	-	(115,142)	(115,142)
Increase/(decrease) in net assets resulting from Unitholders' transactions	12,392	-	-	(115,142)	(102,750)
<b>Balance as at 31 December 2011</b>	<b>6,391,413</b>	<b>(271,593)</b>	<b>(72,978)</b>	<b>7,180,928</b>	<b>13,227,770</b>
<b>Balance as at 1 October 2010</b>	<b>6,335,529</b>	<b>(271,593)</b>	<b>(415)</b>	<b>3,406,733</b>	<b>9,470,254</b>
Total comprehensive income	-	-	-	959,038	959,038
<b>Unitholders' transactions</b>					
Creation of units					
-management fee paid/payable in units	10,057	-	-	-	10,057
Distribution paid and payable to Unitholders	-	-	-	(105,661)	(105,661)
Increase/(decrease) in net assets resulting from Unitholders' transactions	10,057	-	-	(105,661)	(95,604)
<b>Balance as at 31 December 2010</b>	<b>6,345,586</b>	<b>(271,593)</b>	<b>(415)</b>	<b>4,260,110</b>	<b>10,333,688</b>

<b>Statement for the YTD FY2011</b>	Actual				
	Issued Units	Unit issue costs	Hedging reserve	Retained profits	Net
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Group</b>					
<b>Balance as at 1 January 2011</b>	<b>6,345,586</b>	<b>(271,593)</b>	<b>(415)</b>	<b>4,260,110</b>	<b>10,333,688</b>
Total comprehensive (loss)/income	-	-	(72,563)	3,363,101	3,290,538
<b>Unitholders' transactions</b>					
Creation of units					
-management fee paid/payable in units	45,827	-	-	-	45,827
Distribution paid and payable to Unitholders	-	-	-	(442,283)	(442,283)
Increase/(decrease) in net assets resulting from Unitholders' transactions	45,827	-	-	(442,283)	(396,456)
<b>Balance as at 31 December 2011</b>	<b>6,391,413</b>	<b>(271,593)</b>	<b>(72,978)</b>	<b>7,180,928</b>	<b>13,227,770</b>
<b>Balance as at 1 January 2010</b>	<b>6,308,340</b>	<b>(271,593)</b>	<b>(27,512)</b>	<b>2,823,427</b>	<b>8,832,662</b>
Total comprehensive income	-	-	27,097	2,019,299	2,046,396
<b>Unitholders' transactions</b>					
Creation of units					
-management fee paid/payable in units	37,246	-	-	-	37,246
Distribution paid and payable to Unitholders	-	-	-	(582,616)	(582,616)
Increase/(decrease) in net assets resulting from Unitholders' transactions	37,246	-	-	(582,616)	(545,370)
<b>Balance as at 31 December 2010</b>	<b>6,345,586</b>	<b>(271,593)</b>	<b>(415)</b>	<b>4,260,110</b>	<b>10,333,688</b>



**Financial Statements Announcement**  
**For the period from 1 January 2011 to 31 December 2011**

**Statement for the fourth quarter FY2011**

**Trust**

**Balance as at 1 October 2011**

Total comprehensive income

**Unitholders' transactions**

Creation of units

-management fee paid/payable in units

Distribution paid and payable to Unitholders

Increase/(decrease) in net assets resulting from Unitholders' transactions

**Balance as at 31 December 2011**

**Balance as at 1 October 2010**

Total comprehensive income

**Unitholders' transactions**

Creation of units

-management fee paid/payable in units

Distribution paid and payable to Unitholders

Increase/(decrease) in net assets resulting from Unitholders' transactions

**Balance as at 31 December 2010**

Actual			
Issued Units	Unit issue costs	Retained profits	Net
HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>6,379,021</b>	<b>(271,593)</b>	<b>(509,692)</b>	<b>5,597,736</b>
-	-	201,995	201,995
12,392	-	-	12,392
-	-	(115,142)	(115,142)
12,392	-	(115,142)	(102,750)
<b>6,391,413</b>	<b>(271,593)</b>	<b>(422,839)</b>	<b>5,696,981</b>
<b>6,335,529</b>	<b>(271,593)</b>	<b>(377,503)</b>	<b>5,686,433</b>
-	-	186,334	186,334
10,057	-	-	10,057
-	-	(105,661)	(105,661)
10,057	-	(105,661)	(95,604)
<b>6,345,586</b>	<b>(271,593)</b>	<b>(296,830)</b>	<b>5,777,163</b>

**Statement for the YTD FY2011**

**Trust**

**Balance as at 1 January 2011**

Total comprehensive income

**Unitholders' transactions**

Creation of units

-management fee paid/payable in units

Distribution paid and payable to Unitholders

Increase/(decrease) in net assets resulting from Unitholders' transactions

**Balance as at 31 December 2011**

**Balance as at 1 January 2010**

Total comprehensive income

**Unitholders' transactions**

Creation of units

-management fee paid/payable in units

Distribution paid and payable to Unitholders

Increase/(decrease) in net assets resulting from Unitholders' transactions

**Balance as at 31 December 2010**

Actual			
Issued Units	Unit issue costs	Retained profits	Net
HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>6,345,586</b>	<b>(271,593)</b>	<b>(296,830)</b>	<b>5,777,163</b>
-	-	316,274	316,274
45,827	-	-	45,827
-	-	(442,283)	(442,283)
45,827	-	(442,283)	(396,456)
<b>6,391,413</b>	<b>(271,593)</b>	<b>(422,839)</b>	<b>5,696,981</b>
<b>6,308,340</b>	<b>(271,593)</b>	<b>(27,454)</b>	<b>6,009,293</b>
-	-	313,240	313,240
37,246	-	-	37,246
-	-	(582,616)	(582,616)
37,246	-	(582,616)	(545,370)
<b>6,345,586</b>	<b>(271,593)</b>	<b>(296,830)</b>	<b>5,777,163</b>

**1 (d)(ii) Details of any changes in the units since the end of the previous period reported on**

<u>Date</u>	<u>Units Issued</u>	<u>Purpose</u>
As at 1 October 2011	1,677,297,276	Total units since the end of previous financial period
3 October 2011	3,398,666	As payment of management fee for the period from 1 July 2011 to 30 September 2011
As at 31 December 2011	<u>1,680,695,942</u>	
4 January 2012 <sup>(a)</sup>	3,321,723	As payment of management fee for the period from 1 October 2011 to 31 December 2011
Deemed units as at 31 December 2011	<u>1,684,017,665</u>	

The total number of issued units as at the end of the immediately preceding year (31 December 2010) was 1,669,032,247.

**Footnote:**

(a) On 4 January 2012, there was an additional 3,321,723 units issued to the Manager as payment of management fee for the period from 1 October 2011 to 31 December 2011.

**2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Review Engagement 2400 (Engagements to Review Financial Statements), or an equivalent standard)**

The figures have not been audited but have been reviewed by the auditor in accordance with Singapore Standard on Review Engagement 2400.

**3. Where the figures have been audited, or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Please see attached review report.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited financial statements have been applied**

The same accounting policies and methods of computation were followed during the current financial period as compared with those contained in the audited financial statements for the year ended 31 December 2010.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

Not applicable.

## 6. Earnings per unit and Distribution per unit for the financial period

Period from 1 January 2011 to 31 December 2011

	Actual 1/10/11 to 31/12/11 HK cents	Actual 1/10/10 to 31/12/10 HK cents	Actual 1/1/11 to 31/12/11 HK cents	Actual 1/1/10 to 31/12/10 HK cents
Earnings per unit for the period based on the weighted average number of units in issue, before transactions with unitholders	44.15	57.52	200.42	121.13
Weighted average number of units in issue (million)	1,678.0	1,667.0	1,678.0	1,667.0
Distribution per unit for the period	6.82	6.32	26.30	24.35
Total number of deemed units in issue (million)	1,684.0	1,671.6	1,684.0	1,671.6

## 7. Net asset value per unit based on issued units at the end of current period

	Actual 31/12/11 HK\$	Actual 31/12/10 HK\$
Net asset value per unit <sup>(a)</sup>	7.85	6.18

### Footnote:

(a) Net asset value per unit is calculated based on net assets of the Group over the total number of deemed units in issue of 1,684,017,665. The increase in net asset value per unit was mainly due to the increase in the fair value of the investment properties.

## 8. Review of performance

Income Statement	HK\$ '000		%	HK\$ '000		%
	Actual 1/10/11 to 31/12/11	Actual 1/10/10 to 31/12/10	Increase	Actual 1/1/11 to 31/12/11	Actual 1/1/10 to 31/12/10	Increase
Total revenue	231,945	217,744	6.5%	909,425	837,263	8.6%
Net property income	161,955	152,368	6.3%	642,126	596,824	7.6%
Income available for distribution	115,142	105,661	9.0%	442,283	406,487	8.8%

### Financial Review

Fortune REIT's total revenue increased by 8.6% year-on-year to HK\$909.4 million for FY2011. This increase was attributable to the continued upbeat retail environment and the improvement in performance of underlying assets. Better consumer sentiment was underpinned by vibrant local consumption as retail sales continued to post double-digit growth throughout the year, despite a deteriorating external environment in the latter part of the year. The enhanced performance across the portfolio of 14 retail properties was instrumental in driving the excellent results for FY2011. In particular, there was a strong increase in income contribution from Fortune City One ("FCO") resulting from the renovation of Fortune City One Plus ("FCOP") in September 2010.

The net property income for FY2011 was HK\$642.1 million, up 7.6% year-on-year. Despite continuous inflationary pressure and the minimum wage legislation coming into effect in Hong Kong, cost-to-revenue ratio was kept at a healthy rate of 27.2%. Fortune REIT had an income available for distribution amounting to HK\$442.3 million for FY2011, an increase of 8.8% from a year earlier. The DPU for the Reporting Year was 26.30 HK cents (2010: 24.35 HK cents), comprising an interim DPU of 12.80 HK cents and a final DPU of 13.50 HK cents. This higher DPU was attributed to better asset performance and prudent capital management. Based on HK\$3.775, the average closing unit price in Singapore and Hong Kong as of 30 December 2011, the DPU of FY2011 represents a yield of 7.0%.

### **Final Distribution**

The Final DPU of 13.50 HK cents for the six months ended 31 December 2011 will be paid on 29 February 2012 to Unitholders on the registers of Unitholders of Fortune REIT as at 13 February 2012.

### **Capital Management Initiatives**

When a low interest rate environment prevailed in the first half of 2011, Fortune REIT capitalised on the tight window in the credit market and successfully refinanced its entire existing loan facilities totalling HK\$3,100 million well ahead of maturity. This new facility was secured by, amongst other items, mortgages on nine of Fortune REIT's properties carrying an aggregate value of HK\$11,654 million as at 31 December 2011. The trustee has provided a guarantee for the facilities.

Under the new facility, Fortune REIT's outstanding debt maturity has been extended to April 2016. In terms of borrowing cost, the interest margin has been substantially reduced to 0.91% per annum over the Hong Kong Interbank Offer Rate ("HIBOR"). In addition, the revolving credit facilities portion has been expanded to HK\$970 million from HK\$270 million, enhancing the funding flexibility for acquisition opportunities and other yield-enhancing asset enhancements initiatives ("AEI").

The Manager continued to take a prudent approach in managing the risks which may arise due to fluctuation of interest cost. As at 31 December 2011, the interest cost for 100% of Fortune REIT's term loan was fixed through entering into plain vanilla swaps. The Manager reaffirmed its commitment to bringing down interest cost. Fortune REIT's effective interest cost was lowered to 3.65% for FY2011.

As at 31 December 2011, Fortune REIT's gearing ratio and aggregate leverage have been lowered to 18.8% (31 December 2010: 21.0%). This decrease was due to a rise in valuation of investment properties. Fortune REIT remains as one of the lowest geared REITs in Hong Kong and Singapore.

### **Portfolio Valuation**

Fortune REIT's portfolio of 14 retail properties was appraised at HK\$16,388 million by Knight Frank Petty Limited ("Knight Frank") as at 31 December 2011. This represented an increase of 23.2% from HK\$13,300 million recorded a year ago. Compared to 30 June 2011, the valuation increased by 4.5%. This was attributed to an improvement in the performance of the underlying assets. The higher valuation also resulted in a revaluation gain of HK\$3,043.8 million for the Reporting Year.

### **Operation Review**

As at 31 December 2011, Fortune REIT owns a geographically diverse portfolio of 14 retail malls and properties in Hong Kong, comprising approximately 2.0 million sq ft of retail space and 1,660 car parking lots.

As a result of the positive leasing momentum throughout the year as well as a number of well-executed repositioning strategies in the completed AEI works, Fortune REIT continued to deliver a robust set of operational performances for the Reporting Period. As at 31 December 2011, portfolio occupancy rate remained healthy at 97.0%, while passing rent has improved by more than 12.2% from a year ago to a record high of HK\$32.2 per sq ft. A healthy rental reversion of 15.2% was also registered for lease renewals in FY2011.

Investments in completed AElS began to bear fruit in the Reporting Year. Higher income resulting from the AElS completed in September 2010 at FCOP was fully reflected in the financials of FY2011. Fortune REIT achieved a return of investment of 22% on a capital expenditure of HK\$30 million for the FCOP project. The net property income for FCO has notably increased by 14.9% from the previous year. This has contributed to drive revenue growth within Fortune REIT's portfolio.

As at the end of 2011, Fortune REIT's portfolio has a diverse base of 1,031 tenants. Collectively, the top ten tenants contributed approximately 26.8% of the portfolio's gross rental income for FY2011 and occupied approximately 21.3% of total GRA. Tenants in the non-discretionary sectors such as supermarkets, food and beverage and services and educations trade made up more than 54% of the total rental income, reinforcing Fortune REIT's resilient nature.

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

### **Asset Enhancement Initiatives**

Yield-enhancing AElS have been launched at the portfolio's two largest properties, FCO and Ma On San Plaza ("MOSP"), and this has led to some short term vacancies since the third quarter of 2011. As at 31 December 2011, the occupancy rates of FCO and MOSP have returned to 94.7% and 98.0% respectively.

During the third quarter of 2011, the Manager reconfigured a 50,000 sq.ft. space in MOSP which was previously used for a Chinese restaurant. The space has been subdivided to accommodate a more diversified retail mix to add attractiveness to the mall and increase rental revenue. The space was 100% pre-committed prior to the completion of works, and a ROI of 73% was achieved based on a capital expenditure of approximately HK\$12 million.

The AElS at FCO commenced in October 2011 and will be carried out in phases until the end of 2012. The mall will be transformed to offer a more attractive retail experience, and a relaxing new Central Park which features a more efficient layout and zoning. Building facilities will be enhanced and exciting new retail offerings will be in place. The cost of the project is estimated to be approximately HK\$100 million with target ROI of 15%.

Fortune REIT has a solid track record of achieving good returns on its AElS. The Manager intends to work diligently to improve the rental income and value of the portfolio by undertaking additional yield-enhancing AElS.

### **Additional Quarterly Review**

Revenue and net property income for the fourth quarter of 2011 rose 6.5% and 6.3% year-on-year to HK\$231.9 million and HK\$162.0 million respectively. The improvement in financial performance compared to the fourth quarter of 2010 is mainly attributed to the increase in rental rates for the portfolio. Cost-to-revenue ratio was 28.0% compared to 27.9% recorded for the fourth quarter of 2010. Income available for distribution was HK\$115.1 million, 9.0% higher than the corresponding period last year.

### **Subsequent Event**

Fortune REIT had announced on 28 December 2011 a proposal to acquire the Belvedere Garden Property and the Provident Centre Property (as defined in the circular dated on 28 December 2011) from subsidiaries of Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited and an independent third party of Fortune REIT for a total consideration of HK\$1,900 million (subject to customary adjustments for the net current assets/liabilities of the property owning companies, as applicable, at the date of completion).

Subsequent to the end of the reporting period, the proposed acquisition was unanimously approved by the independent Unitholders present in person or by proxy and voting at the extraordinary general meeting held on 19 January 2012. The transaction has not yet been completed as at the date these financial statements were authorised for issuance.

**9. Variance between actual and the forecast results for the period from 1 January 2011 to 31 December 2011**

Not applicable.

**10. Commentary on the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

In the Reporting Year, Fortune REIT has delivered another set of robust performances. Hong Kong retail sales for the first eleven months of 2011 registered a growth of 25% in value over the previous year. Retail sales have recorded an increase for 27 consecutive months. The Hong Kong government expects favourable income conditions and local consumer sentiment to continue to support retail sales growth in the near term. It is expected that Fortune REIT's portfolio of private housing estate retail properties, which cater mainly to day-to-day shopping needs, will continue to benefit from the general well-being of the non-discretionary retail sector.

The Manager remains committed to drive revenue growth by implementing various AElS, as well as effective leasing and tenant repositioning strategies. This is particularly so for the flagship mall FCO, where AEI works will continue in phases throughout 2012.

On 28 December 2011, Fortune REIT announced the proposed acquisition of two retail properties in Hong Kong – Belvedere Garden Property and Provident Centre Property. Fully funded by debt, this immediately yield-accretive acquisition has been unanimously approved by the independent Unitholders present in person or by proxy and voting at the extraordinary general meeting held on 19 January 2012. The acquisition would enlarge Fortune REIT's portfolio by 23% and further enhance income diversification. It is expected that the acquisition will be completed no later than 28 March 2012.

As there could be continuing pressure in the coming year on certain cost items such as utility tariff due to inflation and other external factors, the Manager will be closely monitoring the operating expenses. As part of Fortune REIT's green policy, measures such as energy saving initiatives will continue to be adopted; this will also help to reduce the impact of increase in electricity tariff.

The Manager will remain watchful of the market environment and market opportunities, but will also continue to evaluate acquisition opportunities as they arise. The Manager will also continue to upgrade and enhance the assets to increase the value of the portfolio. In 2012, following the completion of the proposed acquisition of Belvedere Garden Property and Provident Centre Property, the Manager expects Fortune REIT's Unitholders to enjoy a larger distribution income, as well as a more stable income stream as a result of the enlarged portfolio.

**11. Distributions**

**(a) Current financial period**

Any distribution declared for the current period?	Yes
Name of distribution	Final distribution for the period from 1 July 2011 to 31 December 2011
Distribution Type	Tax-exempt income
Distribution Rate	13.50 Hong Kong cents per unit
Par value of units	N.M.



**15. Breakdown of total distribution for the financial year ended 31 December 2011**

Distribution to Unitholders	HK\$ '000	
	Actual 1/1/11 to 31/12/11	Actual 1/1/10 to 31/12/10
For the period 1 January 2011 to 30 June 2011	214,805	
For the period 1 July 2011 to 31 December 2011	227,478	
For the period 1 January 2010 to 30 June 2010		204,571
For the period 1 July 2010 to 31 December 2010		201,916

**16. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rules 704(13)**

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Chiu Yu, Justina	31	Daughter of Mr. Chiu Kwok Hung, Justin (Chairman and Non-executive director)	Deputy Chief Executive Officer since 1 March 2010. Ms. Chiu supports the Chief Executive Officer in the overall management of Fortune REIT including strategic planning, investor relations, asset management and investment activities.	No change.

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other developments or companies, shifts in expected levels of occupancy rate, property rental income, charge out collections, changes in operating expenses, including employee wages, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward looking statements, which are based on current view of management on future events.

BY ORDER OF THE BOARD  
ARA ASSET MANAGEMENT (FORTUNE) LIMITED  
AS MANAGER OF FORTUNE REAL ESTATE INVESTMENT TRUST

Ang Meng Huat, Anthony  
Director

30 January 2012





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**Attention: Mr Anthony Ang / Ms Justina Chiu**

Dear Sirs

We have reviewed the accompanying financial information of Fortune Real Estate Investment Trust ("Fortune REIT") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and Fortune REIT as of December 31, 2011, and the statements of comprehensive income, statements of changes in net assets attributable to unitholders of the Group and of Fortune REIT and statements of cash flows of the Group for the financial year from January 1, 2011 to December 31, 2011 and other explanatory notes. The accompanying financial information has been prepared for the purpose of complying with Appendix 7.2 of the Singapore Exchange Listing Manual in accordance with the accounting policies of the REIT.

ARA Asset Management (Fortune) Limited ("The Manager of Fortune REIT") and HSBC Institutional Trust Services (Singapore) Limited ("The Trustee of Fortune REIT") are responsible for the preparation and fair presentation of the financial information in accordance with the accounting policies of the REIT. Our responsibility is to express a conclusion on the financial information based on our review.

We conducted our review in accordance with Singapore Standard on Review Engagements 2400 *Engagement to Review Financial Statements*. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial information are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

**Deloitte**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information are not presented fairly, in all material respects, in accordance with the accounting policies of the REIT.

Yours faithfully

*Deloitte & Touche LLP*

Public Accountants and  
Certified Public Accountants  
Singapore

January 30, 2012