



**Fortune Real Estate Investment Trust
Financial Statements
For the financial year ended 31 December 2013**

The financial statements for the year ended 31 December 2013 have been audited 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.

On 9 October 2013, Fortune REIT completed the acquisition of Kingswood Ginza Property (rebranded as Fortune Kingswood). Following the acquisition, Fortune REIT now holds a portfolio of 17 retail properties in Hong Kong, comprising approximately 3.11 million square feet ("Sq.ft.") of retail space and 2,606 car parking lots. The retail properties are Fortune City One, Fortune Kingswood, Ma On Shan Plaza, Metro Town, Fortune Metropolis, Belvedere Square, Waldorf Avenue, Caribbean Square, Provident Square, Jubilee Square, Smartland, Tsing Yi Square, Nob Hill Square, Hampton Loft, Centre de Laguna, 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 2013 to 31 December 2013

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 1/10/13 to 31/12/13 ^(a)	Actual 1/10/12 to 31/12/12 ^(a)		Actual 1/1/13 to 31/12/13 ^(a)	Actual 1/1/12 to 31/12/12 ^(a)	
Revenue ^(b)	319,305	237,526	34.4%	1,070,152	904,875	18.3%
Charge-out collections ^(c)	73,254	54,061	35.5%	247,311	208,821	18.4%
Total revenue	392,559	291,587	34.6%	1,317,463	1,113,696	18.3%
Property management fees	(9,067)	(6,757)	34.2%	(30,481)	(25,807)	18.1%
Other property operating expenses	(99,800)	(71,530)	39.5%	(329,901)	(275,146)	19.9%
Property operating expenses	(108,867)	(78,287)	39.1%	(360,382)	(300,953)	19.7%
Net property income (before manager's performance fee)	283,692	213,300	33.0%	957,081	812,743	17.8%
Manager's performance fee	(8,532)	(6,412)	33.1%	(28,750)	(24,468)	17.5%
Net property income	275,160	206,888	33.0%	928,331	788,275	17.8%
Interest Income	682	415	64.3%	1,242	2,852	(56.5%)
Net property income after interest income	275,842	207,303	33.1%	929,573	791,127	17.5%
Gain on disposal of investment properties ^(d)	-	-	NM	897	-	NM
Change in fair value of investment properties ^(e)	1,130,760	863,418	31.0%	3,088,725	1,796,263	72.0%
Change in fair value of financial instruments ^(f)	11,476	(1,374)	(935.2%)	114,803	(4,613)	NM
Profit before borrowing costs	1,418,078	1,069,347	32.6%	4,133,998	2,582,777	60.1%
Borrowing costs	(53,114)	(34,301)	54.8%	(153,832)	(128,934)	19.3%
Profit before tax	1,364,964	1,035,046	31.9%	3,980,166	2,453,843	62.2%
Hong Kong taxation :						
Current taxation	(32,059)	(22,932)	39.8%	(108,120)	(88,726)	21.9%
Deferred taxation	(7,939)	(7,082)	12.1%	(26,103)	(22,819)	14.4%
Total Hong Kong taxation	(39,998)	(30,014)	33.3%	(134,223)	(111,545)	20.3%
Net profit of property companies	1,324,966	1,005,032	31.8%	3,845,943	2,342,298	64.2%
Manager's base fee	(22,184)	(15,280)	45.2%	(70,505)	(57,947)	21.7%
Foreign exchange (loss)/gain ^(g)	(5)	47	(110.6%)	92	205	(55.1%)
Non-tax deductible trust expenses ^(h)	(93,806)	(6,618)	NM	(126,997)	(44,991)	182.3%
Tax deductible trust expenses	(1,171)	(912)	28.4%	(4,059)	(3,812)	6.5%
Non tax-exempt income ⁽ⁱ⁾	631	480	31.5%	3,223	3,159	2.0%
Singapore taxation ^(j)	(108)	(82)	31.7%	1,707	(533)	(420.3%)
Total trust expenses	(116,643)	(22,365)	421.5%	(196,539)	(103,919)	89.1%
Net profit of the Group, before transactions with unitholders	1,208,323	982,667	23.0%	3,649,404	2,238,379	63.0%
Distributions to unitholders ^(k)	(182,082)	(142,474)	27.8%	(642,389)	(549,462)	16.9%
Net profit of the Group, after transactions with unitholders	1,026,241	840,193	22.1%	3,007,015	1,688,917	78.0%
Net profit of the Group, before transactions with unitholders	1,208,323	982,667	23.0%	3,649,404	2,238,379	63.0%
Add/(Less):						
Manager's base fee	22,184	15,280	45.2%	70,505	57,947	21.7%
Foreign exchange loss/(gain) ^(g)	5	(47)	(110.6%)	(92)	(205)	(55.1%)
Non-tax deductible trust expenses ^(h)	93,806	6,618	NM	126,997	44,991	182.3%
Gain on disposal of investment property ^(d)	-	-	NM	(897)	-	NM
Change in fair value of financial instruments ^(f)	(11,476)	1,374	(935.2%)	(114,803)	4,613	NM
Change in fair value of investment properties ^(e)	(1,130,760)	(863,418)	31.0%	(3,088,725)	(1,796,263)	72.0%
Income available for distribution^(l)	182,082	142,474	27.8%	642,389	549,462	16.9%

Footnotes:

- (a) *The Group's financial information incorporates the financial statements of the Trust and the 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) *The Group sold 5 car park lots in one of the investment properties, Fortune City One, during the first quarter of 2013.*
- (e) *On 31 December 2013, an independent valuation was undertaken by Jones Lang LaSalle 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 17 properties were based on a combination of the Income Capitalization Method and Direct Comparison Method. The existing valuations adopted amounted to HK\$29,338 million (31 December 2012: HK\$20,208 million).*
- (f) *The amount relates to the net gain arising from the re-measurement of the plain vanilla interest rate swaps which were ineffective under cash flow hedge or not designated for hedge accounting as at 31 December 2013.*
- (g) *Foreign exchange (loss)/gain represent 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 2013 to 31 December 2013 ("FY2013" or "Reporting Year") is an acquisition fee of HK\$58.5 million paid in the form of units to the Manager as well as an acquisition cost of HK\$36.5 million for the acquisition of Fortune Kingswood, and for the period from 1 January 2012 to 31 December 2012 was an acquisition fee of HK\$19.0 million paid in the form of units to the Manager for the acquisition of Belvedere Square and Provident Square.*
- (i) *Non tax-exempt income refers mainly to interest income from fixed deposits.*
- (j) *Included in Singapore taxation are tax refund of HK\$1.3 million and write-back of provision of HK\$0.9 million during the third quarter of 2013, upon finalization of the tax assessment by Comptroller of Income Tax for the year of assessment 2007 to 2009.*
- (k) *The amount of distribution to unitholders has been distributed and/or accrued as distribution payable in the Statement of Financial Position.*
- (l) *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").*
- (m) *Save as disclosed above, 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 1/10/13 to 31/12/13	Actual 1/10/12 to 31/12/12		Increase/ (Decrease)	Actual 1/1/13 to 31/12/13	
Net profit of the Group, after transactions with unitholders	1,026,241	840,193	22.1%	3,007,015	1,688,917	78.0%
Other comprehensive income/(loss) - Items that will be reclassified to profit or loss:						
Cash flow hedge						
- Change in fair value of financial instruments	2,887	3,859	(25.2%)	29,898	(15,925)	(287.7%)
- Release to profit or loss ^(a)	1,245	-	NM	5,395	-	NM
	4,132	3,859	7.1%	35,293	(15,925)	(321.6%)
Total comprehensive income	1,030,373	844,052	22.1%	3,042,308	1,672,992	81.8%

Footnote:

- (a) As certain interest rate swap contracts were no longer highly effective, the respective cumulative losses from inception of the hedge until then that previously recognised in hedging reserve is released to consolidated income statement over the periods during which the interest payment in relation to the interest rate swap contracts affects the consolidated income statement. During the twelve months ended 31 December 2013, release of such cumulative losses from the hedging reserve amounted to HK\$5.4 million.

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

	Trust		Group ^(a)	
	HK\$ '000		HK\$ '000	
	Actual 31/12/13	Actual 31/12/12	Actual 31/12/13	Actual 31/12/12
Current assets				
Cash and bank balances	514,978	438,309	858,175	578,022
Trade and other receivables	100,143	53,306	67,093	55,245
Total current assets	615,121	491,615	925,268	633,267
Non-current assets				
Investment in property companies ^(b)	6,293,502	5,470,134	-	-
Investment properties ^(c)	-	-	29,338,000	20,208,000
Derivative assets ^(e)	-	-	66,906	-
Total non-current assets	6,293,502	5,470,134	29,404,906	20,208,000
Total assets	6,908,623	5,961,749	30,330,174	20,841,267
Current liabilities				
Trade and other payables	9,559	7,906	540,665	410,827
Distribution payable ^(d)	335,424	281,135	335,424	281,135
Borrowings	-	-	970,000	940,000
Derivative liabilities ^(e)	-	-	21,368	-
Provision for taxation	547	1,515	105,842	14,538
Total current liabilities	345,530	290,556	1,973,299	1,646,500
Non-current liabilities				
Borrowings	-	-	8,860,372	3,878,815
Deferred tax liabilities	-	-	346,377	192,886
Derivative liabilities ^(e)	-	-	40,799	145,357
Total non-current liabilities	-	-	9,247,548	4,217,058
Total liabilities	345,530	290,556	11,220,847	5,863,558
Net assets attributable to unitholders	6,563,093	5,671,193	19,109,327	14,977,709

Footnotes:

- (a) The Group's financial information incorporates the financial statements of the Trust and the Property Companies.
- (b) During the year, increase in investment in property companies represented investment in a subsidiary in relation to the acquisition of Fortune Kingswood.
- (c) Investment properties are stated at valuation based on an independent professional valuation carried out by Jones Lang LaSalle Limited, the independent valuer on 31 December 2013. During the year, some capital costs for the properties were incurred and included in the investment properties.
- (d) Distribution payable is the amount of income available for distribution accrued from 1 July 2013 to 31 December 2013. 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 (l) of section 1(a)(i).
- (e) The derivative assets/liabilities relate to the fair value of the plain vanilla interest rate swaps transacted to hedge the interest rate risk on the borrowings.

1 (b)(ii) Aggregate amount of borrowings

As at 31/12/13	Secured ^(a)	Unsecured ^(a)
	HK\$ '000	HK\$ '000
Amount repayable in one year or less, or on demand	970,000	-
Amount repayable after one year	7,261,212	1,599,160
	8,231,212	1,599,160

As at 31/12/12	Secured ^(a)	Unsecured
	HK\$ '000	HK\$ '000
Amount repayable in one year or less, or on demand	940,000	-
Amount repayable after one year	3,878,815	-
	4,818,815	-

Footnote:

- (a) Fortune REIT has in place three credit facilities, being the 2011 Facilities, the 2012 Facilities and the 2013 Facilities.

The 2011 Facilities is a 5-year term loan and revolving credit facilities of total HK\$3,800.0 million, comprising of a HK\$2,830.0 million term loan facility and a HK\$970.0 million revolving credit facility, which mature in 2016. As at 31 December 2013, HK\$3,798.0 million had been drawn down (31 December 2012: HK\$3,770.0 million).

The 2012 Facilities is a 3-year term loan and revolving credit facility of up to an aggregate principal amount of HK\$1,400.0 million, comprising of a HK\$1,100.0 million term loan facility and a HK\$300.0 million revolving credit facility, which mature in 2015. As at 31 December 2013, HK\$1,100.0 million had been drawn down (31 December 2012: HK\$1,100.0 million). There is an option to rollover the revolving credit facility of the 2011 Facilities and the 2012 Facilities up until maturity.

In addition to the 2011 Facilities and the 2012 Facilities, Fortune REIT has entered into new facility agreements on 7 October 2013 for term loan facilities of HK\$5,025.0 million, with terms between 3.5 years to 5 years (the "2013 Facilities"). As at 31 December 2013, HK\$5,025.0 million had been drawn down. The Group has paid front end fees of HK\$65.3 million to the banks to secure the loan facilities. The front end fees are amortised over the respective loan periods.

Included in the amount repayable after one year is an unamortized debt front end fee of HK\$92.6 million (31 December 2012: HK\$51.1 million). The 2011 Facilities are 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. The 2012 Facilities are secured by, inter alia, a mortgage over Belvedere Square, Provident Square, Caribbean Square and Hampton Loft. HK\$3,406.3 million of the 2013 Facilities are secured by, inter alia, a mortgage over Metro Town and Fortune Kingswood.

1 (c) Statement of cash flows

	Group		Group	
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
	Actual 1/10/13 to 31/12/13	Actual 1/10/12 to 31/12/12	Actual 1/1/13 to 31/12/13	Actual 1/1/12 to 31/12/12
Operating Activities				
Profit before taxation	1,248,429	1,012,763	3,781,920	2,350,457
Adjustments for:				
Change in fair value of investment properties	(1,130,760)	(863,418)	(3,088,725)	(1,796,263)
Change in fair value of financial instruments	(11,476)	1,374	(114,803)	4,613
Amortisation of debt front end fee	9,259	4,889	23,929	18,184
Gain on disposal of investment properties	-	-	(897)	-
Base fee paid in units	22,184	15,280	70,505	57,947
Acquisition fee paid in units	58,490	-	58,490	19,000
Interest income	(1,313)	(895)	(4,465)	(6,011)
Borrowing costs	53,114	34,301	153,832	128,934
Operating profit before changes in working capital	247,927	204,294	879,786	776,861
(Increase)/decrease in trade and other receivables	22,137	2,279	19,606	(626)
Increase in trade and other payables	1,639	19,306	16,515	39,487
Cash generated from operating activities	271,703	225,879	915,907	815,722
Income taxes paid	(112,489)	(83,983)	(111,750)	(84,473)
Cash flow from operating activities	159,214	141,896	804,157	731,249
Investing Activities				
Upgrading of investment properties	(20,998)	(28,726)	(66,037)	(114,237)
Acquisition of property companies/properties, net of cash acquired	(5,668,686)	-	(5,668,686)	(1,896,231)
Disposal of investment properties	-	-	2,047	-
Interest received	2,249	1,190	4,546	9,516
Decrease in fixed deposits	-	-	-	150,000
Cash flow used in investing activities	(5,687,435)	(27,536)	(5,728,130)	(1,850,952)
Financing Activities				
Proceeds from issue of new units (net of issue costs)	(56)	-	957,635	-
Drawdown of borrowings	5,155,000	100,000	5,155,000	2,040,000
Distribution paid	-	-	(587,898)	(495,545)
Repayment of borrowings	-	(120,000)	(102,047)	(420,000)
Borrowing costs paid	(51,671)	(39,188)	(153,239)	(124,851)
Payment of debt front end fee	(65,325)	-	(65,325)	(33,600)
Cash flow from/(used in) financing activities	5,037,948	(59,188)	5,204,126	966,004
Net (decrease)/increase in cash and cash equivalents	(490,273)	55,172	280,153	(153,699)
Cash and cash equivalents at beginning of the period	1,348,448	522,850	578,022	731,721
Cash and cash equivalents at end of the period	858,175	578,022	858,175	578,022

Financial Statements Announcement
For the period from 1 January 2013 to 31 December 2013

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

<u>Statement for the fourth quarter FY2013</u>	Actual				
	Issued Units	Unit issue costs	Hedging reserve	Retained profits	Net
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group					
Balance as at 1 October 2013	7,491,682	(286,223)	(57,742)	10,850,619	17,998,336
Total comprehensive income	-	-	4,132	1,208,323	1,212,455
Unitholders' transactions					
Creation of units					
- acquisition fee paid in units	58,490	-	-	-	58,490
- management fee paid/payable in units	22,184	-	-	-	22,184
Unit issue cost	-	(56)	-	-	(56)
Distribution paid/payable to Unitholders	-	-	-	(182,082)	(182,082)
Increase/(decrease) in net assets resulting from Unitholders' transactions	80,674	(56)	-	(182,082)	(101,464)
Balance as at 31 December 2013	7,572,356	(286,279)	(53,610)	11,876,860	19,109,327
Balance as at 1 October 2012	6,453,080	(271,593)	(92,762)	8,029,652	14,118,377
Total comprehensive income	-	-	3,859	982,667	986,526
Unitholders' transactions					
Creation of units					
- management fee paid/payable in units	15,280	-	-	-	15,280
Distribution paid/payable to Unitholders	-	-	-	(142,474)	(142,474)
Increase/(decrease) in net assets resulting from Unitholders' transactions	15,280	-	-	(142,474)	(127,194)
Balance as at 31 December 2012	6,468,360	(271,593)	(88,903)	8,869,845	14,977,709

<u>Statement for the YTD FY2013</u>	Actual				
	Issued Units	Unit issue costs	Hedging reserve	Retained profits	Net
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group					
Balance as at 1 January 2013	6,468,360	(271,593)	(88,903)	8,869,845	14,977,709
Total comprehensive income	-	-	35,293	3,649,404	3,684,697
Unitholders' transactions					
Creation of units					
- issuance of New Units	975,001	-	-	-	975,001
- acquisition fee paid in units	58,490	-	-	-	58,490
- management fee paid/payable in units	70,505	-	-	-	70,505
Unit issue cost	-	(14,686)	-	-	(14,686)
Distribution paid/payable to Unitholders	-	-	-	(642,389)	(642,389)
Increase/(decrease) in net assets resulting from Unitholders' transactions	1,103,996	(14,686)	-	(642,389)	446,921
Balance as at 31 December 2013	7,572,356	(286,279)	(53,610)	11,876,860	19,109,327
Balance as at 1 January 2012	6,391,413	(271,593)	(72,978)	7,180,928	13,227,770
Total comprehensive (loss)/income	-	-	(15,925)	2,238,379	2,222,454
Unitholders' transactions					
Creation of units					
- acquisition fee paid in units	19,000	-	-	-	19,000
- management fee paid/payable in units	57,947	-	-	-	57,947
Distribution paid/payable to Unitholders	-	-	-	(549,462)	(549,462)
Increase/(decrease) in net assets resulting from Unitholders' transactions	76,947	-	-	(549,462)	(472,515)
Balance as at 31 December 2012	6,468,360	(271,593)	(88,903)	8,869,845	14,977,709

Financial Statements Announcement
For the period from 1 January 2013 to 31 December 2013

Statement for the fourth quarter FY2013

Trust

Balance as at 1 October 2013

Total comprehensive income

Unitholders' transactions

Creation of units

- acquisition fee paid in units

- management fee paid/payable in units

Unit issue cost

Distribution paid/payable to Unitholders

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

Balance as at 31 December 2013

Balance as at 1 October 2012

Total comprehensive income

Unitholders' transactions

Creation of units

- management fee paid/payable in units

Distribution paid/payable to Unitholders

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

Balance as at 31 December 2012

Actual			
Issued Units	Unit issue costs	Accumulated losses	Net
HK\$'000	HK\$'000	HK\$'000	HK\$'000
7,491,682	(286,223)	(757,736)	6,447,723
-	-	216,834	216,834
58,490	-	-	58,490
22,184	-	-	22,184
-	(56)	-	(56)
-	-	(182,082)	(182,082)
80,674	(56)	(182,082)	(101,464)
7,572,356	(286,279)	(722,984)	6,563,093
6,453,080	(271,593)	(642,627)	5,538,860
-	-	259,527	259,527
15,280	-	-	15,280
-	-	(142,474)	(142,474)
15,280	-	(142,474)	(127,194)
6,468,360	(271,593)	(525,574)	5,671,193

Statement for the YTD FY2013

Trust

Balance as at 1 January 2013

Total comprehensive income

Unitholders' transactions

Creation of units

- issuance of New Units

- acquisition fee paid in units

- management fee paid/payable in units

Unit issue cost

Distribution paid/payable to Unitholders

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

Balance as at 31 December 2013

Balance as at 1 January 2012

Total comprehensive income

Unitholders' transactions

Creation of units

- acquisition fee paid in units

- management fee paid/payable in units

Distribution paid/payable to Unitholders

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

Balance as at 31 December 2012

Actual			
Issued Units	Unit issue costs	Accumulated losses	Net
HK\$'000	HK\$'000	HK\$'000	HK\$'000
6,468,360	(271,593)	(525,574)	5,671,193
-	-	444,979	444,979
975,001	-	-	975,001
58,490	-	-	58,490
70,505	-	-	70,505
-	(14,686)	-	(14,686)
-	-	(642,389)	(642,389)
1,103,996	(14,686)	(642,389)	446,921
7,572,356	(286,279)	(722,984)	6,563,093
6,391,413	(271,593)	(422,839)	5,696,981
-	-	446,727	446,727
19,000	-	-	19,000
57,947	-	-	57,947
-	-	(549,462)	(549,462)
76,947	-	(549,462)	(472,515)
6,468,360	(271,593)	(525,574)	5,671,193

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 2013	1,847,692,532	Total units since the end of previous financial period
4 October 2013	2,622,346	As payment of management fee for the period from 1 July 2013 to 30 September 2013
9 October 2013 ^(a)	8,576,246	As payment of acquisition fee
As at 31 December 2013	1,858,891,124	
3 January 2014 ^(b)	3,642,690	As payment of management fee for the period from 1 October 2013 to 31 December 2013
Deemed units as at 31 December 2013	1,862,533,814	

The total number of issued units as at the end of the immediately preceding year (31 December 2012) was 1,697,825,978.

Footnote:

- (a) On 9 October 2013, 8,576,246 Units were issued to the Manager as acquisition fee for the acquisition of Fortune Kingswood.
- (b) On 3 January 2014, there was an additional 3,642,690 Units issued to the Manager as payment of management fee for the period from 1 October 2013 to 31 December 2013.

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 financial statements have been audited by the auditor in accordance with International Standard on Auditing.

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

Please see attached auditor's 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 six months ended 30 June 2013.

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 2013 to 31 December 2013

Earnings per unit for the period based on the weighted average number of units in issue, before transactions with unitholders

Weighted average number of units in issue (million)

Distribution per unit ("DPU") for the period

Total number of deemed units in issue (million)

Actual 1/10/13 to 31/12/13 HK cents	Actual 1/10/12 to 31/12/12 HK cents	Actual 1/1/13 to 31/12/13 HK cents	Actual 1/1/12 to 31/12/12 HK cents
65.88	57.91	206.71	132.07
1,765.4	1,694.8	1,765.4	1,694.8
9.72	8.37	36.00	32.35
1,862.5	1,700.2	1,862.5	1,700.2

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

Net asset value per unit^(a)

Actual 31/12/13 HK\$	Actual 31/12/12 HK\$
10.26	8.81

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 1,862.5 million (2012: 1,700.2 million). 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 1/10/13 to 31/12/13	Actual 1/10/12 to 31/12/12	Increase	Actual 1/1/13 to 31/12/13	Actual 1/1/12 to 31/12/12	Increase
Total revenue	392,559	291,587	34.6%	1,317,463	1,113,696	18.3%
Net property income	275,160	206,888	33.0%	928,331	788,275	17.8%
Income available for distribution	182,082	142,474	27.8%	642,389	549,462	16.9%

Financial Review

Fortune REIT's FY2013 total revenue and net property income ("NPI") increased by 18.3% and 17.8% year-on-year to HK\$1,317.5 million and HK\$928.3 million respectively – marking ten consecutive years of continuous growth. This sustained performance was underpinned by the effective execution of our three core strategies – investment, asset management and asset enhancement. During the Reporting Year, contributing factors including (i) higher occupancy rates; (ii) strong rental growth across the entire portfolio; (iii) excellent returns from completed AEs; (iv) additional income from Fortune Kingswood acquired in October 2013; as well as (v) the full-year income stream from Belvedere Square and Provident Square, have all contributed to Fortune REIT's exceptional financial performance.

Total property operating expenses for FY2013 (excluding Manager's performance fee) increased by 19.7% year-on-year to HK\$360.4 million. The increase was mainly attributed to the additional expenses from Fortune Kingswood, as well as the full-period effect of expenses from Belvedere Square and Provident Square. Despite the inflationary environment, the cost-to-revenue ratio was kept steady at 27.4% for the Reporting Year (2012: 27.0%).

Total borrowing costs (excluding front end fees) were HK\$153.8 million for the Reporting Year, showing an increase of 19.3% year-on-year as a result of the drawdown of additional loan facilities to finance the acquisition of Fortune Kingswood.

Fortune REIT's income available for distribution increased 16.9% year-on-year to HK\$642.4 million for FY2013. The DPU for the Reporting Year was 36.00 HK cents (2012: 32.35 HK cents), comprising an interim and final DPU of 18.00 HK cents each. The DPU was 11.3% higher than that of the previous year, notwithstanding an additional 142,962,000 new units issued from a private placement exercise during the Reporting Year. Based on HK\$6.215, the average closing unit price in Singapore and Hong Kong as at 31 December 2013, the FY2013 DPU represented a yield of 5.8%.

Fortune REIT made the largest acquisition since inception

Fortune Kingswood presented an opportunity for Fortune REIT to acquire the largest shopping centre in the Yuen Long district and thus enjoy the robust growth in demand for retail space in the northwest New Territories. Strategically located in the center of the Tin Shui Wai residential area, Fortune Kingswood currently serves a catchment population of approximately 288,000, hotel residents of the 1,102-rooms Harbour Plaza Resort City, as well as visitors from Mainland China due to its close proximity to Mainland China's border. According to the Planning Department of the Hong Kong Government, the Yuen Long district including the Tin Shui Wai area is expected to have the highest population growth in Hong Kong for the period between 2011 and 2021. In addition, Fortune Kingswood is also expected to benefit from the enhanced infrastructure linkage between Tin Shui Wai and the Mainland China's border as well as other parts of Hong Kong.

Fortune Kingswood fits well into the Manager's investment strategy of owning strategically-located retail assets with a large captive catchment, high occupancy rate and mid-to-long term asset enhancement potential. The property has increased Fortune REIT's portfolio valuation by 25.9% to HK\$29,338 million (based on the valuation of all the properties as at 31 December 2013). Fortune REIT's total gross rentable area has also increased by 27.2% to 3.11 million Sq.ft..

Disciplined Capital Management

The Manager strives to achieve an optimal debt/equity structure to maximize distribution while maintaining sufficient financial flexibility to fund acquisitions and AEs. Consistent with such a capital management strategy, an equity private placement exercise was successfully completed on 6 August 2013 – raising gross proceeds of HK\$975 million through the issuance of 142,962,000 new units at HK\$6.82 per unit to partly finance the acquisition of Fortune Kingswood. The private placement received strong participation from new and existing institutional investors. Separately, loan facilities of HK\$5,025 million, in the form of 3.5-year and 5-year term loans, were put in place to fund the balance of the acquisition cost at a competitive average interest margin of 148 basis points over HIBOR. This transaction has demonstrated Fortune REIT's outstanding ability to access the capital markets and leverage on favourable debt market conditions as opportunities arise.

Subsequent to the acquisition, the total committed loan facilities have increased to HK\$10,223 million as at 31 December 2013. Fortune REIT closed the Reporting Year with a gearing ratio and an aggregate leverage of 32.7% (31 December 2012: 23.4%), a 2.8 years of weighted average term to maturity of debt, and an average all-in cost of debt of 2.59% (31 December 2012: 2.78%). The gross liability, as a percentage of gross assets, of Fortune REIT rose to 37.0% as at 31 December 2013 (31 December 2012: 28.1%). The net current liabilities as at 31 December 2013 was HK\$1,048.0 million, the majority of which came from a revolving credit facility drawn down in previous year. There is an option to roll over this revolving credit facility up to its maturity in 2016.

Fortune REIT had obtained both secured and unsecured loan facilities. The former are secured over Fortune REIT's 15 investment properties, which carried an aggregate fair value of HK\$27,135 million as at 31 December 2013. The Trustee has provided guarantees for all of the loan facilities.

Available liquidity stood at HK\$1,158.2 million as at 31 December 2013, comprising committed undrawn facilities of HK\$300 million and cash on hand of HK\$858.2 million. Fortune REIT possesses sufficient financial resources to satisfy its financial commitments and working capital requirements.

As the interest cost of new facilities obtained during the Reporting Year was on a floating basis, Fortune REIT's overall debt hedged to fixed rates was reduced to about 37% as at 31 December 2013. The Manager will continue to monitor the interest rate movement closely and may, depending on market conditions, consider putting in place additional hedging arrangements.

Net asset value per unit amounted to HK\$10.26 as at 31 December 2013, up 16.5% from HK\$8.81 as at the end of 2012, mainly as a result of the increase in valuation of investment properties.

Portfolio Valuation

As at 31 December 2013, Fortune REIT's portfolio of 17 retail properties was appraised at HK\$29,338 million by Jones Lang LaSalle Limited ("JLL"). This represents an increase of 45.2% and 32.2% respectively from the valuation of HK\$20,208 million as at 31 December 2012, and HK\$22,188 million as at 30 June 2013. As the capitalization rate adopted remains largely unchanged, the increase in valuation was attributed to an overall improvement in asset performance and the addition of Fortune Kingswood. The higher valuation has resulted in a revaluation gain of HK\$3,088.7 million for the Reporting Year.

Operation Review

As at 31 December 2013, Fortune REIT owns a geographically diverse portfolio of 17 retail malls and properties in Hong Kong, comprising approximately 3.11 million Sq.ft. of retail space and 2,606 car parking lots.

Fortune REIT's portfolio of private housing estate retail properties remained buoyant despite the moderation in overall retail sales in Hong Kong. The Manager continued to adopt a proactive leasing strategy, leading to higher passing rents across all of Fortune REIT's properties, as well as an improved portfolio occupancy of 98.7% as at 31 December 2013 (31 December 2012: 97.7%). Rental reversion of 20.4% was recorded for renewals during the Reporting Year, following the strong reversion momentum from the previous year despite leases in FY2013 being reverted from a much higher base. The portfolio's passing rent stood at HK\$33.5 per Sq.ft. as at 31 December 2013. Excluding Fortune Kingswood, passing rent for the original portfolio has improved 9.4% year-on-year.

Thanks to the proactive leasing strategies adopted by the Manager and a seamless integration into Fortune REIT's portfolio, Fortune Kingswood has already seen some operational improvements within 3 months after its acquisition in October 2013. The occupancy rate as at 31 December 2013 has notably improved to 99.0% when compared with its 95.5% occupancy rate as at 30 June 2013.

Fortune REIT has enlarged and diversified its portfolio during the Reporting Year with the acquisition of Fortune Kingswood, increasing its tenant base to 1,376 tenants across 17 assets. Collectively, the top ten tenants contributed approximately 26.5% of the portfolio's gross rental income, and occupied approximately 28.4% of total Gross Rentable Area ("GRA"). Tenants in the non-discretionary retail sectors such as supermarkets, food and beverages as well as services and education trade made up approximately 60% of the total rental income, reinforcing Fortune REIT's resilience characteristics across many business cycles.

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

Reaping Benefits From Asset Enhancement Initiatives

On the asset enhancement front, we successfully completed asset enhancement projects at Fortune City One ("FCO"), Ma On Shan Plaza and Jubilee Square. All have outperformed our target return on investment ("ROI") and have begun to contribute positively to portfolio growth.

The renovation of Fortune City One Market ("FCO Market"), the final phase of FCO's AEs, was completed in October 2013. Occupancy of FCO Market improved significantly to almost 100% from 75% previously. The layout of the market has been improved and the wet market now offers a greater variety of trades. The HK\$20 million AEs have achieved a ROI of more than 25% and marked the successful debut of our first-ever wet market AEs. The completion of AEs at FCO Market underpinned the overall success of AEs at FCO – Fortune REIT's most scalable AEs to date. With a total investment of HK\$150 million, FCO has successfully been upgraded with a modern ambiance and enriched retail offerings. We are confident that FCO will continue to be an important growth driver for Fortune REIT.

At Jubilee Square, the renovation of the three floors was completed in June 2013. The HK\$15 million AEs project has yielded a ROI of more than 25%. The customer service counter has been refreshed and some higher paying new tenants have been introduced to enrich shoppers' experience at Jubilee Square. The NPI of Jubilee Square for the Reporting Year was boosted significantly by 57.4% as a result.

The HK\$15 million AEs at Ma On Shan Plaza has also been completed with encouraging results in December 2013. The works involved recovering space from an anchor tenant to optimise the use of space on the third floor. About 12,000 Sq.ft. has been transformed into higher yielding prime retail space with the introduction of new retail and F&B tenants. The total monthly rental of the entire renovated zone of 59,000 Sq.ft. has improved by more than 70% and thus provided a spectacular ROI of 60%.

In addition to the successful completion of the above projects, the Manager plans to embark on the next major AEs at Belvedere Square in 2014. Phase 3 of Belvedere Square, with a GRA of approximately 133,750 Sq.ft., will be fully upgraded to offer an enhanced shopping ambiance and therefore is expected to attract more shoppers and retailers. The planned CAPEX is approximately HK\$80 million and the target return on investment is 15%.

Additional Quarterly Review

Revenue and net property income for the fourth quarter of 2013 rose 34.6% and 33.0% year-on-year to HK\$392.6 million and HK\$275.2 million respectively. The improvement in financial performance compared to the fourth quarter of 2012 was mainly attributed to the additional income generated by Fortune Kingswood acquired in October 2013, as well as higher occupancy rates and strong rental growth across the entire portfolio. Cost-to-revenue ratio was 27.7% compared to 26.8% recorded for the fourth quarter of 2012. Income available for distribution was HK\$182.1 million, 27.8% higher than the corresponding period last year.

9. Variance between actual and the forecast results for the period from 1 January 2013 to 31 December 2013

The asset performance in this quarter is broadly in line with the commentary under paragraph 10 in the third quarter 2013 results released on 11 November 2013.

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

Hong Kong's economy grew moderately in the first three quarters of 2013, with GDP up by 3.0% year-on-year. The domestic sector has held firm with private consumption expenditure rising by 2.8% year-on-year for the same period. This positive aspect was underpinned by favourable employment conditions and household income. The total value of retail sales in Hong Kong recorded a growth of 11.6% for the period from January to November 2013.

As there could be continuing pressure in the coming year on certain costs such as rising wages and electricity costs, the Manager will closely monitor the operating expenses. As part of Fortune REIT's green policy, measures such as energy-saving initiatives will continue to be adopted to help mitigate the impact of higher electricity tariffs.

Despite good signs of recovery, the global economic environment remains fragile and uncertain. Notwithstanding these uncertainties, the Manager is confident that with Fortune REIT's robust retail portfolio in Hong Kong and healthy financial position, it will continue to provide a strong foundation to deliver stable returns to investors.

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 2013 to 31 December 2013
Distribution Type	Tax-exempt income
Distribution Rate	18.00 Hong Kong cents per unit
Par value of units	N.M.
Tax Rate	These distributions are made out of Fortune REIT's tax exempt income and net taxable interest income. Unitholders receiving distributions will not be assessable to Singapore income tax on the distributions received.

(b) Corresponding period of the immediate preceding financial year

Any distribution declared for the current period?	Yes
Name of distribution	Final distribution for the period from 1 July 2012 to 31 December 2012
Distribution Type	Tax-exempt income
Distribution Rate	16.53 Hong Kong cents per unit
Par value of units	N.M.
Tax Rate	These distributions are made out of Fortune REIT's tax exempt income and net taxable interest income. Unitholders receiving distributions will not be assessable to Singapore income tax on the distributions received.

(c) Date Payable 28 February 2014

(d) Book Closure Date 11 February 2014

Footnote:

NM - Not meaningful

12. If no distribution has been declared/(recommended), a statement to that effect

Not applicable.

13. Interested Person Transaction Mandate

Fortune REIT has not obtained a general mandate from Unitholders for Interested Person Transactions.

14. Breakdown of sales

	HK\$ '000		%
	Actual 1/1/13 to 31/12/13	Actual 1/1/12 to 31/12/12	
Gross revenue reported for first half year	609,220	537,381	13.4%
Net profit after tax for first half year	2,328,017	1,145,381	103.3%
Gross revenue reported for second half year	708,243	576,315	22.9%
Net profit after tax for second half year	1,321,387	1,092,998	20.9%

15. Breakdown of total distribution for the financial year ended 31 December 2013

Distribution to Unitholders	HK\$ '000	
	Actual 1/1/13 to 31/12/13	Actual 1/1/12 to 31/12/12
For the period 1 January 2013 to 30 June 2013	306,965	
For the period 1 July 2013 to 31 December 2013	335,424	
For the period 1 January 2012 to 30 June 2012		268,327
For the period 1 July 2012 to 31 December 2012		281,135

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	33	Daughter of Dr. 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

24 January 2014

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF FORTUNE REAL ESTATE INVESTMENT TRUST

We have audited the consolidated financial statements of Fortune Real Estate Investment Trust ("Fortune REIT") and its subsidiaries (collectively referred to as the "Group") and separate financial statements of Fortune REIT, which comprise the consolidated and Fortune REIT's statements of financial position as at 31 December 2013, and the statements of profit or loss and other comprehensive income, statements of changes in net assets attributable to unitholders, statements of cash flows and distribution statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Manager's Responsibility for the Financial Statements

ARA Asset Management (Fortune) Limited (the "Manager" of Fortune REIT) is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and comply with, the relevant provisions of the Trust Deed dated 4 July 2003 (as amended) (the "Trust Deed"), the relevant requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore and the Code on Real Estate Investment Trusts (the "REIT Code") issued by the Securities and Futures Commission of Hong Kong. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the disposition of the assets and liabilities of Fortune REIT and of the Group as at 31 December 2013 and of their results and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report under Other Legal and Regulatory Requirements

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 January 2014

Deloitte & Touche LLP
Public Accountants and Chartered Accountants
Singapore
24 January 2014