



**Fortune Real Estate Investment Trust  
Financial Statements  
For the financial year ended 31 December 2009**

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

Fortune Real Estate Investment Trust ("Fortune REIT") is a real estate investment trust constituted by a Trust Deed entered into on 4 July 2003 (as amended) made between ARA Asset Management (Singapore) 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 on 12 August 2003.

Fortune REIT holds a portfolio of fourteen retail properties in Hong Kong, spread across Kowloon and the New Territories, through the ownership of property companies ("the Property Companies"), worth approximately HK\$11.5 billion. The retail properties are City One Shatin Property, Ma On Shan Plaza, Metro Town, The Metropolis Mall, Waldorf Garden Property, Caribbean Bazaar, Smartland, Tsing Yi Square Property, Jubilee Court Shopping Centre, The Household Center, Centre de Laguna Property, Hampton Loft, Lido Garden Property and Rhine Garden Property. They house tenants from diverse trade sectors such as supermarkets, food and beverage outlets, banks, real estate agencies, and education providers. Notable tenants include Park'N Shop, 7-Eleven, Aji Ichiban, Maxim's Chinese Restaurant, Watsons, Mannings, Modern Beauty Salon, Fortress, McDonald's, Kentucky Fried Chicken, Watami Japanese Restaurant, Centaline Property Agency, Midland Realty, DBS Bank, Bank of China (Hong Kong), HSBC, Japan Home Centre, Jumpin Gym U.S.A., International Christian School and the Hong Kong Jockey Club.

**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 1/10/09 to 31/12/09 <sup>(a)</sup>	Actual 1/10/08 to 31/12/08 <sup>(a)</sup>		Increase/ (Decrease)	Actual 1/1/09 to 31/12/09 <sup>(a)</sup>	
Revenue <sup>(b)</sup>	161,644	134,766	19.9%	567,827	515,200	10.2%
Charge-out collections <sup>(c)</sup>	37,955	31,414	20.8%	133,527	121,838	9.6%
<b>Total revenue</b>	<b>199,599</b>	<b>166,180</b>	<b>20.1%</b>	<b>701,354</b>	<b>637,038</b>	<b>10.1%</b>
Property management fees	(4,607)	(3,840)	20.0%	(16,190)	(14,641)	10.6%
Other property operating expenses <sup>(d)</sup>	(53,081)	(37,248)	42.5%	(175,205)	(144,929)	20.9%
Property Operating Expenses	(57,688)	(41,088)	40.4%	(191,395)	(159,570)	19.9%
Net Property Income (before manager's performance fee)	141,911	125,092	13.4%	509,959	477,468	6.8%
Manager's performance fee	(4,258)	(3,753)	13.5%	(15,299)	(14,324)	6.8%
<b>Net Property Income</b>	<b>137,653</b>	<b>121,339</b>	<b>13.4%</b>	<b>494,660</b>	<b>463,144</b>	<b>6.8%</b>
Changes in fair value of properties <sup>(e)</sup>	525,001	(1,130,590)	146.4%	806,283	(1,130,590)	171.3%
Net Property Income before finance costs	662,654	(1,009,251)	165.7%	1,300,943	(667,446)	294.9%
Borrowing costs	(23,378)	(23,640)	(1.1%)	(88,159)	(100,711)	(12.5%)
Profit/(Loss) Before Tax	639,276	(1,032,891)	161.9%	1,212,784	(768,157)	257.9%
Hong Kong Taxation :						
Current taxation	(13,941)	(12,601)	10.6%	(50,528)	(47,133)	7.2%
Deferred taxation <sup>(f)</sup>	(4,735)	(3,104)	52.6%	(15,551)	(5,351)	190.6%
Total Hong Kong Taxation	(18,676)	(15,705)	18.9%	(66,079)	(52,484)	25.9%
<b>Net Profit/(Loss) of Property Companies</b>	<b>620,600</b>	<b>(1,048,596)</b>	<b>159.2%</b>	<b>1,146,705</b>	<b>(820,641)</b>	<b>239.7%</b>
Loss on disposal of investment property	-	-	NM	-	(225)	(100.0%)
Manager's base fee	(8,696)	(6,505)	33.7%	(28,446)	(28,299)	0.5%
Foreign exchange (loss)/gain <sup>(g)</sup>	(44)	(271)	(83.7%)	25	(172)	114.5%
Non-tax deductible trust expenses <sup>(h)</sup>	2,470	(2,484)	199.5%	(2,515)	(10,107)	(75.1%)
Tax deductible trust expenses	(668)	(1,803)	(62.9%)	(3,187)	(7,517)	(57.6%)
Non tax-exempt income <sup>(i)</sup>	-	732	(100.0%)	728	13,441	(94.6%)
Singapore current taxation	-	(144)	(100.0%)	(122)	(1,355)	(91.0%)
Total Trust Expenses	(6,938)	(10,475)	(33.8%)	(33,517)	(34,234)	(2.1%)
Net Profit/(Loss) of Group	613,662	(1,059,071)	157.9%	1,113,188	(854,875)	230.2%
Add / (less) :						
Manager's base fee	8,696	6,505	33.7%	28,446	28,299	0.5%
Foreign exchange loss/(gain) <sup>(g)</sup>	44	271	(83.7%)	(25)	172	(114.5%)
Non-tax deductible trust expenses	(2,470)	2,484	(199.5%)	2,515	10,107	(75.1%)
Non tax-exempt income <sup>(i)</sup>	-	-	NM	-	(11,438)	(100.0%)
Changes in fair value of properties <sup>(e)</sup>	(525,001)	1,130,590	(146.4%)	(806,283)	1,130,590	(171.3%)
<b>Income Available For Distribution<sup>(j)</sup></b>	<b>94,931</b>	<b>80,779</b>	<b>17.5%</b>	<b>337,841</b>	<b>302,855</b>	<b>11.6%</b>

**Footnotes:**

- (a) *The Group's financial information incorporates the financial statements of the Trust and the 14 Property Companies.*
- (b) *Revenue includes rental income, car park income, license income, atrium income and others.*
- (c) *Charge-out collections consist of expenses related to the operation of the properties that are payable by tenants and licensees and these expenses include air conditioning charges, management fees, promotional charges, government rents, utility charges, cleaning charges and government rates.*
- (d) *Included in the other property operating expenses for the period 1 January 2009 to 31 December 2009 is an allowance for doubtful debts of HK\$2.1 million (2008:HK\$2.1 million).*
- (e) *On 31 December 2009, an independent valuation was undertaken by Savills Valuation and Professional Services Limited. The firm is an independent valuer having appropriate professional qualifications and experiences in the location and category of the properties being valued. The valuations for the fourteen properties were based on a combination of the Investment Method and Direct Comparison Method. The valuations adopted amounted to HK\$11,500 million (31 December 2008: HK\$8,602 million excluding the 3 new malls acquired in 2009).*
- (f) *There was a one-off write-back of deferred tax in 2008 due to the change in Hong Kong tax rate from 17.5% to 16.5%.*
- (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 income statements.*
- (h) *Included in the non-tax deductible trust expenses for the period 1 January 2009 to 31 December 2009 is a Goods & Services Tax (GST) concession refund from the Inland Revenue Authority of Singapore (IRAS) amounting to HK\$8.5 million (2008: NIL) which was charged to income statement in prior year. The GST concession refund was given by IRAS to qualifying S-REITs for GST incurred for the period from 17 February 2006 to 17 February 2010.*
- (i) *Non tax-exempt income refers mainly to interest income from fixed deposits and structured swaps entered on 28 June 2006. There was no structured swaps interest income for the period 1 January 2009 to 31 December 2009 (2008: HK\$5.7 million) as both the "MINT" & "CMS" swaps were unwound in FY2008.*
- (j) *Fortune REIT is required to distribute 100.0% 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"). Fortune REIT's distribution policy is to distribute its net Tax-Exempt Income to Unitholders on a semi-annual basis.*
- (k) *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

With effect from 1 January 2009, FRS 1 Presentation of Financial Statements requires an entity to present all non-owner changes in the equity in a Statement of Comprehensive Income. Non-owner changes will include income and expenses recognized directly in equity. This is a change of presentation and does not affect the recognition or measurement of the entity's transactions. Previously, such non-owner changes are included in the Statement of change in unitholders' fund.

	HK\$ '000		%	HK\$ '000		%
	Actual 1/10/09 to 31/12/09	Actual 1/10/08 to 31/12/08		Increase/ (Decrease)	Actual 1/1/09 to 31/12/09	
Net Profit of Group	613,662	(1,059,071)	157.9%	1,113,188	(854,875)	230.2%
Other comprehensive income:						
Cash flow hedge <sup>(a)</sup>	12,770	(47,099)	127.1%	37,407	(30,900)	221.1%
Total comprehensive income	626,432	(1,106,170)	156.6%	1,150,595	(885,775)	229.9%

**Footnote:**

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

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

	Trust HK\$ '000		Group <sup>(a)</sup> HK\$ '000	
	Actual 31/12/09	Actual 31/12/08	Actual 31/12/09	Actual 31/12/08
<b>Current Assets</b>				
Cash and bank balances	473,233	105,675	515,341	243,361
Trade and other receivables	85,721	162,156	47,619	36,914
<b>Total Current Assets</b>	<b>558,954</b>	<b>267,831</b>	<b>562,960</b>	<b>280,275</b>
<b>Non-Current Assets</b>				
Investment in property companies	5,470,134	3,939,224	-	-
Investment properties <sup>(b)</sup>	-	-	11,500,000	8,602,000
Fixed assets	-	-	44	117
<b>Total Non-Current Assets</b>	<b>5,470,134</b>	<b>3,939,224</b>	<b>11,500,044</b>	<b>8,602,117</b>
<b>Total Assets</b>	<b>6,029,088</b>	<b>4,207,055</b>	<b>12,063,004</b>	<b>8,882,392</b>
<b>Current Liabilities</b>				
Trade and other payables	16,946	5,671	276,474	194,461
Borrowings <sup>(1)</sup>	-	-	2,786,286	-
Derivative liability <sup>(c)</sup>	-	-	27,097	11,472
Provision for taxation	2,849	2,726	7,079	9,209
<b>Total Current Liabilities</b>	<b>19,795</b>	<b>8,397</b>	<b>3,096,936</b>	<b>215,142</b>
<b>Non-Current Liabilities</b>				
Borrowings	-	-	-	2,342,663
Deferred tax liabilities	-	-	132,991	114,777
Derivative liability <sup>(c)</sup>	-	-	415	53,446
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>133,406</b>	<b>2,510,886</b>
<b>Total Liabilities</b>	<b>19,795</b>	<b>8,397</b>	<b>3,230,342</b>	<b>2,726,028</b>
<b>Net Assets</b>	<b>6,009,293</b>	<b>4,198,658</b>	<b>8,832,662</b>	<b>6,156,364</b>
<b>Unitholders' Equity</b>				
Issued equity	6,308,340	4,370,531	6,308,340	4,370,531
Unit issue costs <sup>(d)</sup>	(271,593)	(173,097)	(271,593)	(173,097)
Hedging reserve <sup>(c)</sup>	-	-	(27,512)	(64,919)
Revenue reserve	(27,454)	1,224	2,823,427	2,023,848
<b>Total Unitholder's Equity</b>	<b>6,009,293</b>	<b>4,198,658</b>	<b>8,832,662</b>	<b>6,156,364</b>

**Note:**

(1) Fortune REIT had executed a loan agreement on 15 October 2009 to refinance the term loan facility and revolving loan facility for a term of 4 years. Please refer to footnote (a) in paragraph 1(b)(ii).

**Footnotes:**

- (a) The Group's financial information incorporates the financial statements of the Trust and the 14 Property Companies.
- (b) Investment properties are stated at valuation based on an independent professional valuation carried out by Savills Valuation and Professional Services Limited, the independent valuer, on 31 December 2009. These include the property valuations of the 3 newly acquired malls, namely, Metro Town, Caribbean Bazaar and Hampton Loft. During the period, minor capital costs were incurred and included in the investment properties value.
- (c) The derivative liability relates to the fair value of the plain vanilla interest rate swaps transacted to hedge the interest rate risk on 83% of the term loan.
- (d) Unit issue costs comprise listing and perusal fee, professional and other fees, underwriting and selling commission and miscellaneous expenses. It includes an amount of approximately HK\$263.3 million paid as of 31 December 2009 (31 December 2008: HK\$169.7 million) as well as accruals of approximately HK\$8.3 million (31 December 2008: HK\$3.4 million).

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

As at 31/12/09

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

Secured <sup>(a)</sup>	Unsecured
HK\$ '000	HK\$ '000
2,786,286	-
-	-
2,786,286	-

As at 31/12/08

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

Secured <sup>(a)</sup>	Unsecured
HK\$ '000	HK\$ '000
-	-
2,342,663	-
2,342,663	-

**Footnote:**

- (a) Fortune REIT has in place an omnibus facility ("the Facility") of HK\$2,613.7 million (2008: HK\$2,613.7 million) comprising a HK\$2,348.7 million (2008: HK\$2,348.7 million) term loan facility and a HK\$265.0 million (2008: HK\$265.0 million) revolving credit facility.

Fortune REIT had entered into a loan commitment on 24 August 2009 to refinance the term loan facility and revolving loan facility for a term of 4 years (the "New Facility"). The credit agreement comprises of a term loan and revolving credit facility of HK\$3,100.0 million, was executed on 15 October 2009. As at 31 December 2009, HK\$480.0 million had been drawdown.

Included in the amount payable in one year or less is a debt front end fee of HK\$78.4 million (31 December 2008: HK\$6.0 million), of which HK\$76.4 million relates to the New Facility totaling HK\$3,100.0 million. The existing Facility is secured by, inter alia, a mortgage over City One Shatin Property, Ma On Shan Plaza, The Metropolis Mall, Smartland, Tsing Yi Square Property, The Household Center, Centre de Laguna Property, Lido Garden Property and Rhine Garden Property whereas the HK\$480.0 million drawdown from the New Facility is over the three newly acquired properties namely Metro Town, Caribbean Bazaar and Hampton Loft.

**1 (c) Statement of cash flows**

	Group		Group	
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
	Actual 1/10/09 to 31/12/09	Actual 1/10/08 to 31/12/08	Actual 1/1/09 to 31/12/09	Actual 1/1/08 to 31/12/08
<b>Operating Activities</b>				
Profit/(loss) before taxation	632,338	(1,043,222)	1,179,389	(801,036)
Adjustments for:				
Changes in fair value of properties	(525,001)	1,130,590	(806,283)	1,130,590
Changes in fair value of derivative asset	-	-	-	(5,729)
Amortisation of debt front end fee	5,205	1,006	8,223	4,025
Loss on disposal of investment properties	-	-	-	225
Depreciation	19	19	74	74
Allowance for doubtful debts	-	1,557	2,138	2,078
Base fee paid in units	8,696	6,505	28,446	28,299
Interest income	-	(732)	(728)	(7,712)
Borrowing costs	23,378	23,640	88,159	100,711
Operating Profit before changes in working capital	144,635	119,363	499,418	451,525
Decrease/(increase) in trade and other receivables	(1,112)	157	1,861	(3,569)
Increase/(decrease) in trade and other payables	36,192	(1,377)	47,221	2,495
Cash generated from operating activities	179,715	118,143	548,500	450,451
Income taxes paid	(66,286)	(44,889)	(66,286)	(44,889)
<b>Cash flows from operating activities</b>	<b>113,429</b>	<b>73,254</b>	<b>482,214</b>	<b>405,562</b>
<b>Investing Activities</b>				
Disposal of investment properties	-	-	-	1,143
Upgrading of investment properties	(28,798)	(10,219)	(52,717)	(20,054)
Interest received	-	732	728	7,712
Acquisition of property companies/properties, net of cash acquired	(2,002,743)	-	(2,002,743)	-
<b>Cash flow used in investing activities</b>	<b>(2,031,541)</b>	<b>(9,487)</b>	<b>(2,054,732)</b>	<b>(11,199)</b>
<b>Financing Activities</b>				
Proceeds from issue of new units (net of issue costs)	1,810,867	-	1,810,867	-
Distribution paid	-	-	(313,610)	(292,409)
Bank loan	516,000	-	516,000	-
Payment of debt front end fee	(80,600)	-	(80,600)	-
Borrowing costs paid	(23,378)	(23,640)	(88,159)	(100,711)
<b>Cash flow (used in)/from financing activities</b>	<b>2,222,889</b>	<b>(23,640)</b>	<b>1,844,498</b>	<b>(393,120)</b>
<b>Net increase in cash and cash equivalents</b>	<b>304,777</b>	<b>40,127</b>	<b>271,980</b>	<b>1,243</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>210,564</b>	<b>203,234</b>	<b>243,361</b>	<b>242,118</b>
<b>Cash and cash equivalents at end of the period</b>	<b>515,341</b>	<b>243,361</b>	<b>515,341</b>	<b>243,361</b>

1 (d)(i) Statement of changes in unitholders' funds

Statement for the fourth quarter	HK\$ '000			
	Trust		Group	
	Actual 1/10/09 to 31/12/09	Actual 1/10/08 to 31/12/08	Actual 1/10/09 to 31/12/09	Actual 1/10/08 to 31/12/08
<b>Balance as at beginning of period</b>	<b>4,041,298</b>	<b>4,046,766</b>	<b>6,386,667</b>	<b>7,256,027</b>
<b>Operations</b>				
Net profit (loss)	148,432	145,387	613,661	(1,059,071)
Other comprehensive income	-	-	12,770	(47,097)
Total comprehensive income	148,432	145,387	626,431	(1,106,168)
Increase/(Decrease) in net assets resulting from operations	148,432	145,387	626,431	(1,106,168)
<b>Unitholders' transactions</b>				
Creation of units				
-proceeds from issuance of New Units	1,888,973	-	1,888,973	-
- acquisition fee paid in units	20,390	-	20,390	-
-management fee paid/payable in units	8,696	6,505	8,696	6,505
Unit issue cost	(98,496)	-	(98,496)	-
Net increase in net assets resulting from Unitholders' transactions	1,819,563	6,505	1,819,563	6,505
<b>Unitholders' funds as at end of period</b>	<b>6,009,293</b>	<b>4,198,658</b>	<b>8,832,662</b>	<b>6,156,364</b>

Statement for the year-to-date	HK\$ '000			
	Trust		Group	
	Actual 1/1/09 to 31/12/09	Actual 1/1/08 to 31/12/08	Actual 1/1/09 to 31/12/09	Actual 1/1/08 to 31/12/08
<b>Balance as at beginning of year</b>	<b>4,198,658</b>	<b>4,187,772</b>	<b>6,156,364</b>	<b>7,306,249</b>
<b>Operations</b>				
Net profit	284,932	274,996	1,113,188	(854,875)
Other comprehensive income	-	-	37,407	(30,900)
Total comprehensive income	284,932	274,996	1,150,595	(885,775)
Increase/(Decrease) in net assets resulting from operations	284,932	274,996	1,150,595	(885,775)
<b>Unitholders' transactions</b>				
Creation of units				
- proceeds from issuance of New Units	1,888,973	-	1,888,973	-
- acquisition fee paid in units	20,390	-	20,390	-
-management fee paid/payable in units	28,446	28,299	28,446	28,299
Unit issue cost	(98,496)	-	(98,496)	-
Distribution to Unitholders	(313,610)	(292,409)	(313,610)	(292,409)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	1,525,703	(264,110)	1,525,703	(264,110)
<b>Unitholders' funds as at end of year</b>	<b>6,009,293</b>	<b>4,198,658</b>	<b>8,832,662</b>	<b>6,156,364</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 2009	824,879,427	
7 October 2009	2,634,306	As payment of management fee for the period from 1 July 2009 to 30 September 2009
15 October 2009	824,879,427	Issue of Rights Units
16 October 2009	6,371,875	As payment of acquisition fee
As at 31 December 2009	<u>1,658,765,035</u>	
7 January 2010 <sup>(a)</sup>	2,830,232	As payment of management fee for the period from 1 October 2009 to 31 December 2009
Deemed units as at 31 December 2009	<u>1,661,595,267</u>	

**Footnote:**

(a) On 7 January 2010, there was an additional 2,830,232 Units issued to the Manager as payment of management fee for the period from 1 October 2009 to 31 December 2009.

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

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

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

Please see attached review report.

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

The same accounting policies and methods of computation were followed during the current financial period as compared with those contained in the audited financial statements for the year ended 31 December 2008, except for the adoption of FRS 1 – Presentation of Financial Statements (Revised).

FRS 1 Presentation of Financial Statements requires an entity to present all non-owner changes in the equity in a Statement of Comprehensive Income. There is no impact on the financial statements on the adoption of the revised FRS 1 as it is a presentation standard.

**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**

Please refer to item (4) above.

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

Period from 1 January 2009 to 31 December 2009	Actual 1/10/09 to 31/12/09 HK cents	Actual 1/10/08 to 31/12/08 HK cents	Actual 1/1/09 to 31/12/09 HK cents	Actual 1/1/08 to 31/12/08 HK cents
Earnings per unit for the period based on the weighted average number of units in issue <sup>(a)</sup>	61.16	(129.76)	110.95	(104.74)
Weighted average number of units in issue (million)	1,003.3	816.2	1,003.3	816.2
Distribution per unit for the period <sup>(b)</sup>	5.71	9.86	30.20	37.02
Total number of units in issue (million)	1,661.6	820.8	1,661.6	820.8

### Footnote:

- a) Earnings per unit for the period 1 January 2009 to 31 December 2009 includes the increase in the fair value of the investment properties as at 31 December 2009.
- b) 824.9 million of rights units and 6.4 million of acquisition fee in units were issued on 15 October 2009 and 16 October 2009 respectively. The Distribution per Unit for fourth quarter is calculated based on the total enlarged units in issue of 1,661.6 million. The full year Distribution per Unit of 30.20 HK cents is the total sum of 19.60 HK cents for 1H09 distribution based on 824.9 million units plus 10.60 HK cents for 2H09 distribution based on the income available for distribution from 1 July 2009 to 31 December 2009 divided by the enlarged number of units in issue of 1,661.6 million.

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

	Actual 31/12/09 HK\$	Actual 31/12/08 HK\$
Net asset value per unit <sup>(a)</sup>	5.33	7.58

### Footnote:

- (a) Net asset value is calculated based on net assets of the Group excluding hedging reserves. The total number of deemed units used for the computation of net asset value per unit is 1,661.6 million as at 31 December 2009 (31 December 2008: 820.8 million). The decrease in net asset value per unit were mainly due to the rights units and the acquisition fees in units which have been issued on 15 October 2009 and 16 October 2009 respectively.

## 8. Review of performance

Income Statement	HK\$ '000		%	HK\$ '000		%
	Actual 1/10/09 to 31/12/09	Actual 1/10/08 to 31/12/08		Increase	Actual 1/1/09 to 31/12/09	
Total Revenue	199,598	166,180	20.1%	701,354	637,038	10.1%
Net Property Income	137,653	121,339	13.4%	494,660	463,144	6.8%
Income Available for Distribution	94,933	80,779	17.5%	337,839	302,855	11.6%

#### **4Q 2009 (“Reporting Period”) versus 4Q 2008**

Total Revenue for the Reporting Period was HK\$199.6 million, an increase of 20.1%. The higher revenue was mainly contributed by the newly acquired malls, namely Metro Town, Caribbean Bazaar and Hampton Loft, on 15 October 2009, as well as the improved performance in City One Shatin Property, The Metropolis Mall and Ma On Shan Plaza.

Portfolio occupancy rate improved by 3.3% to 96.4% as at 31 December 2009. Passing rent stood at HK\$27.5 psf.

Property Operating Expenses was HK\$57.7 million compared to HK\$41.1 million in the corresponding period last year. Net Property Income was HK\$137.7 million, a 13.4% increase over the same period last year.

Borrowing costs was HK\$23.4 million for the period, about 1.1% lower than the corresponding quarter last year despite the drawdown of the New Facility of HK\$480 million on 15 October 2009, due mainly to the current low interest rate environment.

Net Profit of the Property Companies was HK\$620.6 million. Income Available for Distribution for the Reporting Period was HK\$94.9 million, 17.5% higher than the corresponding period last year.

#### **FY 2009 versus FY 2008**

For FY2009, Total Revenue was higher than FY2008 by 10.1%, at HK\$701.4 million. The increase in revenue was mainly contributed by the newly acquired malls, namely Metro Town, Caribbean Bazaar and Hampton Loft on 15 October 2009, as well as higher revenue from City One Shatin Property, The Metropolis Mall and Ma On Shan Plaza. A rental reversion of 4.2% was achieved for FY2009.

Property Operating Expenses was HK\$191.4 million, 19.9% higher year-on-year. Cost to revenue ratio was at 27.3%. Net Property Income was HK\$494.7 million, a 6.8% increase over last year.

Borrowing costs was HK\$88.2 million for FY2009, a decrease of 12.5% over last year. The weighted average borrowing cost was 3.56% for FY2009, excluding the amortization of debt front-end fee.

Net Profit of the Property Companies was up 239.7%, mainly due to the higher revenues from the existing malls, lower borrowing costs, contribution from the newly acquired malls and the increase in the fair value of properties as at 31 December 2009. However, the increase in property valuation would not have any impact on Income Available for Distribution.

Overall, Income Available for Distribution for FY2009 was HK\$337.8 million. This was higher than FY2008 by 11.6% mainly due to higher revenues from the existing malls, lower borrowing costs and contribution from the newly acquired malls.

#### **9. Variance between actual and the forecast results for the period from 1 January 2009 to 31 December 2009**

Not applicable.

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

Hong Kong's economy improved further after a strong rebound in the second quarter (“2Q09”), leading to a further tapering of the decline in GDP to -2.4% year-on-year in the third quarter. This was led mainly by the continued improvement in the domestic sector, offsetting the drag from the weak external demand. Accordingly, the government has revised the 2009 whole year forecast on GDP to -3.3%, improved from their previous forecast of -3.5% to -4.5%.

The Hong Kong retail sales rose markedly further in November 2009, reflecting the strengthening of consumer sentiment. The value of total retail sales in November 2009, provisionally estimated at HK\$22.9 billion, increased by 11.8% year-on-year. Non-discretionary spending such as supermarket and food and beverages registered a growth of 3.7% and 3.5% respectively for the period from January to November in 2009.

According to Savills market research, shopping centre rents rose for the second consecutive quarter by 2.4% in 4Q09 following a 5.1% growth in the third quarter. In particular, rents in Kowloon and New Territories surged 9.1% and 7.0% respectively from their trough in 2Q09.

*Sources: Hong Kong Census and Statistics Department, Savills.*

**Outlook for the financial year ending 31 December 2010**

With the successful completion of the recent refinancing and the rights issue, Fortune REIT has reinforced its financial position with no refinancing needs until 2013. In addition, the acquisition of Metro Town, Caribbean Bazaar and Hampton Loft on 15 October 2009 will provide Fortune REIT with a more stable cash flow thereby enhancing the income profile of its portfolio.

Based on the portfolio asset performance for the financial year ended 31 December 2009, the Manager of Fortune REIT expects the asset performance for the year ending 31 December 2010 to be comparable with 2009, 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 2009 to 31 December 2009
Distribution Type	Tax-exempt income
Distribution Rate	10.60 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 2008 to 31 December 2008
Distribution Type	Tax-exempt income
Distribution Rate	18.51 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. Unitholders receiving distributions will not be assessable to Singapore income tax on the distributions received.

<b>(c) Date Payable</b>	26 February 2010
<b>(d) Book Closure Date</b>	3 February 2010

**Footnote:**

*N.M. - Not meaningful*

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

Not applicable.

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 (SINGAPORE) LIMITED  
AS MANAGER OF FORTUNE REAL ESTATE INVESTMENT TRUST

Lim Hwee Chiang  
Director

26 January 2010



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**Attention: Ms Justina Chiu**

Dear Sirs

We have reviewed the accompanying financial information of Fortune Real Estate Investment Trust ("Fortune REIT") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and Fortune REIT as of December 31, 2009, and the statements of comprehensive income, statements of changes in unitholders' funds of the Group and of Fortune REIT and statement of cash flow of the Group for the financial year from January 1, 2009 to December 31, 2009 and other explanatory notes. The accompanying financial information has been prepared for the purpose of complying with Appendix 7.2 of the Singapore Exchange Listing Manual and accordingly, does not have the full disclosures required under the Singapore Financial Reporting Standards.

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

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

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information are not presented fairly, in all material respects, in accordance with the recognition and measurement criteria of the Singapore Financial Reporting Standards.

Yours faithfully

*Deloitte & Touche LLP*

Public Accountants and  
Certified Public Accountants  
Singapore

26 January 2010