



**Fortune Real Estate Investment Trust  
Financial Statements  
For the financial year ended 31 December 2014**

The financial statements for the year ended 31 December 2014 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.

Following the completion of the acquisition of Laguna Plaza on 9 January 2015, Fortune REIT currently holds a portfolio of 18 private housing estate retail properties in Hong Kong, comprising of 3.27 million sq ft of retail space and 2,756 car parking spaces. The retail properties are Fortune City One, Fortune Kingswood, Ma On Shan Plaza, Metro Town, Fortune Metropolis, Laguna Plaza, Belvedere Square, Waldorf Avenue, Caribbean Square, Provident Square, Jubilee Square, Smartland, 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 2014 to 31 December 2014**

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

	HK\$ '000		%	HK\$ '000		%
	Actual 1/10/14 to 31/12/14 <sup>(a)</sup>	Actual 1/10/13 to 31/12/13 <sup>(a)</sup>		Increase/ (Decrease)	Actual 1/1/14 to 31/12/14 <sup>(a)</sup>	
Revenue <sup>(b)</sup>	348,699	319,305	9.2%	1,355,592	1,070,152	26.7%
Charge-out collections <sup>(c)</sup>	76,987	73,254	5.1%	300,182	247,311	21.4%
<b>Total revenue</b>	<b>425,686</b>	<b>392,559</b>	<b>8.4%</b>	<b>1,655,774</b>	<b>1,317,463</b>	<b>25.7%</b>
Property management fees	(9,793)	(9,067)	8.0%	(38,339)	(30,481)	25.8%
Other property operating expenses	(113,251)	(99,800)	13.5%	(420,074)	(329,901)	27.3%
Property operating expenses	(123,044)	(108,867)	13.0%	(458,413)	(360,382)	27.2%
Net property income (before manager's performance fee)	302,642	283,692	6.7%	1,197,361	957,081	25.1%
Manager's performance fee	(9,129)	(8,532)	7.0%	(36,137)	(28,750)	25.7%
<b>Net property income</b>	<b>293,513</b>	<b>275,160</b>	<b>6.7%</b>	<b>1,161,224</b>	<b>928,331</b>	<b>25.1%</b>
Interest Income	1,616	682	NM	7,161	1,242	NM
<b>Net property income after interest income</b>	<b>295,129</b>	<b>275,842</b>	<b>7.0%</b>	<b>1,168,385</b>	<b>929,573</b>	<b>25.7%</b>
Gain on disposal of investment properties <sup>(d)</sup>	-	-	NM	-	897	(100.0%)
Change in fair value of investment properties <sup>(e)</sup>	1,809,089	1,130,760	60.0%	3,321,779	3,088,725	7.5%
Change in fair value of financial instruments <sup>(f)</sup>	(21,067)	11,476	NM	(29,233)	114,803	NM
Profit before borrowing costs	2,083,151	1,418,078	46.9%	4,460,931	4,133,998	7.9%
Borrowing costs	(53,722)	(53,114)	1.1%	(215,085)	(153,832)	39.8%
Profit before tax	2,029,429	1,364,964	48.7%	4,245,846	3,980,166	6.7%
Hong Kong taxation :						
Current taxation	(34,321)	(32,059)	7.1%	(138,618)	(108,120)	28.2%
Deferred taxation	(8,926)	(7,939)	12.4%	(31,858)	(26,103)	22.0%
Total Hong Kong taxation	(43,247)	(39,998)	8.1%	(170,476)	(134,223)	27.0%
<b>Net profit of property companies</b>	<b>1,986,182</b>	<b>1,324,966</b>	<b>49.9%</b>	<b>4,075,370</b>	<b>3,845,943</b>	<b>6.0%</b>
Manager's base fee	(24,742)	(22,184)	11.5%	(92,891)	(70,505)	31.8%
Foreign exchange (loss)/gain <sup>(g)</sup>	(261)	(5)	NM	(315)	92	NM
Non-tax deductible trust expenses <sup>(h)</sup>	(9,319)	(93,806)	(90.1%)	(49,204)	(126,997)	(61.3%)
Tax deductible trust expenses	(984)	(1,171)	(16.0%)	(4,135)	(4,059)	1.9%
Non tax-exempt income <sup>(i)</sup>	39	631	(93.8%)	2,501	3,223	(22.4%)
Singapore taxation	(8)	(108)	(92.6%)	(420)	1,707	(124.6%)
Total trust expenses	(35,275)	(116,643)	(69.8%)	(144,464)	(196,539)	(26.5%)
<b>Net profit of the Group, before transactions with unitholders</b>	<b>1,950,907</b>	<b>1,208,323</b>	<b>61.5%</b>	<b>3,930,906</b>	<b>3,649,404</b>	<b>7.7%</b>
Distributions to unitholders <sup>(j)</sup>	(197,207)	(182,082)	8.3%	(780,770)	(642,389)	21.5%
<b>Net profit of the Group, after transactions with unitholders</b>	<b>1,753,700</b>	<b>1,026,241</b>	<b>70.9%</b>	<b>3,150,136</b>	<b>3,007,015</b>	<b>4.8%</b>
Net profit of the Group, before transactions with unitholders	1,950,907	1,208,323	61.5%	3,930,906	3,649,404	7.7%
Add/(Less):						
Manager's base fee	24,742	22,184	11.5%	92,891	70,505	31.8%
Foreign exchange loss/(gain) <sup>(g)</sup>	261	5	NM	315	(92)	NM
Non-tax deductible trust expenses <sup>(h)</sup>	9,319	93,806	(90.1%)	49,204	126,997	(61.3%)
Gain on disposal of investment property <sup>(d)</sup>	-	-	NM	-	(897)	(100.0%)
Change in fair value of financial instruments <sup>(f)</sup>	21,067	(11,476)	NM	29,233	(114,803)	NM
Change in fair value of investment properties <sup>(e)</sup>	(1,809,089)	(1,130,760)	60.0%	(3,321,779)	(3,088,725)	7.5%
<b>Income available for distribution <sup>(k)</sup></b>	<b>197,207</b>	<b>182,082</b>	<b>8.3%</b>	<b>780,770</b>	<b>642,389</b>	<b>21.5%</b>

**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 2014, 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 valuations adopted amounted to HK\$32,720 million (31 December 2013: HK\$29,338 million).*
- (f) *The amount relates to the net loss arising from the re-measurement of the interest rate swaps and caps which were ineffective under cash flow hedge or not designated for hedge accounting as at 31 December 2014.*
- (g) *Foreign exchange (loss)/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 profit or loss.*
- (h) *Included in the non-tax deductible trust expenses the financial year ended 31 December 2014 (the "Reporting Year" or "FY2014") was mainly (i) amortization of debt front end fee of HK\$17.5 million as a result of entering into the 2013 Facilities (as defined herein); and (ii) a one-time write-off of unamortized debt front end fee of HK\$9.8 million relating to previous facilities entered into in 2012 but early refinanced during the Reporting Year, and for the financial year ended 31 December 2013 was 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.*
- (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) *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 1/10/14 to 31/12/14	Actual 1/10/13 to 31/12/13	Increase/ (Decrease)	Actual 1/1/14 to 31/12/2014	Actual 1/1/13 to 31/12/13	Increase/ (Decrease)
Net profit of the Group, after transactions with unitholders	1,753,700	1,026,241	70.9%	3,150,136	3,007,015	4.8%
Other comprehensive income - Items that will be reclassified to profit or loss:						
Cash flow hedge						
- Change in fair value of financial instruments	(1,274)	2,887	(144.1%)	11,264	29,898	(62.3%)
- Release to profit or loss <sup>(a)</sup>	8,186	1,245	557.5%	11,919	5,395	120.9%
	6,912	4,132	67.3%	23,183	35,293	(34.3%)
Total comprehensive income	1,760,612	1,030,373	70.9%	3,173,319	3,042,308	4.3%

**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 year, release of such cumulative losses from the hedging reserve amounted to HK\$11.9 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 <sup>(a)</sup>	
	HK\$ '000		HK\$ '000	
	Actual 31/12/14	Actual 31/12/13	Actual 31/12/14	Actual 31/12/13
<b>Current assets</b>				
Cash and bank balances	424,418	514,978	688,407	858,175
Trade and other receivables	56,710	100,143	60,853	67,093
Total current assets	481,128	615,121	749,260	925,268
<b>Non-current assets</b>				
Investment in property companies	6,429,319	6,293,502	-	-
Investment properties <sup>(b)</sup>	-	-	32,720,000	29,338,000
Derivative assets <sup>(d)</sup>	-	-	32,306	66,906
Deposit paid for acquisition of property companies	-	-	95,925	-
Total non-current assets	6,429,319	6,293,502	32,848,231	29,404,906
<b>Total assets</b>	<b>6,910,447</b>	<b>6,908,623</b>	<b>33,597,491</b>	<b>30,330,174</b>
<b>Current liabilities</b>				
Trade and other payables	6,135	9,559	588,627	540,665
Distribution payable <sup>(c)</sup>	390,316	335,424	390,316	335,424
Borrowings	-	-	940,000	970,000
Derivative liabilities <sup>(d)</sup>	-	-	-	21,368
Provision for taxation	423	547	10,049	105,842
Total current liabilities	396,874	345,530	1,928,992	1,973,299
<b>Non-current liabilities</b>				
Borrowings	-	-	8,881,110	8,860,372
Deferred tax liabilities	-	-	378,235	346,377
Derivative liabilities <sup>(d)</sup>	-	-	33,617	40,799
Total non-current liabilities	-	-	9,292,962	9,247,548
<b>Total liabilities</b>	<b>396,874</b>	<b>345,530</b>	<b>11,221,954</b>	<b>11,220,847</b>
<b>Net assets attributable to unitholders</b>	<b>6,513,573</b>	<b>6,563,093</b>	<b>22,375,537</b>	<b>19,109,327</b>

**Footnotes:**

- (a) The Group's financial information incorporates the financial statements of the Trust and the Property Companies.
- (b) 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 2014. During the year, some capital costs for the properties were incurred and included in the investment properties.
- (c) Distribution payable is the amount of income available for distribution accrued from 1 July 2014 to 31 December 2014. 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 assets/liabilities relate to the fair value of the interest rate swaps and caps transacted to hedge the interest rate risk on the borrowings.

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

As at 31/12/14

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

Secured <sup>(a)</sup>	Unsecured <sup>(a)</sup>
HK\$ '000	HK\$ '000
940,000	-
7,275,397	1,605,713
8,215,397	1,605,713

As at 31/12/13

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

Secured <sup>(a)</sup>	Unsecured <sup>(a)</sup>
HK\$ '000	HK\$ '000
970,000	-
7,261,212	1,599,160
8,231,212	1,599,160

**Footnote:**

- (a) Fortune REIT has in place three credit facilities, being the 2011 Facilities, the 2013 Facilities and the 2014 Facilities.

The 2011 Facilities is a 5-year term loan and revolving credit facility of 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 will mature in 2016. As at 31 December 2014, HK\$3,268.0 million had been drawn down (31 December 2013: HK\$3,798.0 million).

The 2013 Facilities comprise of term loan facilities of HK\$5,025.0 million, with terms between 3.5 years to 5 years. As at 31 December 2014, HK\$5,025.0 million had been drawn down (31 December 2013: HK\$ 5,025.0 million).

The 2014 Facilities is a 5-year term loan and revolving credit facility of up to an aggregate principal amount of HK\$1,800.0 million, comprising of a HK\$1,100.0 million term loan facility and a HK\$700.0 million revolving credit facility, which will mature in 2019. As at 31 December 2014, HK\$1,600.0 million had been drawn down.

There is an option to rollover the revolving credit facility of the 2011 Facilities and the 2014 Facilities up until maturity.

Included in the borrowings is an unamortized debt front end fee of HK\$71.8 million (31 December 2013: HK\$92.6 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. HK\$3,406.3 million of the 2013 Facilities are secured by, inter alia, mortgage over Metro Town and Fortune Kingswood. The 2014 Facilities are secured by, inter alia, a mortgage over Belvedere Square, Provident Square, Caribbean Square and Hampton Loft.

### **1 (b)(iii) Post Balance Sheet Note**

On 5 December 2014, a wholly owned subsidiary of Fortune REIT entered into a sale and purchase agreement to acquire the entire issued share capital of and loan owing by a company (the Target, and referred as "Target Group" for the company and its subsidiary) which indirectly wholly owns a retail property in Hong Kong namely Laguna Plaza (the "Acquisition") for a consideration of HK\$1,925,100,000 (being the value of the property of HK\$1,918,500,000 plus other net assets of HK\$6,600,000 of the Target Group), subject to adjustment after completion. As at 31 December 2014, the Group paid a deposit of HK\$95,925,000 for the Acquisition.

Subsequent to the end of the reporting period, the Group has entered into credit agreements with a bank on 2 January 2015 with respect to new banking facilities of up to HK\$1,600 million (the "2015 Facilities") in relation to the Acquisition. The 2015 Facilities comprises of a HK\$1,200 million 5-year secured term loan facility and a HK\$400 million 2-year unsecured revolving credit facility. Upon the fulfillment of the conditions as set out in the sale and purchase agreement, the Acquisition was completed on 9 January 2015 and was financed by drawdown of the 2015 Facilities and existing banking facilities of the Group.

#### **Significant Impact to Balance Sheet upon Completion of the Acquisition**

##### **a. Investment Properties**

Valuation of investment properties increased from HK\$32,720.0 million to HK\$34,638.5 million with the Acquisition.

##### **b. Borrowings**

Borrowings increased from HK\$9,821.1 million to HK\$11,686.2 million with the additional borrowings to finance the Acquisition.

1 (c) Statement of cash flows

	Group		Group	
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
	Actual 1/10/14 to 31/12/14	Actual 1/10/13 to 31/12/13	Actual 1/1/14 to 31/12/14	Actual 1/1/13 to 31/12/13
<b>Operating Activities</b>				
Profit before taxation	1,994,162	1,248,429	4,101,802	3,781,920
Adjustments for:				
Change in fair value of investment properties	(1,809,089)	(1,130,760)	(3,321,779)	(3,088,725)
Change in fair value of financial instruments	21,067	(11,476)	29,233	(114,803)
Amortisation of debt front end fee	7,495	9,259	41,438	23,929
Gain on disposal of investment properties	-	-	-	(897)
Base fee paid in units	24,742	22,184	92,891	70,505
Acquisition fee paid in units	-	58,490	-	58,490
Interest income	(1,655)	(1,313)	(9,662)	(4,465)
Borrowing costs	52,686	53,114	212,060	153,832
Operating profit before changes in working capital	289,408	247,927	1,145,983	879,786
Decrease in trade and other receivables	1,694	22,137	5,944	19,606
Increase in trade and other payables	3,159	1,639	50,146	16,515
Cash generated from operating activities	294,261	271,703	1,202,073	915,907
Income taxes paid	(132,776)	(112,489)	(164,614)	(111,750)
<b>Cash flow from operating activities</b>	<b>161,485</b>	<b>159,214</b>	<b>1,037,459</b>	<b>804,157</b>
<b>Investing Activities</b>				
Deposit for acquisition of property companies	(95,925)	-	(95,925)	-
Upgrading of investment properties	(24,579)	(20,998)	(60,221)	(66,037)
Acquisition of property companies/properties, net of cash acquired	-	(5,668,686)	-	(5,668,686)
Taxation paid	(70,217)	-	(70,217)	-
Disposal of investment properties	-	-	-	2,047
Interest received	2,185	2,249	9,958	4,546
<b>Cash flow used in investing activities</b>	<b>(188,536)</b>	<b>(5,687,435)</b>	<b>(216,405)</b>	<b>(5,728,130)</b>
<b>Financing Activities</b>				
Proceeds from issue of new units (net of issue costs)	-	(56)	-	957,635
Distribution paid	-	-	(725,647)	(587,898)
Drawdown of borrowings	600,000	5,155,000	630,000	5,155,000
Repayment of borrowings	(630,000)	-	(660,000)	(102,047)
Borrowing costs paid	(53,467)	(51,671)	(214,475)	(153,239)
Payment of debt front end fee	-	(65,325)	(20,700)	(65,325)
<b>Cash flow (used in)/from financing activities</b>	<b>(83,467)</b>	<b>5,037,948</b>	<b>(990,822)</b>	<b>5,204,126</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(110,518)</b>	<b>(490,273)</b>	<b>(169,768)</b>	<b>280,153</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>798,925</b>	<b>1,348,448</b>	<b>858,175</b>	<b>578,022</b>
<b>Cash and cash equivalents at end of the period</b>	<b>688,407</b>	<b>858,175</b>	<b>688,407</b>	<b>858,175</b>



**Financial Statements Announcement**  
**For the period from 1 January 2014 to 31 December 2014**

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

**Statement for the fourth quarter FY2014**

**Group**

**Balance as at 1 October 2014**

Profit for the period, before transactions with unitholders -  
 Cash flow hedge  
 - Change in fair value of financial instruments  
 - Release to profit or loss

**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 2014**

**Balance as at 1 October 2013**

Profit for the period, before transactions with unitholders -  
 Cash flow hedge  
 - Change in fair value of financial instruments  
 - Release to profit or loss

**Unitholders' transactions**

Creation of units  
 - acquisition fee paid in units  
 - management fee paid/payable in units  
 Unit issue costs  
 Distribution paid/payable to Unitholders  
 Increase/(decrease) in net assets resulting from  
 Unitholders' transactions

**Balance as at 31 December 2013**

	Actual				
	Issued Units	Unit issue costs	Hedging reserve	Retained profits	Net
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance as at 1 October 2014</b>	<b>7,640,505</b>	<b>(286,279)</b>	<b>(37,339)</b>	<b>13,273,296</b>	<b>20,590,183</b>
Profit for the period, before transactions with unitholders	-	-	-	1,950,907	1,950,907
Cash flow hedge					
- Change in fair value of financial instruments	-	-	(1,274)	-	(1,274)
- Release to profit or loss	-	-	8,186	-	8,186
<b>Unitholders' transactions</b>					
Creation of units					
- management fee paid/payable in units	24,742	-	-	-	24,742
Distribution paid/payable to Unitholders	-	-	-	(197,207)	(197,207)
Increase/(decrease) in net assets resulting from Unitholders' transactions	24,742	-	-	(197,207)	(172,465)
<b>Balance as at 31 December 2014</b>	<b>7,665,247</b>	<b>(286,279)</b>	<b>(30,427)</b>	<b>15,026,996</b>	<b>22,375,537</b>
<b>Balance as at 1 October 2013</b>	<b>7,491,682</b>	<b>(286,223)</b>	<b>(57,742)</b>	<b>10,850,619</b>	<b>17,998,336</b>
Profit for the period, before transactions with unitholders	-	-	-	1,208,323	1,208,323
Cash flow hedge					
- Change in fair value of financial instruments	-	-	2,887	-	2,887
- Release to profit or loss	-	-	1,245	-	1,245
<b>Unitholders' transactions</b>					
Creation of units					
- acquisition fee paid in units	58,490	-	-	-	58,490
- management fee paid/payable in units	22,184	-	-	-	22,184
Unit issue costs	-	(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)
<b>Balance as at 31 December 2013</b>	<b>7,572,356</b>	<b>(286,279)</b>	<b>(53,610)</b>	<b>11,876,860</b>	<b>19,109,327</b>

**Statement for the YTD FY2014**

**Group**

**Balance as at 1 January 2014**

Profit for the year, before transactions with unitholders -  
 Cash flow hedge  
 - Change in fair value of financial instruments  
 - Release to profit or loss

**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 2014**

**Balance as at 1 January 2013**

Profit for the period, before transactions with unitholders -  
 Cash flow hedge  
 - Change in fair value of financial instruments  
 - Release to profit or loss

**Unitholders' transactions**

Creation of units  
 - issuance of New Units  
 - acquisition fee paid in units  
 - management fee paid/payable in units  
 Unit issue costs  
 Distribution paid/payable to Unitholders  
 Increase/(decrease) in net assets resulting from  
 Unitholders' transactions

**Balance as at 31 December 2013**

	Actual				
	Issued Units	Unit issue costs	Hedging reserve	Retained profits	Net
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance as at 1 January 2014</b>	<b>7,572,356</b>	<b>(286,279)</b>	<b>(53,610)</b>	<b>11,876,860</b>	<b>19,109,327</b>
Profit for the year, before transactions with unitholders	-	-	-	3,930,906	3,930,906
Cash flow hedge					
- Change in fair value of financial instruments	-	-	11,264	-	11,264
- Release to profit or loss	-	-	11,919	-	11,919
<b>Unitholders' transactions</b>					
Creation of units					
- management fee paid/payable in units	92,891	-	-	-	92,891
Distribution paid/payable to Unitholders	-	-	-	(780,770)	(780,770)
Increase/(decrease) in net assets resulting from Unitholders' transactions	92,891	-	-	(780,770)	(687,879)
<b>Balance as at 31 December 2014</b>	<b>7,665,247</b>	<b>(286,279)</b>	<b>(30,427)</b>	<b>15,026,996</b>	<b>22,375,537</b>
<b>Balance as at 1 January 2013</b>	<b>6,468,360</b>	<b>(271,593)</b>	<b>(88,903)</b>	<b>8,869,845</b>	<b>14,977,709</b>
Profit for the period, before transactions with unitholders	-	-	-	3,649,404	3,649,404
Cash flow hedge					
- Change in fair value of financial instruments	-	-	29,898	-	29,898
- Release to profit or loss	-	-	5,395	-	5,395
<b>Unitholders' transactions</b>					
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 costs	-	(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
<b>Balance as at 31 December 2013</b>	<b>7,572,356</b>	<b>(286,279)</b>	<b>(53,610)</b>	<b>11,876,860</b>	<b>19,109,327</b>

**Financial Statements Announcement**  
**For the period from 1 January 2014 to 31 December 2014**

	Actual			
	Issued Units	Unit issue costs	Accumulated losses	Net
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Statement for the fourth quarter FY2014</b>				
<b>Trust</b>				
<b>Balance as at 1 October 2014</b>	<b>7,640,505</b>	<b>(286,279)</b>	<b>(1,024,765)</b>	<b>6,329,461</b>
Profit for the period, before transactions with unitholders	-	-	356,577	356,577
<b>Unitholders' transactions</b>				
Creation of units				
- management fee paid/payable in units	24,742	-	-	24,742
Distribution paid/payable to Unitholders	-	-	(197,207)	(197,207)
Increase/(decrease) in net assets resulting from Unitholders' transactions	24,742	-	(197,207)	(172,465)
<b>Balance as at 31 December 2014</b>	<b>7,665,247</b>	<b>(286,279)</b>	<b>(865,395)</b>	<b>6,513,573</b>
<b>Balance as at 1 October 2013</b>	<b>7,491,682</b>	<b>(286,223)</b>	<b>(757,736)</b>	<b>6,447,723</b>
Profit for the period, before transactions with unitholders	-	-	216,834	216,834
<b>Unitholders' transactions</b>				
Creation of units				
- acquisition fee paid in units	58,490	-	-	58,490
- management fee paid/payable in units	22,184	-	-	22,184
Unit issue costs	-	(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)
<b>Balance as at 31 December 2013</b>	<b>7,572,356</b>	<b>(286,279)</b>	<b>(722,984)</b>	<b>6,563,093</b>

	Actual			
	Issued Units	Unit issue costs	Accumulated losses	Net
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Statement for the YTD FY2014</b>				
<b>Trust</b>				
<b>Balance as at 1 January 2014</b>	<b>7,572,356</b>	<b>(286,279)</b>	<b>(722,984)</b>	<b>6,563,093</b>
Profit for the year, before transactions with unitholders	-	-	638,359	638,359
<b>Unitholders' transactions</b>				
Creation of units				
- management fee paid/payable in units	92,891	-	-	92,891
Distribution paid/payable to Unitholders	-	-	(780,770)	(780,770)
Increase/(decrease) in net assets resulting from Unitholders' transactions	92,891	-	(780,770)	(687,879)
<b>Balance as at 31 December 2014</b>	<b>7,665,247</b>	<b>(286,279)</b>	<b>(865,395)</b>	<b>6,513,573</b>
<b>Balance as at 1 January 2013</b>	<b>6,468,360</b>	<b>(271,593)</b>	<b>(525,574)</b>	<b>5,671,193</b>
Profit for the year, before transactions with unitholders	-	-	444,979	444,979
<b>Unitholders' transactions</b>				
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
<b>Balance as at 31 December 2013</b>	<b>7,572,356</b>	<b>(286,279)</b>	<b>(722,984)</b>	<b>6,563,093</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 2014	1,869,688,995	Total units since the end of the previous financial period
3 October 2014 <sup>(a)</sup>	3,357,299	As payment of management fee for the period from 1 July 2014 to 30 September 2014
As at 31 December 2014	<u>1,873,046,294</u>	
2 January 2015 <sup>(b)</sup>	3,243,664	As payment of management fee for the period from 1 October 2014 to 31 December 2014
Deemed units as at 31 December 2014	<u>1,876,289,958</u>	

The total number of issued units as at the end of the immediately preceding year (31 December 2013) was 1,858,891,124.

**Footnote:**

(a) On 2 January 2015, there was an additional 3,243,664 units issued to the Manager as payment of management fee for the period from 1 October 2014 to 31 December 2014.

**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 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 year ended 31 December 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 2014 to 31 December 2014	Actual 1/10/14 to 31/12/14 HK cents	Actual 1/10/13 to 31/12/13 HK cents	Actual 1/1/14 to 31/12/14 HK cents	Actual 1/1/13 to 31/12/13 HK cents
Earnings per unit for the period based on the weighted average number of units in issue, before transactions with unitholders	104.22	65.88	210.19	206.71
Weighted average number of units in issue (million)	1,870.2	1,765.4	1,870.2	1,765.4
Distribution per unit ("DPU") for the period	10.50	9.72	41.68	36.00
Total number of deemed units in issue (million)	1,876.3	1,862.5	1,876.3	1,862.5

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

	Actual 31/12/14 HK\$	Actual 31/12/13 HK\$
Net asset value per unit <sup>(a)</sup>	11.93	10.26

### 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 1,876.3 million (31 December 2013: 1,862.5 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 1/10/14 to 31/12/14	Actual 1/10/13 to 31/12/13	Increase	Actual 1/1/14 to 31/12/14	Actual 1/1/13 to 31/12/13	Increase
Total revenue	425,686	392,559	8.4%	1,655,774	1,317,463	25.7%
Net property income	293,513	275,160	6.7%	1,161,224	928,331	25.1%
Income available for distribution	197,207	182,082	8.3%	780,770	642,389	21.5%

### Financial Review

Fortune REIT's FY2014 total revenue and net property income ("NPI") increased by 25.7% and 25.1% year-on-year to HK\$1,655.8 million and HK\$1,161.2 million respectively, representing the strongest growth since 2006. The robust results were mainly accomplished through the diligent execution of our three core strategies – asset investment, asset management and asset enhancement. During the Reporting Year, solid occupancy rates, the record-breaking rental reversion across the portfolio and full year income stream from Fortune Kingswood all contributed to the strong net property income growth. In particular, Fortune Kingswood accounted for 18.4% of the NPI growth.

Total property operating expenses for FY2014 (excluding the Manager's performance fee) increased by 27.2% year-on-year to HK\$458.4 million. The increase was mainly attributed to the full-period effect of additional expenses from Fortune Kingswood. Despite the inflationary pressure, the cost-to-revenue ratio stood at 27.7% for the Reporting Year (2013: 27.4%).

Total borrowing costs, excluding non-tax deductible front end fees, for the Reporting Year totaled HK\$215.1 million, an increase of 39.8% over the previous year, mainly as a result of the drawdown of additional loan facilities in October 2013 to finance the acquisition of Fortune Kingswood.

Fortune REIT recorded an income available for distribution amounting to HK\$780.8 million for FY2014, an increase of 21.5% from a year earlier. The DPU for the Reporting Year was 41.68 HK cents (2013: 36.00 HK cents), comprising an interim and final DPU of 20.88 HK cents and 20.80 HK cents respectively. The DPU was 15.8% higher than that of the previous year, registering a double-digit growth for the third consecutive year. Based on the average closing unit price of HK\$7.80 in Singapore and Hong Kong as at 31 December 2014, the FY2014 DPU represented a yield of 5.3%.

### **Final Distribution**

The final DPU of 20.80 HK cents for the six months ended 31 December 2014 will be paid on 27 February 2015 to unitholders on the registers of unitholders of Fortune REIT as at 5 February 2015.

### **Proactive Capital Management**

Fortune REIT strengthened its financial position during the Reporting Year. Capitalizing on an opportunity of liquidity in Hong Kong's credit market in April 2014, the Manager proactively refinanced Fortune REIT's existing loan facilities of HK\$1,400 million at a lower cost ahead of their maturity in February 2015 (the "2014 Facilities"). The interest margin under the 2014 Facilities has been lowered to 1.4% per annum over HIBOR (down from 2% per annum over HIBOR). The 2014 Facilities, which are due in April 2019, also extended Fortune REIT's weighted average term to maturity of debt. Further, the enlarged revolving credit facility of HK\$700 million provides Fortune REIT with a strong foundation to deliver stable returns and pursue growth opportunities when they arise.

As at 31 December 2014, total committed loan facilities amounted to HK\$10,623 million. Fortune REIT closed the Reporting Year with a gearing ratio and an aggregate leverage of 29.4% (31 December 2013: 32.7%), weighted average term to maturity of debt of 2.4 years, and an average all-in cost of debt of 2.17% (31 December 2013: 2.59%). Fortune REIT's gross liability as a percentage of the gross assets of Fortune REIT decreased to 33.4% as at 31 December 2014 (31 December 2013: 37.0%). The net current liabilities as at 31 December 2014 was HK\$1,179.7 million, the majority of which came from revolving credit facilities. There is an option to roll over the revolving credit facilities up to their maturities.

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\$30,275 million as at 31 December 2014. The Trustee has provided guarantees for all of the loan facilities.

Available liquidity stood at HK\$1,418.4 million as at 31 December 2014, comprising committed undrawn facilities of HK\$730.0 million and cash on hand of HK\$688.4 million. Fortune REIT currently possesses sufficient financial capability to satisfy its financial commitments and working capital requirements.

During the Reporting Year, the Manager has prudently stepped up its effort to mitigate the impact of interest rate fluctuations. As at 31 December 2014, the interest cost for approximately 55% (31 December 2013: 37%) of Fortune REIT's outstanding debt has been hedged through interest rate swaps and caps. The Manager will continue to closely monitor interest rate movements and may, depending on market conditions, consider putting in place additional hedging arrangements.

Net asset value per unit amounted to HK\$11.93 as at 31 December 2014, up 16.3% from HK\$10.26 at the end of 2013, mainly as a result of the increase in valuation of investment properties.

### **Portfolio Valuation**

As at 31 December 2014, Fortune REIT's portfolio of 17 retail properties were appraised at HK\$32,720 million by Jones Lang LaSalle Limited. This represents an increase of 11.5% and 6.0% respectively from the valuation of HK\$29,338 million as at 31 December 2013, and HK\$30,880 million as at 30 June 2014. As the capitalization rates adopted remain unchanged, the increase in valuation was attributed to an overall improvement in asset performance. The higher valuation also resulted in a revaluation gain of HK\$3,321.8 million for the Reporting Year.

## **Operation Review**

As at 31 December 2014, 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 continued to shine despite the moderation of overall Hong Kong retail sales during the Reporting Year. Proactive leasing strategies coupled with various successful asset enhancement initiatives ("AEIs") have driven leasing demand at Fortune Malls. The occupancy rate remained healthy at 97.3% as at 31 December 2014 (31 December 2013: 98.7%) despite frictional vacancies at Belvedere Square due to AEIs. Notwithstanding a much higher base of rental level of the expiring leases, a portfolio rental reversion of 23.8% was recorded for the Reporting Year, the highest in Fortune REIT's history. Growing our business in a sustainable manner, rental reversion has been accelerating for five consecutive years. The portfolio's passing rent was up 8.7% year-on-year and climbed to a historical high of HK\$36.4 per sq.ft. as at 31 December 2014.

Fortune City One and Fortune Kingswood, being Fortune REIT's two flagship shopping malls were the leading growth drivers of the portfolio. During the Reporting Year, more than 310,000 sq.ft. of GRA in Fortune Kingswood was renewed/re-let and a rental reversion of more than 35% was recorded. Passing rent for Fortune Kingswood increased by 13.7% year-on-year and several new specialty food and beverage outlets and two new Chinese restaurants were introduced to enhance the dining offerings. Fortune City One has been reaping profits from its full-scale renovation completed back in 2013 and continued to perform very well during the Reporting Year. With a more modern shopping ambiance and a more inviting layout, Fortune City One continues to see new interests from quality retailers as well as new source of revenue such as renting of atrium for car shows. As a result, the net property income for Fortune City One has notably increased by 14.6% from the previous year.

Fortune REIT's portfolio currently has a total of 1,378 tenants. Collectively, the top ten tenants contributed approximately 25.9% of the portfolio's gross rental income and occupied approximately 21.4% of total GRA as at 31 December 2014. Tenants in the non-discretionary retail sectors such as supermarkets, food and beverages as well as services and education made up approximately 60% of gross 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.

## **Asset Optimization Through Enhancement Initiatives**

During the Reporting Year, the Manager focused on carrying out the AEIs at Belvedere Square and planning forward for the upcoming project at Fortune Kingswood.

The renovation work at Belvedere Square commenced in September 2014 and is scheduled for completion in phases by the end of 2015. The capital expenditure is estimated to be approximately HK\$80 million with a target return on investment of 15%. This major renovation aims to transform the mall through an enhanced shopping ambience and a more efficient layout so as to accommodate higher-yielding retailers and attract shoppers beyond its immediate catchment along Castle Peak Road.

In addition, the Manager is planning for the next major AEIs at Fortune Kingswood with an objective to reposition the mall into a regional shopping centre serving a wider spectrum of shoppers other than the nearby residents.

### **First acquisition from third party reinforcing our leading position as a property investor in Hong Kong**

On 5 December 2014, Fortune REIT entered into a sale and purchase agreement to acquire Laguna Plaza in Kwun Tong, Hong Kong for HK\$1,918.5 million. Laguna Plaza reinforces and complements our foothold in a large catchment area. The combination of Laguna Plaza with our nearby Centre de Laguna together forms a substantial commercial component of Laguna City, thus providing Fortune REIT with the potential to streamline operations and further optimise the tenant mix in the future. Further to the completion of the acquisition on 9 January 2015, Fortune REIT now holds a portfolio of 18 private housing estate retail properties with a total gross rentable area of 3.27 million sq.ft..

### **Additional Quarterly Review**

Revenue and net property income for the fourth quarter of 2014 rose 8.4% and 6.7% year-on-year to HK\$425.7 million and HK\$293.5 million respectively. The improvement in financial performance compared to the fourth quarter of 2013 is mainly attributable to strong rental growth across the portfolio. Property operating expenses and borrowing costs for the fourth quarter of 2014 were higher than the corresponding quarter last year by 13.0% and 1.1% respectively. Income available for distribution was HK\$197.2 million, an increase of 8.3% compared to the corresponding period last year.

### **9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

The asset performance in this quarter is broadly in line with the commentary under paragraph 10 in the third quarter 2014 results released on 11 November 2014.

### **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 economic growth weakened during the first three quarters of 2014, with GDP up by only 2.4% year-on-year. The weak performance was mainly due to a drop in tourist spending and a concurrent slowdown in domestic demand. Private consumption expenditure grew by 2.0% year-on-year for the same period. The total value of retail sales in Hong Kong recorded a marginal growth of 0.2% for the first eleven months of 2014. While retail business is expected to turn more stable as the effect of the high base of comparison from the preceding year progressively fades, the Manager remains mindful of the economic uncertainties associated with factors such as the changing pattern of tourist spending and the uncertain external environment. Nevertheless, 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 resilient nature of the non-discretionary retail sector.

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

The Manager remains closely attentive to market trends and opportunities, as the global economic environment remains fragile and uncertain; these factors are compounded by the prospects of slower domestic demand and the anticipation of the potential interest rate hikes in the second half of 2015. Looking ahead, the additional income from Laguna Plaza and the full-year effect of the strong rental reversions from the Reporting Year, should contribute to further revenue growth for Fortune REIT - barring any unforeseen circumstances.

## 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 2014 to 31 December 2014
Distribution Type	Tax-exempt income
Distribution Rate	20.80 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 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.

**(c) Date Payable** 27 February 2015

**(d) Book Closure Date** 5 February 2015

## 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 1/1/14 to 31/12/14	Actual 1/1/13 to 31/12/13	Increase/ (decrease)
Gross revenue reported for first half year	813,455	609,220	33.5%
Net profit after tax for first half year	1,806,490	2,328,017	(22.4%)
Gross revenue reported for second half year	842,319	708,243	18.9%
Net profit after tax for second half year	2,124,416	1,321,387	60.8%

**15. Breakdown of total distribution for the financial year ended 31 December 2014**

Distribution to Unitholders	HK\$ '000	
	Actual 1/1/14 to 31/12/14	Actual 1/1/13 to 31/12/13
For the period 1 January 2014 to 30 June 2014	390,454	
For the period 1 July 2014 to 31 December 2014	390,316	
For the period 1 January 2013 to 30 June 2013		306,965
For the period 1 July 2013 to 31 December 2013		335,424

**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	34	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

21 January 2015

The auditors' report on the full financial statements of Fortune Real Estate Investment Trust for the financial year ended 31 December 2014 is as follows:

## **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 2014, and the statements of profit or loss and other comprehensive income, statements of changes in net assets attributable to unitholders, statements of cash flows and distribution statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **Manager's Responsibility for the Financial Statements**

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

#### **Auditors' Responsibility**

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

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

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

#### **Opinion**

In our opinion, the financial statements give a true and fair view of the disposition of the assets and liabilities of Fortune REIT and of the Group as at 31 December 2014 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  
21 January 2015

**Deloitte & Touche LLP**  
*Public Accountants and Chartered Accountants*  
Singapore  
21 January 2015