

Here We *Grow!*

Annual Report 2012



About Fortune REIT

Fortune Real Estate Investment Trust (“**Fortune REIT**”) is a real estate investment trust constituted by a trust deed (the “**Trust Deed**”) entered into on 4 July 2003 (as amended) made between ARA Asset Management (Fortune) Limited, as the manager of Fortune REIT (the “**Manager**”), and HSBC Institutional Trust Services (Singapore) Limited, as the trustee of Fortune REIT (the “**Trustee**”).

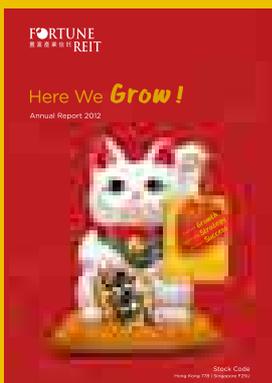
Listed on 12 August 2003 on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) with a dual primary listing on The Stock Exchange of Hong Kong Limited (the “**SEHK**”) on 20 April 2010, Fortune REIT was Asia’s first cross-border REIT and also the first REIT to hold assets in Hong Kong. It currently holds a portfolio of 16 private housing estate retail properties in Hong Kong comprising of 2.45 million square feet (“**Sq.ft.**”) of retail space and 1,989 carparking spaces.

About the Manager

Fortune REIT is managed by ARA Asset Management (Fortune) Limited, a wholly-owned subsidiary of Singapore-listed ARA Asset Management Limited (“**ARA**”). ARA, an affiliate of the Cheung Kong Group, is an Asian real estate fund management company focused on the management of publicly listed REITs and private real estate funds.

Our Mission

The Manager’s key objective is to deliver regular and stable returns to holders of Fortune REIT units (“**Unitholders**”) through proactive management of Fortune REIT’s portfolio of assets and acquiring properties that generate long term benefits to Unitholders.



Fortune Cat

The Fortune Cat is a traditional symbol bringing luck, wealth and prosperity. Happily perched in shop windows and entrances, the Fortune Cat beckons customers and brings good fortune with a wave of its outstretched paw. By investing in, managing and enhancing retail malls and properties around Hong Kong, Fortune REIT aims to bring that same good fortune to all our tenants and shoppers – while creating solid value and sustainable returns for our Unitholders.

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77.6% Total Return

Creating value and sharing success

In 2012, we delivered 77.6% total return for our Unitholders - comprising a unit price gain of 69% and a full year distribution per unit of 32.35 HK cents.

Here We **Share!**



Financial Highlights

Statement of Comprehensive Income for the Financial Year	2012	2011	% change
Revenue (HK\$ million)	1,113.7	909.4	22.5%
Net Property Income (HK\$ million)	788.3	642.1	22.8%
Cost-to-Revenue Ratio	27.0%	27.2%	(0.2%)
Income Available for Distribution (HK\$ million)	549.5	442.3	24.2%
Distribution Per Unit ("DPU") (HK cents)	32.35	26.30	23.0%

Statement of Financial Position as at 31 December	2012	2011	% change
Net Asset Value Per Unit (HK\$)	8.81	7.85	12.2%
Property Valuation (HK\$ million)	20,208	16,388	23.3%
Gearing Ratio/Aggregate Leverage ¹	23.4%	18.8%	4.6%

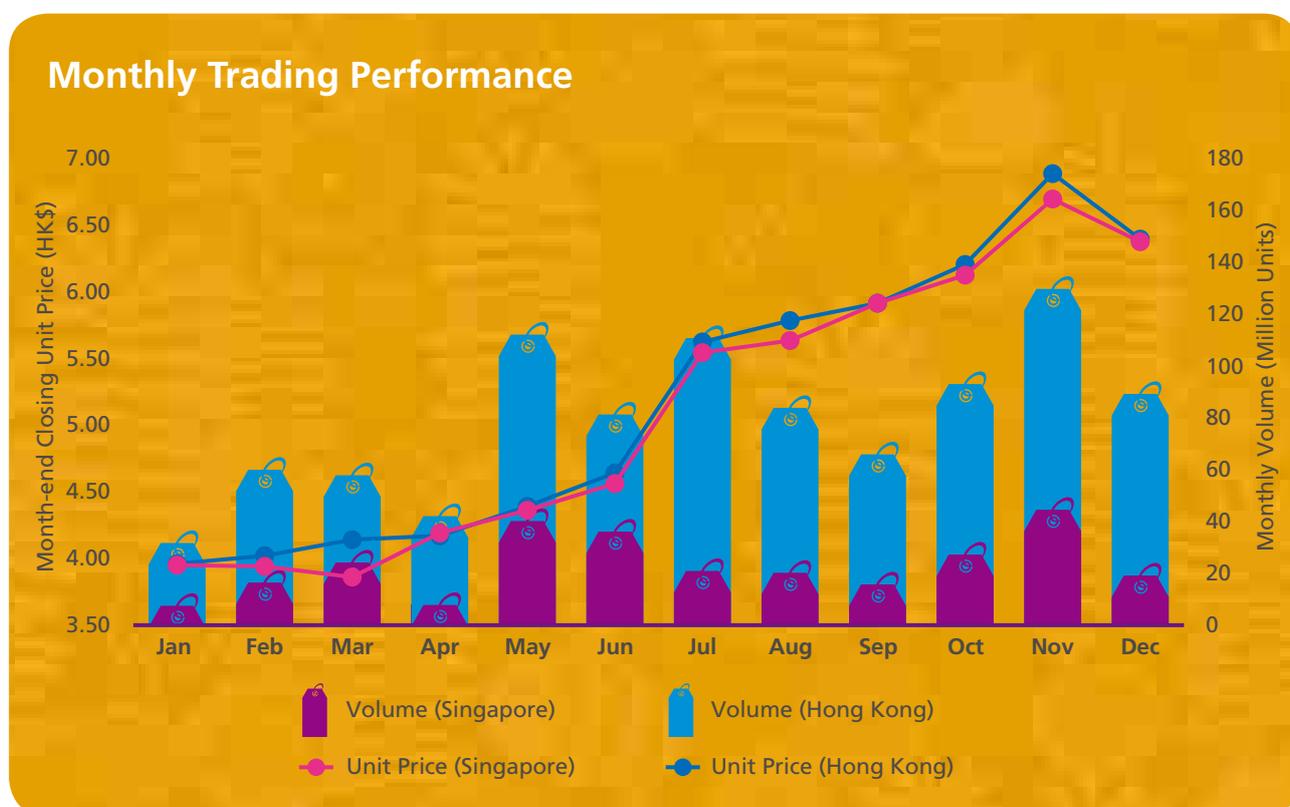
Note:

1. Gearing ratio is defined as total borrowings as a percentage of gross assets. Aggregate leverage is defined as the value of total borrowings and deferred payments as a percentage of gross assets. As at 31 December 2012, there was no deferred payment incurred for Fortune REIT.



Unit Performance

	Singapore	Hong Kong
Opening Unit Price (2 January 2012)	HK\$3.76	HK\$3.79
Closing Unit Price (31 December 2012)	HK\$6.37	HK\$6.39
Intraday High	30 November 2012 – HK\$6.85	23 November 2012 – HK\$6.96
Intraday Low	3 January 2012 – HK\$3.70	3 January 2012 – HK\$3.79
Total Volume Traded	279,246,000 Units	675,886,633 Units



Fortune REIT's unit price performed exceptionally well in 2012, outperforming major indices in the region including FTSE Straits Times Index, FTSE Singapore REIT Index, Hang Seng Index, Hang Seng REIT Index and Hang Seng Property Index. With unit price up by 69.0%¹ and the dividend payable, Fortune REIT has delivered a total return of 77.6% to Unitholders for 2012. Trading turnover also increased significantly by 2.4 times over the previous year, reflecting Fortune REIT's attractiveness amid global economic uncertainty. Surpassing a market capitalization of HK\$10 billion, Fortune REIT was one of the best performing property stocks in Hong Kong and Singapore for the year. This is a strong testament to investors' recognition and confidence in Fortune REIT's underlying strength and growth potential.

Note:

1. Based on HK\$6.38 and HK\$3.775, the average closing unit price in Singapore and Hong Kong as of 31 December 2012 and 30 December 2011 respectively.



Here We **Excel!**



3 Growth Strategies

Our success relies on the precisely coordinated execution of three core growth strategies: yield-accretive acquisitions, active leasing management and asset enhancement initiatives.

3 Growth Strategies



Invest

Fortune REIT has a strong track record of successful acquisitions, expanding its portfolio valuation from HK\$3.4 billion in 2003 to HK\$20.2 billion as at 31 December 2012. The most recent one, being the acquisition of Belvedere Square and Provident Square, was completed in February 2012. It has increased Fortune REIT's gross rentable area by 23% to a total of 2.45 million Sq.ft.

*Most importantly, it has brought immediate DPU accretion to Unitholders and contributed **12.4%** of the net property income growth for 2012.*



Manage

Proactive leasing management is one of our core competencies. Fortune REIT's portfolio of 16 private housing estate retail properties remained buoyant despite the moderation in overall retail sales in Hong Kong. Portfolio occupancy stood at 97.7% as at 31 December 2012. Rental reversion of 19.8% was recorded for lease renewals during 2012, representing one of the strongest increases since Fortune REIT's establishment.

*The strong rental growth coupled with remarkable returns from completed asset enhancement projects contributed to **10.4%** of the net property income growth for 2012.*



Enhance

Asset enhancement initiatives ("AEIs") has inevitably become an important growth engine for Fortune REIT in recent years. The AEIs not only created a more comfortable and exciting shopping environment, they have also unlocked value from our properties and brought impressive return for Fortune REIT's Unitholders.

*Among the completed AEIs, the return on investment all exceeded **20%**, while the highest has reached **87%**.*

Chairman's Report

Dr. Chiu Kwok Hung,
Justin
Chairman



On behalf of the Board of Directors of ARA Asset Management (Fortune) Limited (the "Board"), the Manager of Fortune REIT, I am pleased to present the annual results of Fortune REIT for the financial year ended 31 December 2012 ("FY2012" or the "Reporting Year").

A Year of Shining Performance

The year 2012 was characterised by momentous political and economic events globally which contributed to a highly volatile investment market. Against this backdrop, we once again successfully executed Fortune REIT's three core strategies: active leasing management, yield-accretive acquisition and asset enhancement initiatives ("AEIs"). These strategies performed exceptionally well amidst a period of high uncertainty.

It has indeed been a very eventful year in Fortune REIT's development.

Fortune REIT's portfolio of 16 retail properties recorded outstanding operational improvements. Furthermore, the acquisition of Belvedere Square and Provident Square as well as the completed AEIs at Fortune City One ("FCO") and Ma On Shan Plaza ("MOSP"), spurred the strongest growth in Fortune REIT's income since its establishment in 2003.

For the Reporting Year, Fortune REIT's revenue increased by 22.5% to HK\$1,113.7 million. Income available for distribution also achieved a new record high of HK\$549.5 million, up 24.2% from last year. This translates into a DPU of 32.35 Hong Kong cents for FY2012, up 23.0% from the previous year.

Excellence in Investment, Management, and Enhancement of Retail Properties

Our commitment to excellence in our three core competencies – Investment, Management and Enhancement – has enabled Fortune REIT to accomplish a multitude of outstanding achievements throughout the years. Starting with five retail malls at our listing nine years ago, Fortune REIT's revenue has grown almost ten-folds. Meanwhile, our underlying assets have expanded more than three-folds to include a total of 16 retail properties. As at 31 December 2012, Fortune REIT's portfolio was appraised at a value of HK\$20,208 million, up 23.3% from a year ago.

Asset Investment – The acquisition of Belvedere Square and Provident Square was completed in February 2012. With the acquisition fully funded by debt, the two properties have provided an immediate enhanced-return to Unitholders. With a contribution of only 10.5 months, they have accounted for approximately 12.4% of the

net property income increment during the Reporting Year. The asset performance of the two properties was significantly enhanced after their integration into Fortune REIT's portfolio. The Manager believes these two properties will continue to present enormous growth opportunities to Fortune REIT in the coming years.

Asset Management – Leasing demand has remained strong in our retail malls driven by vibrant local consumer sentiment. Rental reversion of 19.8%, the highest level in Fortune REIT's operating history, was achieved for renewal leases during the Reporting Year. Despite frictional vacancies caused by AEs, the overall occupancy rate for the portfolio was maintained at 97.7%, while passing rent has climbed further to HK\$32.0 per Sq.ft.

Asset Enhancement – AEs have always been our principal strategy to drive better returns from Fortune REIT's portfolio. The outstanding return on investment ("ROI") of 73% from AEs at MOSP in 2011 was fully reflected in the income for the Reporting Year. In addition, with a ROI of more than 20%, the completion of our largest AEs ever at FCO should help to sustain a satisfactory portfolio performance during 2013 and beyond.

Enhanced Stability in Capital Management

Fortune REIT entered into a new term loan ("2012 Facilities") to finance its acquisitions in February 2012. With only one single bank loan previously, the 2012 Facilities diversify Fortune REIT's debt maturity profile and provide more stable capital management. As at 31 December 2012, approximately 75% of Fortune REIT's debt exposure has been hedged to fixed rates through plain vanilla rate swaps. The effective interest cost was 2.78% for the year, 87 basis points lower than the effective interest cost from the previous year. With an added certainty on interest expense and no refinancing needs until February 2015, the capital structure of Fortune REIT remains favourable for future growth.

Earns Prestigious Recognition from the Investment Community

Fortune REIT was well recognized during the Reporting Year, winning awards for its excellence in corporate management and corporate governance, as well as delivering the best returns to Unitholders. In particular, Fortune REIT has been voted as "Hong Kong Best Mid-Cap Company" and ranked third in the category of "Most Committed to a Strong Dividend Policy in Hong Kong" in Asia's Best Companies 2012 Poll conducted by FinanceAsia. Fortune REIT's unit price has surged by a remarkable 69% in 2012, rewarding Unitholders with a total return of 77.6% for the Reporting Year – one of the best performing

property stocks in both Hong Kong and Singapore. With a more widespread investor interest and recognition, Fortune REIT's total trading turnover also improved notably by 2.4 times over last year. At the average closing unit price of HK\$6.38 in Singapore and Hong Kong as at 31 December 2012, the market capitalization of Fortune REIT has surpassed the significant HK\$10 billion threshold.

Outlook

Economic growth in Hong Kong has moderated throughout 2012 owing to economic and political challenges. External demand remained subdued in the face of recession in the Euro-zone, a slow-growing global economy, the potential impact of the forthcoming tax hikes and spending cut in the U.S., as well as the ensuing setback in consumer sentiment, production and trade flows in Asia. We are cautious about Hong Kong's economic outlook, in particular, retail sales growth, which has notably decelerated from 2011. Looking ahead, Hong Kong retail sales growth is expected to soften from a more moderate increase in Mainland visitors and their spending. As there could be continuing pressure in the medium term on operating expenses such as higher utility rates, inflation and statutory minimum wage hikes in Hong Kong along with other external factors, the Manager is closely monitoring operating expenses and plans to implement energy-saving initiatives where possible to mitigate the impact.

Nevertheless, Fortune REIT's portfolio of necessity shopping malls has always grown further during periods of uncertainty. With an enlarged portfolio reinforced with a stronger brand identity, a healthier and more diversified balance sheet and a successful track record in AEs, Fortune REIT's fundamentals have become stronger than ever, better enabling it to weather any unfavourable economic situation. Barring any unforeseen circumstances, Fortune REIT expects a satisfactory performance in 2013.

Appreciation

I would like to express my sincere appreciation to my fellow board members for their efforts in upholding the highest standards of corporate management and corporate governance. On behalf of the Board, I would also like to thank our staff, Trustee, investors, tenants, shoppers and business partners for their continued support of Fortune REIT.

Dr. Chiu Kwok Hung, Justin
Chairman

ARA Asset Management (Fortune) Limited
As Manager of Fortune REIT
24 January 2013

Management Discussion and Analysis

Financial Review

Fortune REIT's FY2012 total revenue and net property income increased by 22.5% and 22.8% year-on-year to HK\$1,113.7 million and HK\$788.3 million respectively. This outstanding performance was attributable to the successful execution of our three core strategies. During the Reporting Year, strong rental growth across the entire portfolio, coupled with remarkable return derived from the AEIs in FCO and MOSP contributed to 10.4% of the net property income growth. The additional income stream from Belvedere Square and Provident Square accounted for the remaining 12.4% of the net property income growth. Despite the continued inflationary pressure, an increase in electricity tariff and the impact of Hong Kong's minimum wage legislation, Fortune REIT's cost-to-revenue ratio dropped slightly to 27.0% (2011: 27.2%).

Fortune REIT's income available for distribution increased 24.2% year-on-year to HK\$549.5 million for FY2012. The DPU for the Reporting Year was 32.35 HK cents (2011: 26.30 HK cents), comprising an interim DPU of 15.82 HK cents and a final DPU of 16.53 HK cents. This higher DPU is attributable to better asset performance, prudent capital and cost management, and an accretive acquisition. Based on HK\$6.38, the average closing unit price in Singapore and Hong Kong as at 31 December 2012, the DPU of FY2012 represents a yield of 5.1%.

Final Distribution

The Final DPU of 16.53 HK cents for the six months ended 31 December 2012 will be paid on 28 February 2013 to Unitholders on the registers of Unitholders of Fortune REIT as at 7 February 2013.

Immediate Accretive Acquisitions

On 17 February 2012, Fortune REIT successfully completed the acquisitions of two retail properties in Hong Kong, Belvedere Square and Provident Square for a total consideration of approximately HK\$1,900 million. Fully funded by debt, these acquisitions efficiently utilized Fortune REIT's debt headroom, optimizing the financing cost of the acquisitions and providing immediately yield-accretive returns to the Unitholders.



Capital Management Initiatives

Fortune REIT's total committed loan facilities amounted to HK\$5,200 million as at 31 December 2012. These comprised the existing loan facilities of HK\$3,800 million (the "2011 Facilities") and a new three-year loan facility of HK\$1,400 million (the "2012 Facilities"), which was entered into in February 2012. During the Reporting Year, HK\$840 million and HK\$1,100 million were drawn from the 2011 Facilities and 2012 Facilities respectively to fully finance the acquisition costs of the two new properties. As a result, the gearing ratio and aggregate leverage of Fortune REIT rose to 23.4% as at 31 December 2012 (31 December 2011: 18.8%). The gross liability as a percentage of gross assets of Fortune REIT rose to 28.1% as at 31 December 2012 (31 December 2011: 23.6%). The net current liabilities as at 31 December 2012 was HK\$1,013.2 million, mainly as a result of a drawdown of the revolving credit facility of the 2011 Facilities to part finance the acquisitions. There is an option to rollover the said revolving credit facility up until maturity.

Overall, the weighted average debt maturity of the 2011 Facilities and 2012 Facilities was 3 years and the debt expiry periods have been further spread out. The two facilities are secured over Fortune REIT's 13 investment properties, which carried an aggregate fair value of HK\$16,009 million as at 31 December 2012. The Trustee has provided guarantees for both facilities.

Available liquidity stood at HK\$908 million as at 31 December 2012, comprising committed undrawn facilities of HK\$330 million and cash on hand of HK\$578 million. Fortune REIT possesses sufficient financial resources to satisfy its financial commitments and working capital requirements.

The Manager continued to take a prudent approach in managing the risk which may arise due to fluctuation of interest cost. As at 31 December 2012, the interest cost for approximately 75% of Fortune REIT's debt exposure has been hedged to fixed rates through various plain vanilla interest rate swaps. After taking into account the interest rate hedging arrangement and the interest

savings from the 2011 Facilities, Fortune REIT's weighted average effective cost of borrowing has been brought down by 87 basis points to 2.78% for the Reporting Year (2011: 3.65%). The Manager will continue to monitor the interest rate movement closely and may, depending on market conditions, consider putting in place additional interest rate swaps.

Net asset value per unit amounted to HK\$8.81 as at 31 December 2012, up 12.2% from HK\$7.85 reported as at the end of 2011, mainly as a result of the increase in valuation of investment properties.

Robust Unit Performance

Supported by the yield accretive acquisitions and the strong asset performance across the portfolio, Fortune REIT's unit price surged by 69.0% during the Reporting Year to close at HK\$6.38. More importantly, Fortune REIT's market capitalization also reached a significant milestone of US\$1 billion in June 2012 and climbed further to cross the HK\$10 billion threshold in September 2012. This exceptional unit price rally has enabled Fortune REIT to outperform all other major regional indexes and sector peers, rewarding Unitholders with a total return of 77.6% for the Reporting Year. Daily trading turnover has improved more than 2.4 times from 2011 to approximately HK\$19 million, reflecting an increased investor interest.

Portfolio Valuation

As at 31 December 2012, Fortune REIT's portfolio of 16 retail properties was appraised at HK\$20,208 million by Knight Frank Petty Limited ("Knight Frank"). This represents an increase of 23.3% and 4.9% respectively from the valuation of HK\$16,388 million as at 31 December 2011, and HK\$19,268 million as at 30 June 2012. While the capitalization rate adopted remains unchanged, the increase in valuation was attributed to an overall improvement in asset performance and the addition of two new properties. The higher valuation also resulted in a revaluation gain of HK\$1,796.3 million for the Reporting Year.

Management Discussion and Analysis

Operation Review

As at 31 December 2012, Fortune REIT owns a geographically diverse portfolio of 16 retail malls and properties in Hong Kong, comprising approximately 2.45 million Sq.ft. of retail space and 1,989 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. Revenue growth was driven by the successful implementation of an active leasing strategy and the positive contribution from properties with completed AEs. Portfolio occupancy remained healthy at 97.7% as at 31 December 2012 (31 December 2011: 97.0%), despite frictional vacancies due to on-going AEs at FCO and Jubilee Square. Rental reversion of 19.8% was recorded for renewals during the Reporting Year, representing one of the strongest growth rates since Fortune REIT's establishment. The portfolio's passing rent climbed to HK\$32.0 per Sq.ft. Excluding the two new properties, passing rent for the original portfolio has improved by 8.3% year-on-year.

The completed AEs at MOSP, the second largest property in the portfolio, became a major revenue growth driver in the Reporting Year. Higher income resulting from the completed AEs at MOSP in October 2011 was fully reflected in the financials of FY2012. Based on a capital expenditure of approximately HK\$12 million, Fortune REIT achieved a ROI of 73%. The net property income for MOSP has notably increased by 24.1% from the previous year.

Belvedere Square and Provident Square have recorded improving operational statistics since their integration into Fortune REIT's portfolio in February 2012. Belvedere Square, with an immediate catchment of approximately 30,000 people, had previously been focusing on necessity and service trades. Riding on approximately 44.2% of the leases expiring during the Reporting Year, the Manager has been actively enriching the trade mix by introducing new tenants. On the other hand, Provident Square, Fortune REIT's first foray into Hong Kong Island, is now almost fully let when compared with its 92.3% occupancy rate as at 30 September 2011.

As at the end of 2012, Fortune REIT's portfolio has a diverse base of 1,172 tenants. Collectively, the top ten tenants contributed approximately 26.6% of the portfolio's gross rental income for FY2012, and occupied approximately 23.0% 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 the resilient nature of Fortune REIT across economic 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 Enhancement Initiatives

During the Reporting Year, the Manager focused on completing the AElS at FCO and also commenced a new project at Jubilee Square.

The AElS at FCO commenced in October 2011 and completed in phases throughout the Reporting Year. Many of the existing tenants were keen to renew at a higher rental rate as they viewed the prospects as promising. On the other hand, new tenants in sectors such as banking, food and beverages, as well as general retail have been introduced to enhance the shopping experience. With a capital expenditure of approximately HK\$100 million, the project accomplished a satisfactory ROI of more than 20%.

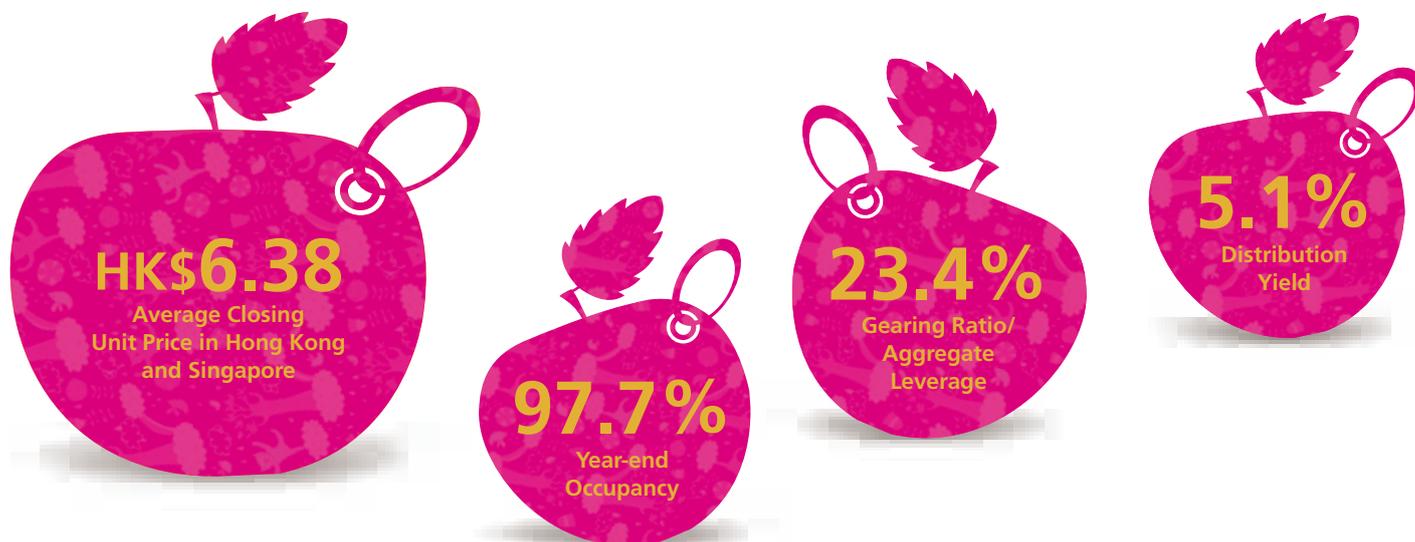
The HK\$15 million project to renovate three floors of Jubilee Square was commenced in the second quarter of 2012 with an objective to capture the rapidly growing demand within the immediate and expanding catchment area. Work has been carried out on the third, sixth and seventh floor to upgrade the overall image and to bring in more diversified trades. With a target ROI of 15%, the project is expected to be completed in the first half of 2013.

Outlook

Hong Kong's economy has experienced moderate growth in the first three quarters of 2012, with GDP up by a marginal 1.1% year-on-year. The domestic sector held up relatively better as private consumption expenditure grew by 2.8% year-on-year for the third quarter of 2012. This positive aspect was underpinned by stable job conditions and improved household income. The total value of retail sales in Hong Kong recorded a growth of 9.9% for the period from January to November 2012.

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

The Manager remains watchful of the market environment and market opportunities, and will also continue to evaluate acquisition opportunities as they arise. The Manager maintains its commitment to drive revenue growth by implementing AEl projects, as well as effective leasing and tenant repositioning strategies. Looking ahead, a full-year income contribution from Belvedere Square and Provident Square, as well as the completed AElS at FCO are expected to add further growth to Fortune REIT.





Heading towards 10 years of success

Leveraging on a solid track record of success, Fortune REIT has built a business with market capitalization of over HK\$10 billion. We were also voted “Hong Kong Best Mid-Cap Company” in the Asia’s Best Companies 2012 Poll by FinanceAsia.



Here We **Sprout!**



2012 Corporate Milestone



19

Obtained an unanimous approval for the acquisitions of Belvedere Square and Provident Square from the independent Unitholders at the extraordinary general meeting.



30

Announced financial results for FY2011. Total revenue and distributable income rose 8.6% and 8.8% year-on-year respectively.



17

Completion of the acquisitions of Belvedere Square and Provident Square.



16

All 3 resolutions set out at the annual general meeting were duly passed.



10

Announced financial results for 1Q2012. Total revenue and distributable income rose 18.5% and 16.9% year-on-year respectively.

28

Fortune REIT has been voted as "Hong Kong Best Mid-Cap Company" and ranked third in the category of "Most Committed to a Strong Dividend Policy in Hong Kong in Asia's Best Companies 2012 Poll" conducted by FinanceAsia.



25

Fortune REIT's market capitalization reached US\$1 billion.



16

Fortune REIT celebrated Fortune City One Piazza Grand Opening.



20

Announced financial results for 1H2012. Total revenue and distributable income rose 20.3% and 24.9% year-on-year respectively.



29

DPU of 15.82 Hong Kong cents was paid for 1H2012.



28

Fortune REIT's market capitalization reached HK\$10 billion.



30

Announced financial results for 3Q2012. Total revenue and distributable income rose 22.6% and 23.4% year-on-year respectively.



05

Fortune REIT has been ranked third in the category of "Best Investment Trust of the Year 2012" within the Top 100 Hong Kong Listed Companies Selection.



13

Fortune REIT has earned Honorable Mention at the Hong Kong Corporate Governance Excellence Awards 2012.

Here We **Bond!**





Be you. ©
Be at Fortune

At Fortune REIT we don't just invest in real estate assets, we invest in building communities. Our retail malls and properties create the right environment for community development - bringing people together from all walks of life.



Portfolio Review

Portfolio Highlights in 2012



A refreshed atrium with a new service counter at Fortune City One.

Fortune City One

Taking the experience of successfully executing the AEs on the ground floor of Fortune City One Plus in 2010, the Manager has rolled out enhancement works of an even larger scale to FCO, the main commercial block. The AEs was commenced in October 2011 and completed in phases throughout the Reporting Year. Enhanced rental from the AEs is expected to fully reflect and contribute further growth in 2013. With a capital expenditure of approximately HK\$100 million, the ROI exceeded 20%, once again outperforming our target ROI of 15% and further reinforcing Fortune REIT's strength on delivering good return for AEs.

The project covered a GRA of over 200,000 Sq.ft. retail space in two levels as well as an outdoor park in the center of the mall. To underscore its role as an integral part of FCO, the park has been re-named as Fortune City One Piazza. As a benefit of the renovation, Fortune City One Piazza now has an enhanced greenery area, more leisure spaces and seating incorporated for the public's enjoyment and thus become a public leisure centre for the neighboring community.

Inside the shopping mall, the atriums have been given a modern look and natural lighting has been introduced through the skylights. With the creation of a new corridor, the first floor of the mall has seen an improved footfall resulting from full circulation of traffic flow. The enhancement works were very well received by the community.



Enhanced retail offerings and better traffic flow resulted from opening of a new corridor.



Fortune City One Piazza, a public leisure centre for the community.

Jubilee Square

During the Reporting Year, the Manager has embarked on AEs at Jubilee Square to capture the increasing demand within the immediate and expanding catchment area. The tenant repositioning exercise covered the third, sixth and seventh floor of Jubilee Square to improve tenant mix and bring in more diversified trades. Some new retail trades as well as a Chinese restaurant were introduced to the third floor while the sixth and seventh floor will be enriched with services and education trades. The renovated area received very strong leasing demand and as at 31 December 2012, the committed occupancy of Jubilee Square was 93.0%. The project is expected to complete within the first half of 2013. With a capital expenditure of approximately HK\$15 million, the target ROI for the project is 15%.



A new service counter at Jubilee Square to improve shopper's experience.

Belvedere Square

Belvedere Square will be the destination of Fortune REIT's next sizable AEs. Since its acquisition in February 2012, the property has already seen some good improvements through the Manager's proactive leasing strategies, implementation of the Fortune Malls branding and more exciting festive promotion and the uplifting of service standards. Monthly rental income of Belvedere Square has increased by almost 10% within 10 months since its acquisition. Developed in the early 80s and without any major renovation since, the mall has been attracting mostly services and education tenants and thus limiting its retail appeal. However, as the only sizable mall in the immediate neighborhood as well as the residential strip along Castle Peak Road, the Manager believes Belvedere Square has huge potential capturing the leisure shopping needs of all those households with a right repositioning and introduction of more retail offerings. The Manager is currently undergoing a detailed feasibility study in order to realize such visionary potential.

Ma On Shan Plaza

MOSP has always been a key contributor for the growth of Fortune REIT's portfolio. Benefiting from the 73% ROI achieved for the HK\$12 million AEs to subdivide a 50,000 Sq.ft. Chinese restaurant in 2011, MOSP's net property income for 2012 has risen by 24.1% year-on-year. We believe MOSP will continue to present opportunities in terms of tenant repositioning and profitable subdivision going forward.



Portfolio Review

Portfolio Key Statistics

(As at 31 December 2012)

Gross Rentable Area
2,445,452
Sq.ft.

Occupancy
97.7%

Car Park Lots
1,989

Market Valuation¹
HK\$ 20,208
Million

Gross Revenue²
HK\$ 1,113.7
Million

Net Property Income
HK\$ 788.3
Million

Portfolio Top 10 Tenants	Trade Sector	% of Total Gross Rental Income ³	% of Total Gross Rentable Area
1 Park'N Shop	Supermarkets	8.0%	12.7%
2 Centaline Property Agency Limited	Banking & Real Estate Services	4.1%	0.6%
3 Midland Realty	Banking & Real Estate Services	2.9%	0.4%
4 Cheung Kong Property Development Limited	Banking & Real Estate Services	2.7%	4.1%
5 Bank of China (Hong Kong) Limited	Banking & Real Estate Services	2.5%	1.1%
6 Ricacorp Properties Limited	Banking & Real Estate Services	1.5%	0.3%
7 Fairwood Fast Food	Food & Beverages	1.3%	1.0%
8 Century 21	Banking & Real Estate Services	1.3%	0.2%
9 Watsons	Services & Education	1.2%	1.0%
10 Ho Yin Seafood Restaurant	Food & Beverages	1.1%	1.6%
Total		26.6%	23.0%

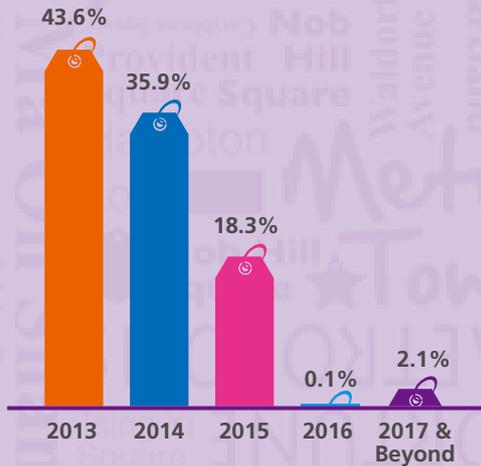
Notes:

1. Valued by Knight Frank as at 31 December 2012.
2. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
3. Based on gross rental for the month of December 2012. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.

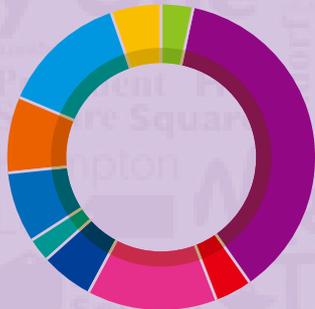
Number of
Tenants

1,172

Portfolio Lease Expiry Profile¹



Breakdown of Portfolio Property Operating Expenses²



3.6%	Advertising and Promotion
36.7%	Building Management Expenses
4.1%	Carpark Operating Expenses
13.5%	Government Rents and Rates
5.8%	Leasing Commission and Marketing Services Fee
2.5%	Legal and Other Professional Fees
7.5%	Manager's Performance Fee
7.9%	Property Manager Fee
13.3%	Utilities
5.1%	Others

Portfolio Tenant Trade Mix Analysis¹

Banking & Real Estate Services	21.5%
Community Services	0.7%
Electronics & IT	1.9%
Fashion & Shoes	7.4%
Food & Beverages	22.8%
Gifts & Speciality, Hobbies, Toys, Jewellery	4.3%
Homewares & Home Furnishings	3.0%
Leisure & Entertainment, Sports & Fitness	2.1%
Services & Education	21.7%
Supermarkets	8.5%
Wet Markets	1.7%
Others	4.4%

Portfolio Analysis by Net Property Income²

Fortune City One	24.9%
Ma On Shan Plaza	21.1%
Metro Town	11.2%
Fortune Metropolis	9.6%
Belvedere Square	6.4%
Waldorf Avenue	6.7%
Provident Square	3.6%
Caribbean Square	3.5%
Jubilee Square	2.2%
Smartland	2.5%
Tsing Yi Square	2.5%
Nob Hill Square	2.1%
Centre de Laguna	1.1%
Hampton Loft	1.3%
Lido Avenue	0.8%
Rhine Avenue	0.5%

Notes:

1. Based on gross rental for the month of December 2012. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.
2. For the financial year ended 31 December 2012.

Achievements and Awards

We believe by being responsible to our stakeholders and the communities that our malls operate, it will lead us to a sustainable business environment. Throughout the years, Fortune REIT has been working hard to earn recognitions in various aspects such as corporate governance, corporate social responsibility, customer service, branding and corporate communication. We are motivated to advance forward as the list of accolades constantly grows.

Corporate Governance

- “Hong Kong Corporate Governance Excellence Awards 2012 – Honorable Mention” in the Other Main Board & GEM Board Companies Category, presented by the Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance and Financial Policy of Hong Kong Baptist University to affirm the commitment of Fortune REIT in achieving the highest standard of corporate governance.
- “Hong Kong Best Mid-Cap Company” and “Most Committed to a Strong Dividend Policy in Hong Kong – the third rank” in the Asia’s Best Companies 2012 Poll conducted by FinanceAsia.
- “Best Investment Trust of the Year 2012 – the third rank” within the Top 100 Hong Kong Listed Companies Selection, jointly organized by Hong Kong’s authoritative financial media, Finet and China’s largest Chinese portal, Tencent.





Corporate Social Responsibility

- “Caring Company” organised by the Hong Kong Council of Social Service for the third consecutive years to recognise the Manager’s efforts in caring for the community, employees and the environment.
- “Hong Kong Smoke Free Leading Company – Grand Award” by Hong Kong Council on Smoking and Health, in recognition of Fortune REIT’s contribution to promoting a smoke-free culture.
- Fortune Metropolis and Provident Square have been accredited with the “Indoor Air Quality Certificate” provided under the Indoor Air Quality Certification Scheme managed by the Environmental Protection Department and Indoor Air Quality Information Centre.
- “U Green Awards 2011/12 – Excellence of Environmental Contributions” by U Magazine to honour Fortune REIT’s achievement in promoting environmental protection.

Customer Service and Branding

- “Capital Weekly Services Award 2012” under the category of property management by Capital Weekly magazine published by South China Media Limited.

Corporate Communication

- Fortune REIT’s 2011 Annual Report has won a silver award in the prestigious 2011 League of American Communications Professionals LLC Vision Award annual report competition.
- Fortune REIT’s 2011 Interim Report were honored as “Silver Winner: Design: Interim Report” in the Mercury Excellence Awards.
- Fortune REIT’s 2011 Annual Report was awarded a Bronze Award in the category of “Interior Design – REIT: Retail Shopping Centers” in the International Annual Report Competition Awards 2012.

Fortune REIT Cares



Fortune Malls are private housing estate retail properties catering to the day to day needs of the residents/ households from these communities. Apart from meeting their shopping needs, Fortune REIT is committed to making a positive difference by being an active community partner in these private housing estates. Throughout the years, Fortune REIT has been active in supporting a range of charitable cause, cultural and artistic activities and environmental initiatives to promote philanthropy, create economic and social opportunities, thus enhancing harmonious and sustainable relationship within these communities.



Supports restaurant that hires disabled people.



Red packets collection programme at Fortune Metropolis after Chinese New Year.





Free venues at Fortune Malls were provided to support NGO activities and visually impaired performers.



Staff participating in a charity walkathon organised by Lingnan University.



To provide more greenaries for public's enjoyment was one of the enhancement initiatives at Fortune City One Piazza.





Fortune REIT's Portfolio

The Manager's main objective for the property portfolio is to enhance rental returns through implementation of proactive lease management and asset enhancement initiatives.

Fortune REIT's Portfolio

Portfolio at A Glance

	(as at 31 December 2012)	Location	Gross Rentable Area (Sq.ft.)	Occupancy	Number of Car Parking Lots	Valuation (HK\$ million)	FY2012 Net Property Income (HK\$ million)
1	Fortune City One	Shatin	414,469	95.1%	658	5,365	196.0
2	Ma On Shan Plaza	Shatin	310,084	99.8%	290	3,801	166.1
3	Metro Town	Tseung Kwan O	180,822	100.0%	74	2,380	88.3
4	Fortune Metropolis	Hung Hom	332,168	98.5%	179	1,839	75.5
5	Belvedere Square	Tsuen Wan	276,862	99.4%	329	1,431	50.8
6	Waldorf Avenue	Tuen Mun	80,842	100.0%	73	1,268	52.5
7	Provident Square	North Point	180,238	99.8%	N.A.	786	28.5
8	Caribbean Square	Tung Chung	63,018	100.0%	117	716	27.9
9	Jubilee Square	Shatin	170,616	83.2%	97	551	17.6
10	Smartland	Tsuen Wan	123,544	99.5%	67	516	19.9
11	Tsing Yi Square	Tsing Yi	78,836	100.0%	27	463	19.6
12	Nob Hill Square	Kwai Chung	91,779	100.0%	43	381	16.2
13	Centre de Laguna	Kwun Tong	43,000	100.0%	N.A.	229	9.1
14	Hampton Loft	West Kowloon	74,734	100.0%	35	222	10.1
15	Lido Avenue	Tsuen Wan	9,836	100.0%	N.A.	153	6.1
16	Rhine Avenue	Tsuen Wan	14,604	100.0%	N.A.	107	4.1
Total/Overall Average			2,445,452	97.7%	1,989	20,208	788.3

1 置富第一城

Fortune City One



Key Statistics (as at 31 December 2012)

Location	No 1 and 2 Ngan Shing Street, No 8 Lok Shing Street and Various Ground Floor Shops of the Residential Towers, City One Shatin, Shatin, New Territories, Hong Kong		
Land Title	Government Leasehold until 30 June 2047	Purchase Price	HK\$2,559 million
Year of Completion	1981 – 1989	Market Valuation¹	HK\$5,365 million
Gross Rentable Area	414,469 Sq.ft.	Occupancy	95.1% (2011: 94.7%)
Car Park Lots	658	Gross Revenue²	HK\$270.5 million (2011: HK\$258.3 million)
Number of Tenants	259	Net Property Income	HK\$196.0 million

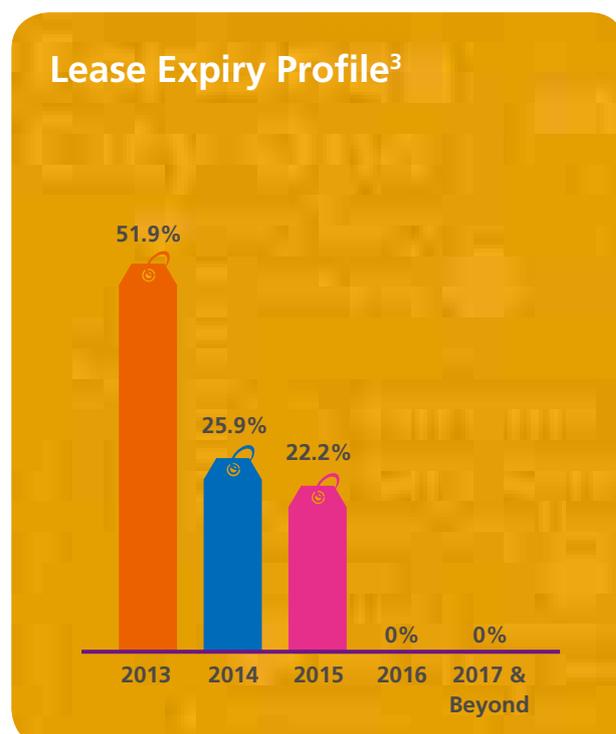
Tenant Trade Mix Analysis³

Banking & Real Estate Services	19.6%	Homeware & Home Furnishing	2.9%
Community Services	0.9%	Leisure & Entertainment, Sports & Fitness	0.4%
Electronics & IT	2.8%	Services & Education	23.5%
Fashion & Shoes	6.4%	Supermarkets	6.2%
Food & Beverages	26.7%	Wet Markets	4.3%
Gifts & Speciality, Hobbies, Toys, Jewellery	4.3%	Others	2.0%

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

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

	Top 5 Tenants	Trade Sector	% of Gross Rental ³
1	Park'N Shop	Supermarkets	4.8%
2	Bank of China (Hong Kong) Limited	Banking & Real Estate Services	4.4%
3	Centaline Property Agency Limited	Banking & Real Estate Services	3.7%
4	Fook Choi Seafood Restaurant	Food & Beverages	2.8%
5	Cambridge Nursing Home (City One) Limited	Services & Education	2.7%



Notes:

1. Valued by Knight Frank as at 31 December 2012.
2. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
3. Based on gross rental for the month of December 2012. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.

2 馬鞍山廣場

Ma On Shan Plaza



Key Statistics (as at 31 December 2012)

Location	No 608 Sai Sha Road, Ma On Shan, Shatin, New Territories, Hong Kong		
Land Title	Government Leasehold until 30 June 2047	Purchase Price	HK\$934 million
Year of Completion	1994	Market Valuation¹	HK\$3,801 million
Gross Rentable Area	310,084 Sq.ft.	Occupancy	99.8% (2011: 98.0%)
Car Park Lots	290	Gross Revenue²	HK\$218.5 million (2011: HK\$182.5 million)
Number of Tenants	150	Net Property Income	HK\$166.1 million

Tenant Trade Mix Analysis³

Banking & Real Estate Services	39.9%	Homeware & Home Furnishing	1.5%
Electronics & IT	2.2%	Leisure & Entertainment, Sports & Fitness	4.8%
Fashion & Shoes	9.1%	Services & Education	13.7%
Food & Beverages	13.9%	Supermarkets	6.3%
Gifts & Speciality, Hobbies, Toys, Jewellery	3.8%	Others	4.8%

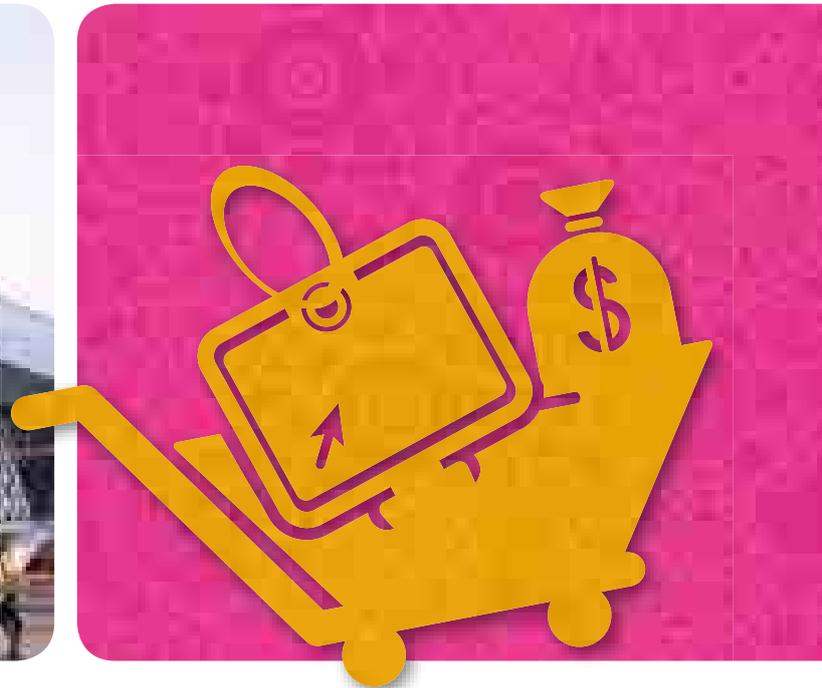
Ma On Shan Plaza is located in Ma On Shan, Shatin, New Territories, which is a well-established new town, and home to about 206,000 people. Ma On Shan Plaza is directly connected to Ma On Shan MTR Station and is easily accessible by public transportation with bus terminals, a public light bus terminal, and a taxi waiting area all located on its ground floor. Ma On Shan Plaza is part of the 1,102-unit Bayshore Towers residential complex and is linked to the adjacent 4,760-unit Sunshine City residential development, as well as the 5.5-hectare Ma On Shan Park, by a number of covered footbridges.

	Top 5 Tenants	Trade Sector	% of Gross Rental ³
1	Bank of China (Hong Kong) Limited	Banking & Real Estate Services	6.7%
2	Centaline Property Agency Limited	Banking & Real Estate Services	6.1%
3	Park'N Shop	Supermarkets	6.1%
4	Century 21	Banking & Real Estate Services	4.5%
5	Physical	Leisure & Entertainment, Sports & Fitness	4.3%



Notes:

1. Valued by Knight Frank as at 31 December 2012.
2. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
3. Based on gross rental for the month of December 2012. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.



Key Statistics (as at 31 December 2012)

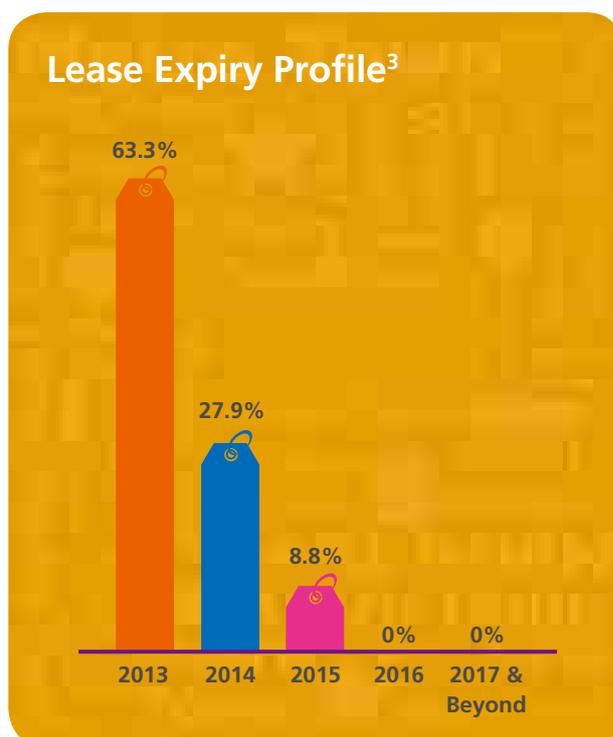
Location	No 8 King Ling Road, Tseung Kwan O, New Territories, Hong Kong		
Land Title	Government Leasehold until 10 February 2053	Purchase Price	HK\$1,452 million
Year of Completion	2006	Market Valuation¹	HK\$2,380 million
Gross Rentable Area	180,822 Sq.ft.	Occupancy	100.0% (2011: 99.4%)
Car Park Lots	74	Gross Revenue²	HK\$116.8 million (2011: HK\$108.4 million)
Number of Tenants	103	Net Property Income	HK\$88.3 million

Tenant Trade Mix Analysis³

Banking & Real Estate Services	22.8%	Homeware & Home Furnishing	1.0%
Electronics & IT	1.2%	Leisure & Entertainment, Sports & Fitness	1.2%
Fashion & Shoes	10.6%	Services & Education	22.0%
Food & Beverages	20.8%	Supermarkets	9.2%
Gifts & Speciality, Hobbies, Toys, Jewellery	5.6%	Others	5.6%

Metro Town is located on top of Tiu Keng Leng MTR Station which is an interchange for the Kwun Tong Line and the Tseung Kwan O Line. It is further connected via several pedestrian bridges to other large residential developments including Ocean Shore, Kin Ming Estate, Shin Ming Estate and Choi Ming Court, and institutions including Hong Kong Design Institute and Caritas Bianchi College of Careers. The ground floor of the mall links to a bus terminal connecting the Tiu Keng Leng area with other parts of Tseung Kwan O as well as the main urban areas of Hong Kong Island and Kowloon.

	Top 5 Tenants	Trade Sector	% of Gross Rental ³
1	Park'N Shop	Supermarkets	9.2%
2	Centaline Property Agency Limited	Banking & Real Estate Services	5.4%
3	Midland Realty	Banking & Real Estate Services	5.0%
4	Ricacorp Properties	Banking & Real Estate Services	4.7%
5	Ho Yin Seafood Restaurant	Food & Beverages	4.4%

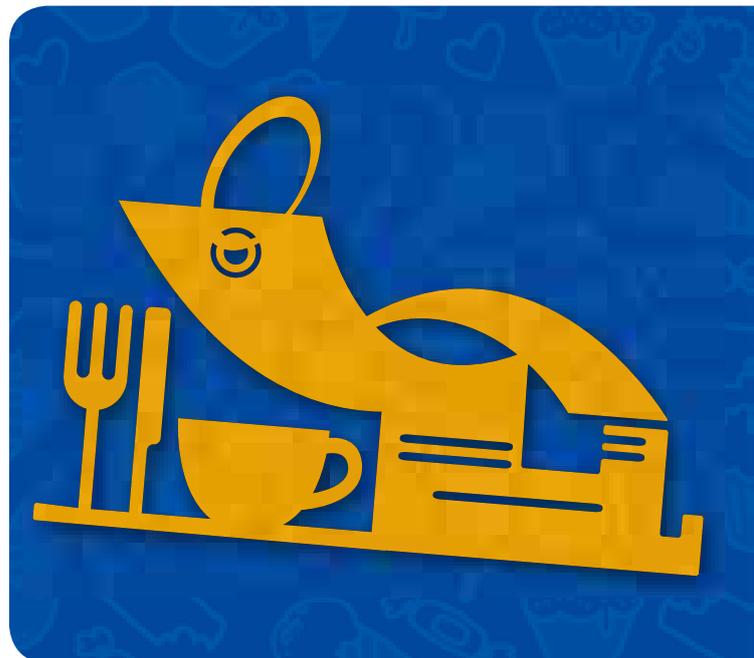


Notes:

1. Valued by Knight Frank as at 31 December 2012.
2. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
3. Based on gross rental for the month of December 2012. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.

4 置富都會

Fortune Metropolis



Key Statistics (as at 31 December 2012)

Location	No 6-10 Metropolis Drive, The Metropolis, Kowloon, Hong Kong		
Land Title	Government Leasehold until 30 June 2047	Purchase Price	HK\$1,464 million
Year of Completion	2001	Market Valuation¹	HK\$1,839 million
Gross Rentable Area	332,168 Sq.ft.	Occupancy	98.5% (2011: 92.0%)
Car Park Lots	179	Gross Revenue²	HK\$118.4 million (2011: HK\$108.8 million)
Number of Tenants	129	Net Property Income	HK\$75.5 million

Tenant Trade Mix Analysis³

Banking & Real Estate Services	31.2%	Homeware & Home Furnishing	2.1%
Fashion & Shoes	2.4%	Services & Education	17.4%
Food & Beverages	32.4%	Supermarkets	2.6%
Gifts & Speciality, Hobbies, Toys, Jewellery	5.9%	Others	6.0%

Fortune Metropolis is located in the established residential and commercial hub of Hung Hom in South Kowloon. It is the retail portion of The Metropolis, a 1.4 million Sq.ft. complex comprising a retail mall, an office tower, a hotel and serviced apartments. It is directly connected to Hung Hom MTR Station and is in close proximity to the East Tsim Sha Tsui MTR Station. Moreover, Fortune Metropolis is served by the Hung Hom bus terminal and a taxi station, with the Kowloon entrance of the Cross Harbour Tunnel just minutes away.

	Top 5 Tenants	Trade Sector	% of Gross Rental ³
1	Cheung Kong Property Development Limited	Banking & Real Estate Services	29.4%
2	Choi Fook Royal Banquet	Food & Beverages	8.7%
3	Hong Kong College of Technology	Services & Education	5.8%
4	Pacific Energy Limited	Food & Beverages	3.6%
5	International	Supermarkets	2.5%



Notes:

1. Valued by Knight Frank as at 31 December 2012.
2. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
3. Based on gross rental for the month of December 2012. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.

Fortune REIT's Portfolio

5 麗城薈

Belvedere Square



Key Statistics (as at 31 December 2012)

Location	No 530-590, 620 & 625 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong		
Land Title	Government Leasehold until 30 June 2047	Purchase Price	HK\$1,250 million
Year of Completion	1987 – 1991	Market Valuation¹	HK\$1,431 million
Gross Rentable Area	276,862 Sq.ft.	Occupancy	99.4%
Car Park Lots	329	Gross Revenue^{2,3}	HK\$76.3 million
Number of Tenants	100	Net Property Income³	HK\$50.8 million

Key Statistics (as at 31 December 2012)

Location	No 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong		
Land Title	Government Leasehold until 30 June 2047	Purchase Price	HK\$400 million
Year of Completion	1982	Market Valuation¹	HK\$1,268 million
Gross Rentable Area	80,842 Sq.ft.	Occupancy	100.0% (2011: 100.0%)
Car Park Lots	73	Gross Revenue²	HK\$67.4 million (2011: HK\$63.5 million)
Number of Tenants	48	Net Property Income	HK\$52.5 million

6 華都大道

Waldorf Avenue



7 和富薈

Provident Square



Key Statistics (as at 31 December 2012)

Location	No 21-53 Wharf Road, North Point, Hong Kong		
Land Title	Government Leasehold until 4 September 2071	Purchase Price	HK\$650 million
Year of Completion	1982 – 1984	Market Valuation¹	HK\$786 million
Gross Rentable Area	180,238 Sq.ft.	Occupancy	99.8%
Car Park Lots	–	Gross Revenue^{2,3}	HK\$46.9 million
Number of Tenants	48	Net Property Income³	HK\$28.5 million

Notes:

1. Valued by Knight Frank as at 31 December 2012.
2. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
3. Represents the period from 18 February 2012 to 31 December 2012.

8 映灣薈

Caribbean Square



Key Statistics (as at 31 December 2012)

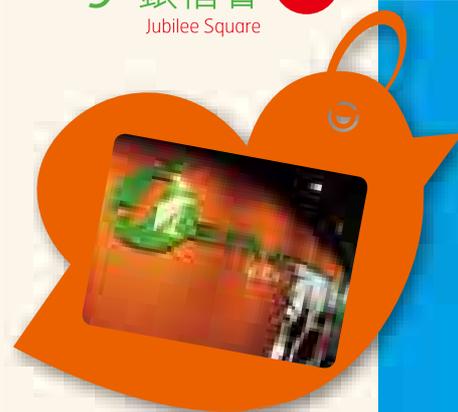
Location	No 1 Kin Tung Road, Tung Chung, New Territories, Hong Kong		
Land Title	Government Leasehold until 30 June 2047	Purchase Price	HK\$428 million
Year of Completion	2003	Market Valuation¹	HK\$716 million
Gross Rentable Area	63,018 Sq.ft.	Occupancy	100.0% (2011: 100.0%)
Car Park Lots	117	Gross Revenue²	HK\$40.3 million (2011: HK\$37.5 million)
Number of Tenants	41	Net Property Income	HK\$27.9 million

Key Statistics (as at 31 December 2012)

Location	No 2-18 Lok King Street, Fo Tan, Shatin, New Territories, Hong Kong		
Land Title	Government Leasehold until 30 June 2047	Purchase Price	HK\$218 million
Year of Completion	1986	Market Valuation¹	HK\$551 million
Gross Rentable Area	170,616 Sq.ft.	Occupancy	83.2% (2011: 98.0%)
Car Park Lots	97	Gross Revenue²	HK\$31.3 million (2011: HK\$30.7 million)
Number of Tenants	40	Net Property Income	HK\$17.6 million

9 銀禧薈

Jubilee Square



10 荃薈

Smartland



Key Statistics (as at 31 December 2012)

Location	No 16 Tsuen Wah Street, Tsuen Wan, New Territories, Hong Kong		
Land Title	Government Leasehold until 30 June 2047	Purchase Price	HK\$258 million
Year of Completion	1981	Market Valuation¹	HK\$516 million
Gross Rentable Area	123,544 Sq.ft.	Occupancy	99.5% (2011: 99.3%)
Car Park Lots	67	Gross Revenue²	HK\$34.0 million (2011: HK\$32.1 million)
Number of Tenants	93	Net Property Income	HK\$19.9 million

Notes:

1. Valued by Knight Frank as at 31 December 2012.
2. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.

Fortune REIT's Portfolio

11 青怡薈

Tsing Yi Square



Key Statistics (as at 31 December 2012)

Location	No 7-19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong		
Land Title	Government Leasehold until 30 June 2047	Purchase Price	HK\$230 million
Year of Completion	1986	Market Valuation¹	HK\$463 million
Gross Rentable Area	78,836 Sq.ft.	Occupancy	100.0% (2011: 100.0%)
Car Park Lots	27	Gross Revenue²	HK\$28.1 million (2011: HK\$26.6 million)
Number of Tenants	62	Net Property Income	HK\$19.6 million



Key Statistics (as at 31 December 2012)

Location	No 8 King Lai Path, Kwai Chung, New Territories, Hong Kong		
Land Title	Government Leasehold until 16 July 2048	Purchase Price	HK\$233 million
Year of Completion	2002	Market Valuation¹	HK\$381 million
Gross Rentable Area	91,779 Sq.ft.	Occupancy	100.0% (2011: 99.8%)
Car Park Lots	43	Gross Revenue²	HK\$25.3 million (2011: HK\$23.0 million)
Number of Tenants	61	Net Property Income	HK\$16.2 million

12 盈暉薈

Nob Hill Square



13 城中薈

Centre de Laguna



Key Statistics (as at 31 December 2012)

Location	No 93 and 99 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong		
Land Title	Government Leasehold until 30 June 2047	Purchase Price	HK\$135 million
Year of Completion	1992	Market Valuation¹	HK\$229 million
Gross Rentable Area	43,000 Sq.ft.	Occupancy	100.0% (2011: 100.0%)
Car Park Lots	–	Gross Revenue²	HK\$13.2 million (2011: HK\$12.7 million)
Number of Tenants	21	Net Property Income	HK\$9.1 million



Notes:

1. Valued by Knight Frank as at 31 December 2012.
2. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.

14 凱帆薈

Hampton Loft



Key Statistics (as at 31 December 2012)

Location	No 11 Hoi Fan Road, Kowloon, Hong Kong		
Land Title	Government Leasehold until 12 December 2049	Purchase Price	HK\$159 million
Year of Completion	2003	Market Valuation¹	HK\$222 million
Gross Rentable Area	74,734 Sq.ft.	Occupancy	100.0% (2011: 100.0%)
Car Park Lots	35	Gross Revenue²	HK\$13.4 million (2011: HK\$13.1 million)
Number of Tenants	3	Net Property Income	HK\$10.1 million



Key Statistics (as at 31 December 2012)

Location	No 41-63 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong		
Land Title	Government Leasehold until 30 June 2047	Purchase Price	HK\$75 million
Year of Completion	1989	Market Valuation¹	HK\$153 million
Gross Rentable Area	9,836 Sq.ft.	Occupancy	100.0% (2011: 100.0%)
Car Park Lots	–	Gross Revenue²	HK\$7.6 million (2011: HK\$6.8 million)
Number of Tenants	10	Net Property Income	HK\$6.1 million

15 麗都大道

Lido Avenue



Key Statistics (as at 31 December 2012)

Location	No 38 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong		
Land Title	Government Leasehold until 30 June 2047	Purchase Price	HK\$40 million
Year of Completion	1992	Market Valuation¹	HK\$107 million
Gross Rentable Area	14,604 Sq.ft.	Occupancy	100.0% (2011: 100.0%)
Car Park Lots	–	Gross Revenue²	HK\$5.7 million (2011: HK\$5.4 million)
Number of Tenants	4	Net Property Income	HK\$4.1 million

16 海韻大道

Rhine Avenue

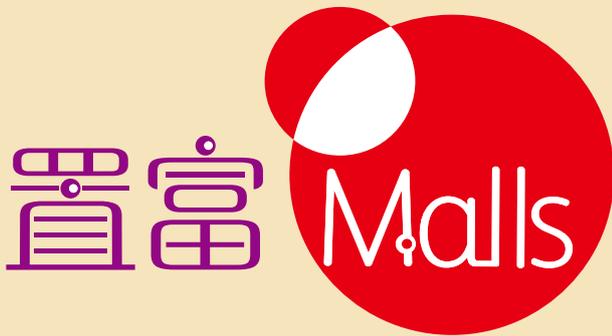


Notes:

1. Valued by Knight Frank as at 31 December 2012.
2. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.

Fortune REIT's Portfolio

Our Brand



Fortune in your everyday life

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

An added dimension to daily shopping

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

The Fortune Malls Logo

Fortune Malls shares the identity of the "red planet" icon as its master brand – Fortune REIT. The portrayal of a "small planet on a big planet" represents the idea of "sharing your world". Fortune Malls leads the brand with a new purple colour, which expresses a sense of welcoming and warmth to the identity. Different colours of Portfolio Malls embrace the unique ambience and feeling of individual malls. Under a more defined brand architecture, "Fortune REIT", the listed entity, heads the brand hierarchy and "Fortune Malls" will be the new bridging asset brand applied across all 16 malls under management. In addition, all individual malls have been given colourful new identities which share the same logo, but with different hues to reinforce the new Fortune Malls image.

The two flagship malls have been crowned "Fortune" in their names, namely "Fortune Metropolis" and "Fortune City One". By sharing the same red icon in their new identities, all our malls fulfill the Fortune Malls spirit – enriching family lives and making a positive difference to the community.

Portfolio Map

Flagship Malls

4
置富都會
Fortune Metropolis

1
置富第一城
Fortune City One

Portfolio Malls

2
馬鞍山廣場
Ma On Shan Plaza

3
都會駅
Metro Town

5
麗城薈
Belvedere Square

6
華都大道
Waldorf Avenue

7
和富薈
Provident Square

8
映灣薈
Caribbean Square

9
銀禧薈
Jubilee Square

10
荃薈
Smartland

11
青怡薈
Tsing Yi Square

12
盈暉薈
Nob Hill Square

13
城中薈
Centre de Laguna

14
凱帆薈
Hampton Loft

15
麗都大道
Lido Avenue

16
海韻大道
Rhine Avenue



Board of Directors and Senior Management



Board of Directors and Senior Management



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

Lim Lee Meng

Chiu Yu, Justina

*Chiu Kwok Hung,
Justin*

*Sng Sow-Mei
(alias Poon Sow Mei)*

Yeung, Eirene



Board of Directors

Chiu Kwok Hung, Justin

Chairman and Non-Executive Director

Dr. Chiu, aged 62, has been a Director of the Manager since the Manager's incorporation in 2003. He is the Chairman of the Manager. He is also the Chairman and Non-executive Director of ARA Asset Management Limited ("ARA"), the holding company of the Manager, the Chairman of ARA Trust Management (Suntec) Limited (the manager of Suntec REIT) and the Chairman of ARA Asset Management (Prosperity) Limited (the manager

of Prosperity REIT). Both ARA and Suntec REIT are listed on the Main Board of Singapore Exchange Securities Trading Limited ("SGX-ST") while Prosperity REIT is listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK"). Dr. Chiu is also a Director of ARA Fund Management (Asia Dragon) Limited as the manager of the ARA Asia Dragon Fund. Dr. Chiu serves as a member of the Standing Committee of the 12th Shanghai Committee of Chinese People's Political Consultative Conference of the People's Republic of China, and is a Fellow of The Hong Kong Institute of Directors, a Fellow of Hong Kong Institute of Real Estate Administrators and a member of the Board of Governors of Hong Kong Baptist University Foundation.

*Ip Tak Chuen,
Edmond*



*Lan Hong Tsung,
David*



*Ma Lai Chee,
Gerald*



Lim Hwee Chiang



*Ang Meng Huat,
Anthony*



Board of Directors and Senior Management

Dr. Chiu has more than 30 years of international experience in real estate in Hong Kong and various countries and is one of the most respected professionals in the property industry in Asia. Dr. Chiu is an Executive Director of Cheung Kong (Holdings) Limited (“**Cheung Kong**”), a company listed on the Main Board of SEHK. He joined Cheung Kong in 1997 and has been an Executive Director since 2000, heading the real estate sales, marketing and property management teams. Prior to joining Cheung Kong, Dr. Chiu was with Sino Land Company Limited from 1994 to 1997 and Hang Lung Development Company, Limited (now known as Hang Lung Group Limited) from 1979 to 1994 responsible for the leasing and property management in both companies. Both Sino Land Company Limited and Hang Lung Group Limited are listed on the Main Board of SEHK.

Dr. Chiu holds Bachelor degrees in Sociology and Economics from Trent University in Ontario, Canada. He has been awarded the degree of Doctor of Social Sciences, honoris causa by Hong Kong Baptist University. Dr. Chiu is the father of Ms. Chiu Yu, Justina, a Director of the Manager.

Lim Hwee Chiang

Non-Executive Director

Mr. Lim, aged 56, has been a Director of the Manager since April 2003. He is also the Group Chief Executive Officer and an Executive Director of ARA, the holding company of the Manager. He has been a Director of ARA since its establishment. He is also a Director of ARA Trust Management (Suntec) Limited (the manager of Suntec REIT), ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT), ARA-CWT Trust Management (Cache) Limited (the manager of Cache Logistics Trust), Am ARA REIT Managers Sdn Bhd (the manager of AmFIRST REIT) and Hui Xian Asset Management Limited (the manager of Hui Xian REIT). ARA, Suntec REIT and Cache Logistics Trust are listed on the Main Board of SGX-ST, Prosperity REIT and Hui Xian REIT are listed on the Main Board of SEHK and AmFIRST REIT is listed on the Main Board of Bursa Malaysia.

In addition, Mr. Lim is the Chairman of APM Property Management Pte. Ltd., Suntec Singapore International Convention & Exhibition Services Pte. Ltd. and the management council of The Management Corporation Strata Title Plan No. 2197 (Suntec City). Mr. Lim is also an

Independent Director of Teckwah Industrial Corporation Limited (“**Teckwah**”) which is listed on the Main Board of SGX-ST, and Non-executive Director of APN Property Group Limited which is listed in Australia. He is also a council member and the Chairman of the Property Management Committee of the Singapore Chinese Chamber of Commerce and Industry and a member of the Valuation Review Board of the Ministry of Finance of Singapore.

Mr. Lim has more than 30 years of experience in the real estate industry and is a recipient of multiple prestigious awards. His recent accolades include the Ernst & Young Entrepreneur of the Year Singapore 2012, Ernst & Young Entrepreneur of the Year – Financial Services 2012 and the Outstanding CEO of the Year 2011 at the Singapore Business Awards 2012. Together with the Board of Directors of ARA, he was also awarded the prestigious Best Managed Board (Gold) Award at the Singapore Corporate Awards 2012.

Mr. Lim holds a Bachelor of Engineering (First Class Honours) in Mechanical Engineering, a Master of Science in Industrial Engineering, as well as a Diploma in Business Administration, each from the National University of Singapore.

Ip Tak Chuen, Edmond

Non-Executive Director

Mr. Ip, aged 60, has been a Director of the Manager since 2003. He is a member of the Designated Committee of the Manager. Mr. Ip is also a Non-executive Director of ARA, the holding company of the Manager, a Director of ARA Trust Management (Suntec) Limited (the manager of Suntec REIT) and a Non-executive Director of Hui Xian Asset Management Limited (the manager of Hui Xian REIT). Both ARA and Suntec REIT are listed on the Main Board of SGX-ST while Hui Xian REIT is listed on the Main Board of SEHK.

Mr. Ip has been an Executive Director of Cheung Kong since 1993 and Deputy Managing Director since 2005, responsible for overseeing all financial and treasury functions of Cheung Kong and its subsidiaries, particularly in the fields of corporate and project finance. He has been an Executive Director of Cheung Kong Infrastructure Holdings Limited (“**CK Infrastructure**”) since its incorporation in 1996 and Deputy Chairman since

2003, and the Senior Vice President and Chief Investment Officer since 2002 and Executive Director since 2001 of CK Life Sciences Int'l., (Holdings) Inc. ("**CK Life Sciences**") respectively. He oversees matters relating to corporate finance, strategic acquisition and investment of both CK Infrastructure and CK Life Sciences. Mr. Ip is also a Non-executive Director of TOM Group Limited ("**TOM**"), AVIC International Holding (HK) Limited ("**AVIC**"), Real Nutriceutical Group Limited ("**Real Nutriceutical**") and Shougang Concord International Enterprises Company Limited ("**Shougang**"). Cheung Kong, CK Infrastructure, CK Life Sciences, TOM, AVIC, Real Nutriceutical and Shougang are listed on the Main Board of SEHK.

Prior to joining Cheung Kong, Mr. Ip held a number of senior financial positions in major financial institutions and has extensive experience in the Hong Kong financial market covering diverse activities such as banking, capital markets, corporate finance, securities brokerage and portfolio investments.

Mr. Ip holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration.

Yeung, Eirene

Non-Executive Director

Ms. Yeung, aged 52, has been a Director of the Manager since 2003. She is a member of the Disclosures Committee of the Manager. Ms. Yeung is also Director, Corporate Strategy Unit and Company Secretary of Cheung Kong and the Company Secretary of CK Infrastructure and CK Life Sciences. She is also the Alternate Director to Mr. Kam Hing Lam, the Group Managing Director of CK Infrastructure. Ms. Yeung joined Cheung Kong in 1994. She advises the Board on corporate strategy, and currently heads the corporate legal and secretarial team that oversees listing, regulatory and origination compliance, and advises and drives mergers and acquisitions, property investments and acquisitions, securities placement and investments, private equity investment, fund investment, bond and note issue and other financing exercises, as well as derivative and swap transactions and investment in structured products. Cheung Kong, CK Infrastructure and CK Life Sciences are listed on the Main Board of SEHK.

Prior to joining Cheung Kong, Ms. Yeung was in private practise at the law firms of Messrs. Robert W.H. Wang & Co and Deacons for a total of 10 years from 1984 to

1994 where she handled a wide spectrum of corporate and commercial legal work. She has been a solicitor of the High Court of the Hong Kong Special Administrative Region ("**HKSAR**") from 1986 and of the Supreme Court of Judicature in England and Wales from 1990.

Ms. Yeung is a member of the Board of Review (Inland Revenue Ordinance), a member of the Listing Committee of the Main Board and Growth Enterprise Market of SEHK, a member of the Companies Ordinance Rewrite Advisory Group, a member of the Advisory Board of the MBA Programmes of The Chinese University of Hong Kong ("**CUHK**") and a member of the Advisory Group on BBA-JD Programme of CUHK.

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

Ang Meng Huat, Anthony

Executive Director and Chief Executive Officer

Mr. Ang, aged 57, has been an Executive Director of the Manager since 2010. He is also the Chief Executive Officer and a Responsible Officer of the Manager.

Prior to joining the Manager, Mr. Ang was the Chief Executive Officer of ARA Managers (Asia Dragon) Pte. Ltd, which manages the ARA Asia Dragon Limited, the flagship US\$1.15 billion private equity fund of ARA and a responsible officer of ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT). Mr. Ang is currently a Board member of ARA Asia Dragon Limited. He is also a Director of Am ARA REIT Managers Sdn Bhd (the manager of AmFIRST REIT which is listed on the Main Board of Bursa Malaysia), an Independent Non-executive Director of Armstrong Industrial Corporation Limited ("**Armstrong**"), a leading precision engineering company listed on the Main Board of SGX-ST. Before joining ARA in 2006, Mr. Ang held various senior positions with GIC Real Estate Pte. Ltd, a global real estate fund management company; Vertex Management Pte Ltd, a Singapore-based global venture capital company; Majulah Connection Limited, a global business networking and consulting

Board of Directors and Senior Management

organization, and Armstrong. Mr. Ang began his career with the Singapore Economic Development Board where he served for 14 years, including 6 years in the United States as the Regional Director of their North American operations.

Mr. Ang holds a Bachelor of Science degree (Mechanical Engineering) with First Class Honours from the Imperial College, London University, and obtained a Master of Business Administration from the European Institution of Business Administration (INSEAD) in 1982 on a scholarship from the Singapore and French governments. He also attended the Strategic Marketing Programme (for Senior Executives) at Stanford University in 1992. Mr. Ang is a fellow of the Chartered Management Institute (United Kingdom).

Chiu Yu, Justina

Executive Director and Deputy Chief Executive Officer

Ms. Chiu, aged 32, was employed by the Manager from 2008 and has been an Executive Director since 2010. She is also the Deputy Chief Executive Officer and a Responsible Officer of the Manager, and also the Chairman of each of the Disclosures Committee and Designated Committee. She is responsible for the overall performance and direction of Fortune REIT. Prior to her current appointments, she was the Chief Operating Officer of the Manager overseeing strategic planning, investment, asset management and investor relations.

Ms. Chiu was previously with the Manager from 2003 to 2006, where she was involved in various functions of the Manager including finance, research and investment, asset management and investor relations.

Ms. Chiu holds a MSc in Real Estate Economics and Finance, a BSc in Accounting and Finance, a Postgraduate Certificate in Laws and a Postgraduate Diploma in Law. She is also a solicitor of the High Court of the HKSAR, a CFA Charterholder and a member of the American Institute of Certified Public Accountants. Ms. Chiu is a member of the 13th Changzhou Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. Ms. Chiu is the daughter of Dr. Chiu Kwok Hung, Justin, Chairman of the Manager.

Lim Lee Meng

Independent Non-Executive Director

Mr. Lim, aged 56, has been a Director of the Manager since 2003. He is an Independent Non-executive Director, the Chairman of the Audit Committee, a member of each of the Disclosures Committee and Designated Committee. He is also currently a senior partner of RSM Chio Lim, a member firm of RSM International. Mr. Lim is also an Independent Director of Teckwah, Tye Soon Ltd ("Tye Soon") and ARA Trust Management (Suntec) Limited (the manager of Suntec REIT). Teckwah, Tye Soon and Suntec REIT are all listed on the Main Board of SGX-ST. He also serves as the Chairman of the Audit Committee of Teckwah. Mr. Lim is also a practising member of the Institute of Certified Public Accountants of Singapore, an associate member of the Institute of Chartered Secretaries and Administrators and a member of the Singapore Institute of Directors. He is also the Chairman of Yio Chu Kang Citizen Consultative Committee and the Chairman of the finance committee of Ang Mo Kio - Yio Chu Kang Town Council. Mr. Lim is also a board member of the Casino Regulatory Authority of Singapore.

Mr. Lim graduated from the Nanyang University of Singapore with a Bachelor of Commerce (Accountancy) degree in May 1980. He also holds a Master of Business Administration degree from the University of Hull (1992), a Diploma in Business Law from the National University of Singapore (1989) and an ICSA qualification from the Institute of Chartered Secretaries and Administrators.

Sng Sow-Mei (alias Poon Sow Mei)

Independent Non-Executive Director

Mrs. Sng, aged 71, has been a Director of the Manager since 2003. She is an Independent Non-executive Director and a member of the Audit Committee. She is also an Independent Non-executive Director and a member of the Audit Committees of CK Infrastructure, Hutchison Port Holdings Management Pte Limited (the manager of Hutchison Port Holdings Trust ("HPH Trust")) and ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT), and an Independent Director and a member of the Audit Committee of ARA Trust Management (Suntec) Limited (the manager of Suntec REIT). HPH Trust and Suntec REIT are listed on the Main Board of SGX-ST, while CK Infrastructure and Prosperity REIT are listed on the Main Board of SEHK. Since 2001, Mrs. Sng has been a Senior Consultant (International

Business) of Singapore Technologies Electronics Ltd. Concurrently she is a Director of INFA Systems Ltd.

Prior to her appointments with Singapore Technologies Pte Ltd, where she was Director of Special Projects (North East Asia) in 2000 and a Consultant in 2001, Mrs. Sng was the Managing Director of CapitaLand Hong Kong Ltd for investment in Hong Kong and the region including Japan and Taiwan. In Hong Kong from 1983 to 1997, Mrs. Sng was the Centre Director and then Regional Director of the Singapore Economic Development Board and Trade Development Board respectively. She was Singapore's Trade Commissioner in Hong Kong from 1990 to 1997.

Mrs. Sng, who holds a Bachelor of Arts degree from the Nanyang University of Singapore, has wide experience in various fields of industrial investment, business development, strategic and financial management, especially in property investment and management. In 1996, Mrs. Sng was conferred the title of PPA (P) - Pingat Pentadbiran Awam (Perak), the Singapore Public Administration Medal (Silver).

Lan Hong Tsung, David

Independent Non-Executive Director

Mr. Lan, aged 72, has been a Director of the Manager since 2010. He is an Independent Non-Executive Director and a member of the Audit Committee. He is also an Independent Non-executive Director, the Chairman of the Audit Committee and a member of the Designated (Finance) Committee of ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT). Mr. Lan is also an Independent Non-executive Director of other listed companies in Hong Kong including CK Infrastructure Hold (in which he is a member of the Audit Committee), Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH") (in which he is a member of each of the Audit Committee and Remuneration Committee), Hutchison Harbour Ring Limited and SJM Holdings Limited. Mr. Lan is currently the Chairman of David H T Lan Consultants Ltd., Supervisor of Nanyang Commercial Bank (China), Limited and holds a directorship at Nanyang Commercial Bank Ltd. as well as being a Senior Advisor of Mitsui & Co. (H.K.) Ltd.

Mr. Lan was the Secretary for Home Affairs of the Government of the Hong Kong Special Administrative Region until his retirement in July 2000. He had served as civil servant in various capacities for 39 years and was awarded the Gold Bauhinia Star Medal (GBS) on 1 July 2000. In January 2003, he was appointed as National Committee Member of the Chinese People's Political Consultative Conference of the People's Republic of China. Mr. Lan is a Chartered Secretary and a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

Mr. Lan received his Bachelor of Arts degree from the University of London and completed the Advanced Management Program (AMP) of the Harvard Business School, Boston. He was also awarded Fellow, Queen Elizabeth House (Oxford).

Ma Lai Chee, Gerald

Alternate Director to Ip Tak Chuen, Edmond

Mr. Ma, aged 45, has since April 2008 been an Alternate Director to Mr. Ip Tak Chuen, Edmond, a Director of the Manager. He is currently Director, Corporate Strategy Unit and Chief Manager, Corporate Business Development at Cheung Kong. He also serves as a Non-executive Director and a manager of the Designated (Finance) Committee of ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT). Mr. Ma is an Alternate Director to Mr. Ip Tak Chuen, Edmond, Director of ARA Trust Management (Suntec) Limited (the manager of Suntec REIT) and an Alternate Director to Mr. Lai Kai Ming, Dominic, Non-executive Director of HTHKH.

Mr. Ma has over 23 years of experience in banking, investment and portfolio management, real estate development and marketing, as well as managing IT related ventures and services. He is a member of the Hospitality Services Committee of Caritas Hong Kong. He is also a member of the President's Circle, the Dean's Advisory Board for the Faculty of Arts and the China Advisory Council for the Sauder School of Business of the University of British Columbia, Canada ("UBC"). He holds a Bachelor of Commerce degree in Finance and a Master of Arts degree in Global Business Management.

Board of Directors and Senior Management

Senior Management

Ang Meng Huat, Anthony

Chief Executive Officer

Mr. Ang is the Chief Executive Officer of the Manager. Biographical information of Mr. Ang is set out in the previous section of Board of Directors, of which he is a member.

Chiu Yu, Justina

Deputy Chief Executive Officer

Ms. Chiu is the Deputy Chief Executive Officer of the Manager. Biographical information of Ms. Chiu is set out in the previous section of Board of Directors, of which she is a member.

The Chief Executive Officer and Deputy Chief Executive Officer of the Manager are jointly responsible for working with the Board of Directors to determine the strategy for Fortune REIT. They are also responsible for the day-to-day operations of Fortune REIT, investment proposals, strategic planning and marketing. The roles of the Chief Executive Officer and Deputy Chief Executive Officer will be performed in the Manager's offices in Singapore and in Hong Kong respectively, where they will work with the other members of the Manager's asset management, investment, investor relations, legal, financial and compliance personnel in meeting the investment objectives of Fortune REIT.

Hung Yuen Chun, Jenny

Director, Investment and Investor Relations

Ms. Hung joined the Manager in 2006. She is the Director, Investment and Investor Relations and a Responsible Officer of the Manager. Ms. Hung is responsible for communicating and liaising with Unitholders and investors of Fortune REIT. Ms. Hung is also responsible for identifying and evaluating potential acquisitions or divestments which are consistent with the Manager's investment strategy.

Ms. Hung has more than 10 years experience in the real estate industry with exposure to the Hong Kong and People's Republic of China ("PRC") markets. Prior to joining the Manager, Ms. Hung worked with Cheung Kong from 2000 to 2006 as Assistant Manager, Market Research. She was involved in market analysis and formulation of marketing strategies for the launch of new residential projects as well as undertaking feasibility studies, deal structuring and negotiations for potential investments in Hong Kong and PRC. From 1999 to 2000, Ms. Hung was the Manager, Valuation Advisory Services in Jones Lang LaSalle.

Ms. Hung holds a Bachelor of Science degree in Surveying (First Class Honours) from the University of Hong Kong. She is a qualified General Practice Surveyor and an associate member of the Hong Kong Institute of Surveyors.

Lau Wing Han, Vivian

Senior Manager, Asset Management

Ms. Lau joined the Manager in 2009. She is the Senior Manager, Asset Management and a Responsible Officer of the Manager. Ms. Lau is responsible for the property management and strategic planning of the properties.

Prior to joining the Manager, Ms. Lau was the assistant general manager of a local developer, responsible for the overall performance of a portfolio of properties, including shopping arcades and retail space, commercial offices and service apartments in Hong Kong. She has also worked in the Real Estate Department and as head of the Collateral Appraisal Department of Hang Seng Bank Limited for over 8 years, where she acquired experience in property management, building renovation, marketing and leasing of bank and non-bank properties, and mortgage valuations.

Ms. Lau holds a Master Degree of Housing Management and is a qualified General Practice Surveyor and an associate member of the Hong Kong Institute of Surveyors and a member of the Hong Kong Institute of Housing.

Yap Shee Liam, William

Senior Finance Manager

Mr. Yap joined the Manager in 2012. He heads the finance team and oversees the functions on all accounting, finance, treasury matters pertaining to Fortune REIT.

From 2008 to 2012, Mr. Yap was the Deputy Financial Controller of a company listed on SEHK with principal activities of property development, property investment, investment in and operation of hotels and restaurants. Mr. Yap served as an auditor with Messrs. Deloitte Touche Tohmatsu from 1997 to 2008.

Mr. Yap is a member of the Hong Kong Institute of Certified Public Accountants. He holds a Bachelor Degree in Business Administration with major in Accounting from Hong Kong Baptist University.

Corporate Governance Policies

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

With the objectives of establishing and maintaining high standards of corporate governance, certain policies and procedures have been put in place to promote the operation of Fortune REIT in a transparent manner and with built-in checks and balances. The Manager has adopted a compliance manual ("**Compliance Manual**") which sets out the key processes, systems, measures, and certain corporate governance policies and procedures applicable for governing the management and operation of Fortune REIT and for compliance with the applicable Hong Kong regulations and legislation. As Fortune REIT is a real estate investment trust with dual primary listing of its units in Singapore and Hong Kong, Fortune REIT and/or the Manager are subject to the laws, rules and regulations in Singapore and Hong Kong applicable to Fortune REIT and/or the Manager (the "**Applicable Rules**"), corporate governance practices and policies referred to in the Singapore Code of Corporate Governance 2005 ("**Singapore Code**") and the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on SEHK (the "**Hong Kong Listing Rules**"), where applicable. The Manager confirmed that



it has in material terms complied with the provisions of the Compliance Manual and has adhered to the principles and guidelines set out in the Singapore Code and the CG Code which are applicable to Fortune REIT and/or the Manager throughout the Reporting Year. Set out below is a summary of the key components of the corporate governance policies that have been adopted and complied with by the Manager and/or Fortune REIT.

During the Reporting Year, the Compliance Manual and the Trust Deed had been amended to expressly allow, among other things, the use of electronic means and Fortune REIT's website for corporate communication to Unitholders which comply with Rule 2.07A of the Hong Kong Listing Rules as if they were applicable to the real estate investment trusts authorised by the Securities and Futures Commission (the "SFC"). The Compliance Manual had also been amended as follows: (i) by adding new terms of reference of the board of directors of the Manager (the "Board") in respect of corporate governance functions in line with the applicable CG Code, and (ii) by including new criteria in assessing the independence of Independent Non-executive Directors of the Manager and modifying the terms of reference of the Audit Committee of the Manager in line with the recommendations of the Singapore Code as revised by the Monetary Authority of Singapore ("MAS") on 2 May 2012 (the "2012 Singapore Code") and takes effect for Fortune REIT and the Manager from the financial year commencing 1 January 2013.

Authorization Structure

Fortune REIT is a collective investment scheme authorized by:

- (i) The MAS under Section 321 of the Securities and Futures Act (Cap. 289) (the "SFA") and regulated by the provisions of the Code on Collective Investment Schemes (the "CIS"); and
- (ii) the SFC under section 104 of the Securities and Futures Ordinance (Cap. 571) (the "SFO") and regulated by the provisions of the Code on Real Estate Investment Trusts (the "REIT Code").

The Manager is licensed by the SFC to conduct the regulated activity of asset management (Type 9) under Part V of the SFO. Mr. Ang Meng Huat, Anthony, Ms. Chiu Yu, Justina, Ms. Hung Yuen Chun, Jenny and Ms. Lau Wing Han, Vivian are the Responsible Officers of the Manager pursuant to the requirements of section 125 of the SFO and Chapter 5.4 of the REIT Code. Mr. Ang Meng Huat, Anthony and Ms. Chiu Yu, Justina are Executive Directors of the Manager pursuant to the requirements of section 125 of the SFO.

The Trustee is qualified to act as a trustee for collective investment schemes authorized under the SFO pursuant to the REIT Code.

Roles of The Trustee and The Manager

The Trustee and the Manager are independent of each other. The Trustee is responsible under the Trust Deed for the safe custody of the assets of Fortune REIT on behalf of the Unitholders. The Manager's role under the Trust Deed is to manage Fortune REIT in accordance with the Trust Deed and, in particular, to ensure that the financial and economic aspects of the assets of Fortune REIT are professionally managed in the sole interest of the Unitholders. The Manager gives recommendations to the Trustee on acquisitions, divestments and enhancement of assets of Fortune REIT in accordance with the stated investment strategy of Fortune REIT.

Board of Directors of the Manager

The Board is responsible for corporate governance and the overall management of the Manager including establishing goals for management and monitoring the achievement of these goals. All Board members participate in matters relating to corporate governance, business operations and risks, financial performance and the nomination and review of the performance of Directors. The Board has established a framework for the management of Fortune REIT and the Manager, including a system of internal control and business risk management processes.

Corporate Governance Policies

The Board meets to review the Manager's key activities. Board meetings are held once every quarter (or more often if necessary) to discuss and review the strategies and policies of Fortune REIT, including any significant acquisitions and disposals, the annual budget, the financial performance of Fortune REIT and to approve the release of the quarterly, half year and full year results. The Board also reviews the risks to the assets of Fortune REIT, and acts upon any comments from the auditors of Fortune REIT ("the **Auditors**"). Where necessary, additional Board meetings would be held to address significant transactions or issues. In lieu of physical meetings, written resolutions are also circulated for approval by the Board.

The Board also reviews major financial decisions and the performance of the Manager. Subject to the matters specifically reserved for the Board as set out in the Compliance Manual, the Board delegates day-to-day management and certain supervisory functions to relevant management teams and committees of the Board.

The Board presently comprises nine members, seven of whom are Non-Executive Directors. Three of the Non-Executive Directors are Independent Non-Executive Directors ("**INEDs**"). The composition of the Board is determined using the following principles:

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

The Board comprises persons who as a group provide core competencies, such as business and management experience, finance, legal and fund management experience necessary and critical to meet the Manager's objectives. The composition of the Board is reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience.

The independence of Directors is reviewed upon appointment and thereafter the Board also reviews the independence of INEDs annually based on the independence criteria set out in the Compliance Manual and the Applicable Rules. The Board has received annual written confirmations from Mr. Lim Lee Meng, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Mr. Lan Hong Tsung, David of his/her independence pursuant to the "Criteria

for Independence of INEDs" as set out in the Compliance Manual. The Board has determined that Mr. Lim Lee Meng, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Mr. Lan Hong Tsung, David are independent in character and judgment and that there are no relationships or circumstances which are likely to affect, or could appear to affect their judgment and no individual or small group of individuals dominates the Board's decision-making process.

The independence of Mr. Lim Lee Meng and Mrs. Sng Sow-Mei (alias Poon Sow Mei), who have served on the Board for more than nine years from the date of their first appointment, has been subject to particularly rigorous review. The Board has determined that they continue to be independent in character and judgment and continue to contribute objectively and positively to the Board process. The Board acknowledges and recognizes the benefits of the experience and stability brought by the long-serving Directors, and remains committed to a progressive renewal of its Board membership.

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

The positions of Chairman and Chief Executive Officer ("**CEO**") are held by two different persons in order to maintain an effective segregation of duties. The Chairman of the Board is Dr. Chiu Kwok Hung, Justin who is a Non-Executive Director. The CEO and Deputy CEO are Mr. Ang Meng Huat, Anthony and Ms. Chiu Yu, Justina respectively, both of whom are Executive Directors and Responsible Officers.

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

All Directors are provided with regular updates on changes in the relevant laws and regulations to enable them to make well-informed decisions in discharging their duties and responsibilities. Directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skill to ensure that their contributions to the Board remain informed and relevant. The Manager provides the Directors with information on the relevant external training courses and their attendance records of external training will be kept and provided to the Manager as and when required.

The Board is of the view that there are sufficient safeguards and checks to ensure that the decision-making process of the Board is independent and based on the collective decision of the Directors without any concentration of power or influence residing in any individual.

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

As the Manager is not itself a listed company, the Manager does not consider it necessary for the Board to establish a Nominating Committee. A director of the Board is appointed on the principles outlined earlier in this report, and his/her ability to contribute to the proper guidance of the Manager in its management of Fortune REIT.

The Manager believes that contributions from each Director go beyond his/her attendances at Board and Board committee meetings.

Management provides the Board with timely and adequate information on Board matters and issues requiring the Board's deliberations. Management also provides monthly updates to the Board on Fortune REIT's performance. All Directors are also provided with ongoing reports relating to the operational and financial performance of Fortune REIT to enable them to exercise effective oversight over Fortune REIT's operational and financial performance.

Board meetings for each year are scheduled in advance to facilitate Directors' individual administrative arrangements in respect of ongoing commitments. Board papers are generally circulated at least three days in advance of each meeting and include background

explanatory information to enable the Directors to make informed decisions. Such explanatory information may also be in the form of briefings to the Directors or formal presentations by senior management staff in attendance at Board meetings, or by external professionals.

The Board has separated and independent access to the Company Secretaries and to senior management staff at all times. At least one of the Company Secretaries, or their authorized designate(s), will attend all meetings of the Board and Board committees and prepares minutes of board proceedings. They assist the Chairman to ensure that Board procedures are followed and are regularly reviewed to ensure the effective functioning of the Board and compliance with relevant rules and regulations. The Company Secretaries also assist the Chairman and the Board to implement and strengthen corporate governance practices and processes with a view to enhancing long-term Unitholder value.

Where the Directors require independent professional advice in the course of their duties, such advice would be provided at the Manager's expense.

Subsequent to publication of the Interim Report 2012 of Fortune REIT, the Manager received notifications regarding the following changes of Directors' information:

1. Dr. Chiu Kwok Hung, Justin has become a member of the Standing Committee of the 12th Shanghai Committee of Chinese People's Political Consultative Conference of the PRC and has been awarded the degree of Doctor of Social Sciences, honoris causa by Hong Kong Baptist University.
2. Mr. Lim Hwee Chiang has become the Chairman of the Property Management Committee of the Singapore Chinese Chamber of Commerce and Industry.
3. Ms. Yeung, Eirene has become a member of the Advisory Board of the MBA Programmes of CUHK.
4. Mr. Ang Meng Huat, Anthony ceased to be a Council Member of Chartered Management Institute Singapore with effect from 16 June 2012.
5. Mr. Lim Lee Meng has become a board member of the Casino Regulatory Authority of Singapore.
6. Mr. Ma Lai Chee, Gerald ceased to be a member of the Finance Committee for The Scout Association of Hong Kong with effect from 7 November 2012 and has been appointed as a member of the China Advisory Council for the Sauder School of Business of UBC with effect from 12 November 2012.

Corporate Governance Policies

Four board meetings of the Manager were held in the year ended 31 December 2012 and the attendance record of the Board meetings is as follows:

Members of the Board		Attendance
Chairman and Non-Executive Director	Dr. Chiu Kwok Hung, Justin	4/4
CEO and Executive Director	Mr. Ang Meng Huat, Anthony	4/4
Deputy CEO and Executive Director	Ms. Chiu Yu, Justina	4/4
Non-Executive Directors	Mr. Lim Hwee Chiang	4/4
	Mr. Ip Tak Chuen, Edmond	3/4
	Ms. Yeung, Eirene	4/4
Independent Non-Executive Directors	Mr. Lim Lee Meng	4/4
	Mrs. Sng Sow-Mei (alias Poon Sow Mei)	4/4
	Mr. Lan Hong Tsung, David	4/4

The attendance record of Mr. Ip Tak Chuen, Edmond by his alternate is as follows:

Name of Alternate Director	Attendance
Mr. Ma Lai Chee, Gerald	1/4

Apart from the regular Board meetings, the Chairman also held one meeting with the Non-Executive Directors (including Independent Non-Executive Directors) without the presence of Executive Directors during the Reporting Year.

Audit Committee

The Board has established an Audit Committee with clear terms of reference to assist it in discharging its responsibilities. The terms of reference of the Audit Committee had been amended to be in line with the recommendations of the 2012 Singapore Code. The role of the Audit Committee is to, among other things, safeguard the assets of the Manager and Fortune REIT, maintain adequate accounting records, develop and maintain an effective system of internal controls and risk management, ensure integrity of financial statements and provide arrangements whereby concerns on financial improprieties or, other matters raised by "whistle-blowers" are investigated and appropriate follow up action taken. The Audit Committee meets

with the internal and external Auditors, without the presence of the management, at least once annually. Both the external Auditors and the internal Auditor have confirmed that for the Reporting Year, they had received full co-operation of the management and no restrictions have been placed on the scope of audit.

The Audit Committee presently comprises three INEDs, namely Mr. Lim Lee Meng, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Mr. Lan Hong Tsung, David. Mr. Lim Lee Meng is the Chairman of the Audit Committee. All members of the Audit Committee have many years of experience in senior management positions. The Board is of the view that the Audit Committee members, having accounting and related financial management expertise or experience, are appropriately qualified to discharge their responsibilities.

The Audit Committee has undertaken a review of the aggregate amount of fees paid to the external Auditors for the Reporting Year and the breakdown of the fees paid in total for audit and non-audit services respectively. It is satisfied that such non-audit services would not, in the Audit Committee's opinion, affect the independence of the external Auditors. The external Auditors have also affirmed their independence in this respect to the Audit Committee. The Audit Committee, with the concurrence of the Board, has recommended the re-appointment of

Deloitte & Touche LLP and Deloitte Touche Tohmatsu as external Auditors at the forthcoming Annual General Meeting (“AGM”) of Fortune REIT. Fortune REIT complies with Rules 712 and 715 of the Listing Manual of the SGX-ST in relation to the external Auditors. Rule 716 of the Listing Manual of the SGX-ST is not applicable as the same auditing firm is appointed for Fortune REIT and its subsidiaries.

In addition, the Audit Committee has also undertaken to review, on a half-yearly basis, dealings by the Manager and Directors pursuant to the Code Governing Dealings in Units by Directors or the Manager (the “Units Dealing Code”) and the conduct and performance of the Directors or members of the governing bodies of the special purpose vehicles of Fortune REIT.

The Audit Committee also assesses the independence of the INEDs annually. The Audit Committee has reviewed the independence of the INEDs for the Reporting Year and is satisfied that none of them are related and have any relationship with the Manager or its related companies or its officers who could interfere or to be reasonably perceived to interfere with the exercise of their independent judgments.

Four Audit Committee meetings were held in the Reporting Year. The attendance record of the Audit Committee meetings is as follows:

Members of the Audit Committee	Attendance
Mr. Lim Lee Meng	4/4
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	4/4
Mr. Lan Hong Tsung, David	4/4

The Audit Committee met four times with the external Auditors for reviewing the financial report and accounts of Fortune REIT during the Reporting Year.

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

The Audit Committee has put in place a whistle blowing policy, which has been extended to persons other than staff of the Manager as recommended by the 2012 Singapore Code. Under this policy, the Audit Committee reviews arrangements by which staff of the Manager and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The policy provides a communication channel for all employees of the Manager, as well as any other persons, who may in confidence raise concerns about possible improprieties and obstructive action within the Manager. The policy also protects complainants from reprisals or victimization when they whistle-blow in good faith and without malice. The objective is to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. Details of the whistle-blowing programme and arrangements have been made available to all employees of the Manager. The description of the policy is also available on the Manager’s website to facilitate participation by other persons. There have been no whistle-blowing incidents reported during the Reporting Year.

Disclosures Committee

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

The Disclosures Committee presently comprises three members, namely Ms. Yeung, Eirene, a Non-Executive Director, Ms. Chiu Yu, Justina, Deputy CEO and an Executive Director and Mr. Lim Lee Meng, an INED. Ms. Chiu Yu, Justina, is the Chairman of the Disclosures Committee.

Four Disclosures Committee meetings were held in the Reporting Year. The attendance record of the Disclosures Committee meetings is as follows:

Members of the Disclosures Committee	Attendance
Ms. Yeung, Eirene	4/4
Ms. Chiu Yu, Justina	4/4
Mr. Lim Lee Meng	4/4

Corporate Governance Policies

Designated Committee

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

The Designated Committee presently comprises three members, namely Mr. Ip Tak Chuen, Edmond, a Non-Executive Director, Ms. Chiu Yu, Justina, Deputy CEO and an Executive Director, and Mr. Lim Lee Meng, an INED. Ms. Chiu Yu, Justina is the Chairman of the Designated Committee.

One Designated Committee meeting was held in the Reporting Year and all the members had attended the meeting.

Remuneration Matters

Fortune REIT, as a trust, is externally managed by the Manager which has experience and well-qualified management personnel to manage the operational matters of the Manager and Fortune REIT. Fortune REIT does not employ any staff itself.

Remuneration of the Directors, employees and officers of the Manager are not paid out of the trust property of Fortune REIT, but are paid directly by the Manager from the fees it receives. The Manager adopts the remuneration policies and practices of its holding company, ARA Asset Management Limited, which has a remuneration committee that determines and recommends to the Manager's Board the remuneration framework of the Directors and key management personnel.

Internal Controls

The Manager has put in place a system of internal controls and the relevant procedures and processes to safeguard Fortune REIT's assets, Unitholders' interests as well as to manage risks. The Board through the Audit Committee reviews the adequacy and effectiveness of the Manager's and Fortune REIT's internal controls including financial, operational, compliance and information technology controls and risk management policies and systems. The Audit Committee also reviews the adequacy of resources, qualifications and working experience of the Manager's

staff carrying out Fortune REIT's accounting and financial reporting functions, their training programmes and budget.

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

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

Risk Assessment and Management of Business Risk

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

The Board meets quarterly or more often if necessary and reviews the financial performance of Fortune REIT. The Board also reviews the risks to the assets and operations of Fortune REIT, and acts upon any comments from the Auditors. In assessing business risk, the Board considers the economic environment and the property industry risk. The management meets weekly to review the operations of Fortune REIT and discuss continuous disclosure issues.

Key risks, control measures and management actions are continually identified, reviewed and monitored by the management as part of Fortune REIT's enterprise-wide risk management framework. This framework was enhanced during the Reporting Year in compliance with the guidelines on risk management and internal controls of the 2012 Singapore Code. The internal Auditor assists and guides the management in the formulation of risk policies and processes to effectively identify evaluate and manage significant risks.

The Manager has established a risk identification and management framework. In Fortune REIT, risks are proactively identified and addressed. The ownership of these risks lies with the respective business and corporate executive heads with stewardship residing with the Board.

Action plans to manage the risks are continually being monitored and refined by management and the Board. Internal Auditor conducts audits to review the risk management framework and assess the effectiveness of the material internal control systems in Fortune REIT including material financial, operational and compliance controls. Any material non-compliance or lapses in internal controls together with corrective measures are reported to the Audit Committee. Additionally, in performing their audit of the financial statements, the external Auditors perform tests over operating effectiveness of certain controls that the Auditors intend to rely on that are relevant to Fortune REIT's preparation of its financial statements. The external Auditors report any significant deficiencies in such internal controls to the Audit Committee.

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

The Board has received assurance from the Chief Executive Officer and Senior Finance Manager of the Manager that the financial records have been properly maintained and that the financial statements give a true and fair view of the Fortune REIT's operations and finances. The Board has also received assurance from the Chief Executive Officer and Senior Finance Manager of the Manager regarding

the effectiveness of the Fortune REIT's risk management and internal control systems of Fortune REIT and the Manager.

Conflicts of Interest

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

- (a) The Manager is a dedicated manager to Fortune REIT and does not manage any other real estate investment trust which invests in the same type of properties as Fortune REIT or be involved in any other property business.
- (b) The entry into any connected party transaction of Fortune REIT must be reviewed and/or approved by the Audit Committee by a majority vote.
- (c) At least one-third of the Board shall comprise INEDs.

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

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

Under the Trust Deed, any Unitholder shall be prohibited from voting its own Units at, or being counted in the quorum for, a meeting at which it has a material interest in the business to be conducted and that interest is different from the interests of other Unitholders (as determined by the Manager, where the Unitholder

Corporate Governance Policies

concerned is not a connected person related to the Manager, or the Trustee, where the Unitholder concerned is not a connected person related to the Trustee, if appropriate, in its absolute opinion) including an issue of new Units where a Unitholder may increase its holdings of Units by more than its pro rata share.

Interests of, and Dealings in Units by Directors, the Manager or the Significant Unitholders

The Manager has adopted the Units Dealing Code governing dealings in the securities of Fortune REIT by Directors, the Manager and senior executives, officers or other employees of the Manager (collectively, the “**Management Persons**”), on terms no less exacting than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Hong Kong Listing Rules. Pursuant to the Units Dealing Code, Management Persons wishing to deal in any securities of Fortune REIT must first have regard to the provisions of Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct, as if the SFO applies to the securities of Fortune REIT. In addition, Management Persons must not make any unauthorised disclosure of confidential information or make any use of such information for the advantage of himself, itself or others.

Management Persons who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which constitute notifiable transactions under Chapter 14 of the Hong Kong Listing Rules or any connected party transactions under the REIT Code or any price-sensitive information must refrain from dealing in the securities of Fortune REIT as soon as they become aware of or privy to them until proper disclosure of the information in accordance with the Applicable Rules is made. Management Persons who are privy to relevant negotiations or agreements or any price-sensitive information should caution those Management Persons who are not so privy that there may be unpublished price-sensitive information and that they must not deal in the securities of Fortune REIT for a similar period.

Similarly, where the Manager is in possession of any unpublished price-sensitive information, it must refrain from dealing in the securities of Fortune REIT as soon as it becomes aware of them or privy to until proper disclosure of the information in accordance with the Applicable Rules is made.

Pursuant to the Units Dealing Code, the Management Persons must not deal in any securities of Fortune REIT on any day on which Fortune REIT’s financial results are published and:

- (a) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (b) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results;

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

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

The Manager has also adopted a policy for dealings in Fortune REIT’s units pursuant to the provisions of the Listing Rules of the SGX-ST which has to be concurrently complied with together with the Units Dealing Code. Management Persons are prohibited from dealing in Fortune REIT’s units:

- (i) during the period commencing one month before the release of Fortune REIT’s annual, semi-annual and as applicable, quarterly results and (where applicable) property valuation and ending on the date of announcement of the relevant results;
- (ii) at any time whilst in possession of price-sensitive information; and
- (iii) or short-term considerations.

The Manager has complied with Rule 1207(19) of the Listing Manual of the SGX-ST.

In addition, the Manager has given an undertaking to the MAS that:

- (i) it will announce to the SGX-ST the particulars of its holdings in the units and any changes thereto within two business days after the date on which it acquires or disposes of any units, as the case may be; and
- (ii) it will not deal in the units during the period commencing one month before the public announcement of Fortune REIT's annual, semi-annual and as applicable, quarterly results and (where applicable) property valuation, and ending on the date of announcement of the relevant results.

With effect from 19 November 2012, the Manager will announce to SGX-ST any changes to its holdings in the units, as soon as practicable and not later than the end of the business day after the date on which it acquires or disposes of any units, as the case may be.

The Manager has also adopted procedures for monitoring the disclosure of interests by Directors, the chief executive of the Manager (the "Chief Executive") and the Manager. The relevant provisions of the SFO and the applicable Singapore rules and regulations shall be deemed to apply to the Manager, the Directors, the Chief Executive and each Unitholder and all persons claiming through or under him.

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

Communication between Fortune REIT's Hong Kong and Singapore Offices

As the management and operations of Fortune REIT are overseen and conducted by the Manager's management teams and staff located in Hong Kong and Singapore, the Manager will ensure that both offices work as a fully integrated team and communicate regularly and work closely together in meeting the investment objectives of Fortune REIT.

Communication with Unitholders

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

The Manager also conducts regular briefings for analysts and media representatives, which will generally coincide with the release of Fortune REIT's results. During these briefings, the management will review Fortune REIT's most recent performance as well as discuss the business outlook for Fortune REIT.

General Meetings

Fortune REIT will also in each year hold an AGM in addition to any other general meetings in that year. The AGM would provide Unitholders with a formal communication channel to the Manager. Unitholders are encouraged to attend the AGM. Most of the Directors, Chairman of the Board and Chairmen of the respective Board committees and external Auditors would be in attendance at the AGM to answer questions from Unitholders.

Under the Trust Deed, the Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or Unitholder(s) representing not less than 10 per cent of the issued units of Fortune REIT) at any time convene a meeting of Unitholders at such time and place as the party convening the meeting may think fit and propose resolutions for consideration at such meeting. Any such meeting shall be held in Singapore or Hong Kong (as may be determined by the Manager).

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

Corporate Governance Policies

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

Name of Directors		Attendance	
		EGM	AGM
Chairman and Non-Executive Director	Dr. Chiu Kwok Hung, Justin	1/1	1/1
CEO and Executive Director	Mr. Ang Meng Huat, Anthony	1/1	1/1
Deputy CEO and Executive Director	Ms. Chiu Yu, Justina	1/1	1/1
Non-Executive Directors	Mr. Lim Hwee Chiang	1/1	1/1
	Mr. Ip Tak Chuen, Edmond	0/1	0/1
	Ms. Yeung, Eirene	1/1	1/1
Independent Non-Executive Directors	Mr. Lim Lee Meng	1/1	1/1
	Mrs. Sng Sow-Mei (alias Poon Sow Mei)	1/1	1/1
	Mr. Lan Hong Tsung, David	1/1	1/1

The attendance record of Mr. Ip Tak Chuen, Edmond by his alternate is as follows:-

Name of Alternate Director	Attendance	
	EGM	AGM
Mr. Ma Lai Chee, Gerald	1/1	0/1

External Auditors of Fortune REIT had attended both the EGM and the AGM to answer questions from the Unitholders.

Reporting

Fortune REIT prepares its accounts in accordance with The International Financial Reporting Standards with a financial year end of 31 December and a financial half year of 30 June. In accordance with the Applicable Rules and the Trust Deed, the annual report and accounts for Fortune REIT will be published and sent to Unitholders no later than three months following each financial year end and the interim report no later than two months following each financial half year.

It is the aim of the Board to provide Unitholders with a balanced and comprehensive assessment of Fortune REIT's financial position and prospects. The management will provide the Board with complete and adequate information in a timely manner through regular updates on Fortune REIT's financial results as well as market trends and business development involving Fortune REIT.

Matters to be Decided by Unitholders by Extraordinary Resolution

Under the Trust Deed, decisions with respect to certain matters require specific prior approval of Unitholders by way of Extraordinary Resolution. Such matters include: (a) disposal of any land or an interest, option or right over any of the land forming part of the assets of Fortune REIT or shares in any property company holding such land, option or right over any of the land for Fortune REIT within two years of the acquisition of such land; (b) any increase in the rate above the permitted limit or change in structure of the Manager's management fees; (c) any increase in the rate above the permitted limit or change in structure of the Trustee's fees; (d) certain modifications to the Trust Deed; (e) termination of Fortune REIT (except in certain limited circumstances); (f) merger of Fortune REIT; (g) removal of the external Auditors and appointment of other auditors; (h) removal of the Trustee; and (i) a change in Fortune REIT's investment policy.

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

Directors' Responsibility for Financial Statements

The Directors acknowledge their responsibility for the preparation of a true and fair presentation of the financial statements for the year ended 31 December 2012. They are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the ability of Fortune REIT to continue as a going concern.

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

Compliance with the Compliance Manual

The Manager has in material terms complied with the provisions of the Compliance Manual and has adhered to all the applicable corporate governance practices throughout 2012.

Review of Annual Report

The annual report of Fortune REIT for the year ended 31 December 2012 has been reviewed by the Audit Committee and the Disclosures Committee.

New Units Issued

As at 31 December 2012, the total number of issued number units of Fortune REIT was 1,697,825,978. As compared with the position as at 31 December 2011, a total of 17,130,036 new units were issued during the Reporting Year in the following manner:

- On 4 January 2012, 3,321,723 new units were issued to the Manager at a price of HK\$3.7306 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's base fee of approximately HK\$12.4 million payable by Fortune REIT for the period from 1 October 2011 to 31 December 2011.

- On 17 February 2012, 4,809,152 new units were issued to the Manager at a price of HK\$3.9508 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's acquisition fee of HK\$19.0 million payable by Fortune REIT for the acquisitions of Belvedere Square and Provident Square.
- On 2 April 2012, 3,360,308 new units were issued to the Manager at a price of HK\$4.0727 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's base fee of approximately HK\$13.7 million payable by Fortune REIT for the period from 1 January 2012 to 31 March 2012.
- On 4 July 2012, 3,150,378 new units were issued to the Manager at a price of HK\$4.5745 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's base fee of approximately HK\$14.4 million payable by Fortune REIT for the period from 1 April 2012 to 30 June 2012.
- On 4 October 2012, 2,488,475 new units were issued to the Manager at a price of HK\$5.8549 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's base fee of approximately HK\$14.6 million payable by Fortune REIT for the period from 1 July 2012 to 30 September 2012.

Repurchase, Sale or Redemption of Units

During the Reporting Year, other than the disposal of 15,720,000 units by the Manager, there was no repurchase, sale or redemption of units of Fortune REIT by Fortune REIT or its subsidiaries.

Public Float

Based on information that is publicly available to the Manager and within the knowledge of the Directors, more than 25% of the units of Fortune REIT are held in the hands of the public as at 31 December 2012.

Connected Party Transactions

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

Connected Party Transactions – Income

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

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Income for the year ended 31 December 2012 HK\$'000	Rental deposit received as at 31 December 2012 HK\$'000
AMTD Strategic Capital Limited	Subsidiary of a significant holder ¹	Leasing transactions	6,195	1,643
ARA Asset Management (Fortune) Limited	Manager	Leasing transactions	220	147
A.S. Watson Group (HK) Limited	Subsidiary of an associate of a significant holder ²	Leasing and licensing transactions	115,848	435
BIGBOXX.com Limited	Subsidiary of an associate of a significant holder ²	Leasing transactions	1,642	–
Big Sky Resources Limited	Subsidiary of a significant holder ¹	Licensing transactions	24	–
Cheung Kong Property Development Limited	Subsidiary of a significant holder ¹	Leasing and licensing transactions	29,126	–
Cheung Kong	Significant holder	Leasing and licensing transactions	513	–
Citybase Property Management Limited	Subsidiary of a significant holder ¹	Leasing transactions	3,423	972
Hutchison Global Communications Limited	Subsidiary of an associate of a significant holder ²	Licensing transactions	994	–
Hutchison International Limited	Subsidiary of an associate of a significant holder ²	Leasing transactions	1,977	–
Hutchison Telecommunications Services Limited	Subsidiary of an associate of a significant holder ²	Licensing transactions	174	–
Hutchison Telephone Company Limited	Subsidiary of an associate of a significant holder ²	Leasing and licensing transactions	6,079	907
Metro Broadcast Corporation Limited	Associate of a significant holder ³	Licensing transactions	15	–
Towerich Limited	Subsidiary of a significant holder ¹	Licensing transactions	71	13
Total			166,301	4,117

Notes:

1. Significant holder being Cheung Kong.
2. The connected parties are the subsidiaries of Hutchison Whampoa Limited (“HWL”), an associate of a significant holder of Fortune REIT, namely Cheung Kong.
3. The connected party is an associate of a significant holder of Fortune REIT, namely Cheung Kong.

Connected Party Transactions – Expenses

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

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Expenses for the year ended 31 December 2012 HK\$'000
Cayley Property Management Limited	Subsidiary of an associate of a significant holder ²	Property management and operations and carpark lease agency fee	573
Cheung Kong	Significant holder	Back-office support service fee	605
Citybase Property Management Limited	Subsidiary of a significant holder ¹	Property management and operations	810
E-Park Parking Management Limited	Subsidiary of a significant holder ¹	Carpark lease agency fee	3,692
Goodwell-Fortune Property Services Limited	Subsidiary of a significant holder ¹	Property and lease management fee and marketing service fee	41,553
Goodwell Property Management Limited	Subsidiary of a significant holder ¹	Property management and operations	129
Metro Broadcast Corporation Limited	Associated company of a significant holder ¹	Advertising and promotion expenses	736
Whampoa Property Management Limited	Subsidiary of an associate of a significant holder ²	Property management and operations	575
Total			48,673

Notes:

1. Significant holder being Cheung Kong.
2. The connected parties are the subsidiaries of HWL, an associate of a significant holder of Fortune REIT, namely Cheung Kong.

Connected Party Transactions

Connected Party Transactions – Others

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

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Expenses for the year ended 31 December 2012 HK\$'000
ARA Asset Management (Fortune) Limited	Manager	Manager's fee and acquisition fee	101,415
HSBC Institutional Trust Services (Singapore) Limited	Trustee	Trustee's fee	6,592
Knight Frank Petty Limited	Principal valuer	Valuation fee	303
Total			108,310

Connected Party Transactions – Assets Acquisition

On 28 December 2011, Fortune REIT announced a proposed acquisition of Belvedere Square and Provident Square from subsidiaries of Cheung Kong and HWL and an independent third party of Fortune REIT through direct acquisition of portion of the properties and acquisition of the entire interest in Recoup Investments Limited and 35% interest in Quebostar Limited ("**Acquisition**"). The Acquisition constituted a major acquisition and connected party transactions for Fortune REIT.

The Acquisition was unanimously approved by the independent Unitholders present in person or by proxy and voting at the extraordinary general meeting held on 19 January 2012.

The Acquisition was completed on 17 February 2012. The aggregate final purchase consideration was HK\$1,931,779,000 and paid in cash. The amounts paid to subsidiaries of HWL, Cheung Kong and the third party were HK\$1,774,183,000, HK\$67,541,000 and HK\$90,055,000 respectively.

Connected Party Transactions with the Trustee Connected Persons

Leasing/licensing transactions

The following table sets forth information on the leasing/licensing transactions between Fortune REIT and the Trustee (and its directors, senior executives, officers, controlling entities, holding companies, subsidiaries and associated companies all within the meaning of the REIT Code) and the HSBC Group¹ (collectively, the "Trustee Connected Persons") during the Reporting Year:

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Income for the year ended 31 December 2012 HK\$'000	Rental deposit received as at 31 December 2012 HK\$'000
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	Trustee Connected Persons	Leasing and licensing transactions	5,879	629
Hang Seng Bank Limited	Trustee Connected Persons	Leasing and licensing transactions	5,114	2,670
Total			10,993	3,299

Note:

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

Provision of Ordinary Banking and Financial Services

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

Connected Party Transactions

Connected Party Transactions – Leasing/licensing transactions under which the annual income exceed HK\$1 million

The following table sets forth information on leasing/licensing transactions with connected persons with annual income that exceeds HK\$1 million:

Name of Connected Party	Relationship with Fortune REIT	Nature of the connected party transaction	Aggregate annual income ¹ HK\$'000
AMTD Strategic Capital Limited	Subsidiary of a significant holder ²	Tenancy at Hampton Loft	5,121
A.S. Watson Group (HK) Limited	Subsidiary of an associate of a significant holder ³	Tenancies at Fortune City One, Ma On Shan Plaza, Metro Town, Fortune Metropolis, Belvedere Square, Waldorf Avenue, Provident Square, Caribbean Square, Jubilee Square, Smartland, Tsing Yi Square, Nob Hill Square and Rhine Avenue	83,744
Citybase Property Management Limited	Subsidiary of a significant holder ²	Tenancy at Hampton Loft	2,486
Cheung Kong Property Development Limited	Subsidiary of a significant holder ²	Tenancies at Fortune Metropolis	20,879
Hutchison International Limited	Subsidiary of an associate of a significant holder ³	Licence at Belvedere Square	1,216
Hutchison Telephone Company Limited	Subsidiary of an associate of a significant holder ³	Licence at Ma On Shan Plaza	1,540
HSBC	Trustee Connected Persons	Tenancy at Fortune City One	5,400
Hang Seng Bank Limited	Trustee Connected Persons	Tenancy at Fortune City One	3,323
Total			123,709

Notes:

1. The aggregate annual income stated herein refers to the aggregate base rental/licence income, excluding charge out collection that would have been received for a 12-month period according to the relevant tenancy/licence agreements.
2. Significant holder being Cheung Kong.
3. The connected parties are the subsidiaries of HWL, an associate of a significant holder of Fortune REIT, namely Cheung Kong.

Confirmation by the INEDs

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

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

Report from Auditor of Fortune REIT

Messrs. Deloitte Touche Tohmatsu, auditor of Fortune REIT was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Review of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certificate Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions on leasing/licensing transactions, property management arrangements, third party service and other operational transactions and transactions involving ordinary banking and financial services disclosed by the Group from pages 70 to 75 of this Annual Report in accordance with the waiver from strict compliance with disclosure requirements under Chapter 8 of the REIT Code. A copy of auditor's letter will be provided by Fortune REIT to the SFC.

Confirmation by the Manager and Trustee of Corporate Finance Transaction with HSBC Group

Both the Manager and the Trustee confirm that there is no corporate finance transaction and other connected party transaction (save and except for those disclosed hereinabove) with the HSBC Group during the Reporting Year.

Disclosure of Interests

Unit Capital

The total number of issued units as at 31 December 2012 was 1,697,825,978 units.

Holdings of Significant Unitholders and Other Unitholders

As at 31 December 2012, each of the following persons was considered a "significant Unitholder", and hence a "connected person" of Fortune REIT, for the purpose of the REIT Code:

Name	Direct interest		Deemed interest	
	Number of Units Held Long Position	Percentage of Unit Holdings	Number of Units Held Long Position	Percentage of Unit Holdings
Focus Eagle Investments Limited ¹	413,074,684	24.33%	–	–
Cheung Kong ¹	–	–	525,630,684	30.96%

In addition to the significant Unitholders as disclosed above, each of the following persons held, or was deemed to hold 5% or more of the issued units as at 31 December 2012:

Name	Direct interest		Deemed interest	
	Number of Units Held Long Position	Percentage of Unit Holdings	Number of Units Held Long Position	Percentage of Unit Holdings
Ballston Profits Limited ^{1,3}	112,556,000	6.63%	–	–
HWL ¹	–	–	112,556,000	6.63%
Schroders Plc ²	–	–	162,586,000	9.58%

Notes:

- Focus Eagle Investments Limited was an indirect wholly-owned subsidiary of Cheung Kong; and Ballston Profits Limited was an indirect wholly-owned subsidiary of HWL, which in turn was 49.9% owned by Cheung Kong. Therefore, Cheung Kong was deemed to hold 525,630,684 units, of which: (i) 413,074,684 units were held by Focus Eagle Investments Limited; and (ii) 112,556,000 units were held by Ballston Profits Limited; HWL was deemed to hold 112,556,000 units, which were held by its indirect wholly-owned subsidiary, Ballston Profits Limited.
- Schroders Plc was deemed to be interested in 162,586,000 units of which:
 - 96,858,000 units were held by Schroder Investment Management Limited;
 - 16,843,000 units were held by Schroder Investment Management (Singapore) Limited;
 - 48,869,000 units were held by Schroder Investment Management (Hong Kong) Limited; and
 - 16,000 units were held by Schroder Investment Management North America Limited.
- A director of Ballston Profits Limited, Mr. Robin Cheng Khoong Sng is the spouse of Mrs. Sng Sow-Mei.

Interests of the Manager

As at 31 December 2012, the Manager held 4,809,682 units, or approximately 0.28% of the issued units of Fortune REIT.

Interests of the Directors and Senior Executives

Details of the unitholding interests of the Directors and senior executives of Fortune REIT as at 31 December 2012 were as follows:

Name	Direct interest		Deemed interest	
	Number of Units Held Long Position	Percentage of Unit Holdings	Number of Units Held Long Position	Percentage of Unit Holdings
Directors				
Lim Hwee Chiang ¹	–	–	6,909,682	0.41%
Sng Sow-Mei (alias Poon Sow Mei)	220,000	0.01%	–	–

Note:

1. Mr. Lim Hwee Chiang was deemed to be interested in a total of 6,909,682 units of which:
 - (a) 4,809,682 units were held by the Manager (a wholly-owned subsidiary of ARA). Mr. Lim was deemed to be interested in these units by virtue of his direct and indirect holding of one third or more of shareholding interest in a chain of corporations including ARA; and
 - (b) 2,100,000 units are held by Citibank Nominees Singapore Pte. Ltd. (as nominee for JL Philanthropy Ltd). The beneficiary of JL Philanthropy Ltd is JL Charitable Settlement and Mr. Lim is the settlor of JL Charitable Settlement.

Saved as disclosed above, the Manager is not aware of any connected persons (as defined under the REIT Code) of Fortune REIT holding any units of Fortune REIT as at 31 December 2012.

To the best knowledge of the Manager and save as disclosed, the following sets out changes in the beneficial interest of certain connected persons of Fortune REIT, in compliance with rule 8.2(a) of the REIT Code, by reference to comparison of their respective beneficial interests as at 31 December 2012 and 31 December 2011:

- (a) Schroders Plc was beneficially interested in 162,586,000 units as at 31 December 2012 and 175,116,000 units as at 31 December 2011;
- (b) The Manager was beneficially interested in 4,809,682 units as at 31 December 2012 and 3,399,646 units as at 31 December 2011; and
- (c) Mr. Lim Hwee Chiang, Director of the Manager, was beneficially interested in 6,909,682 units as at 31 December 2012 and 5,499,646 units as at 31 December 2011.

Valuation Report

Our Ref GV/CHC/MC/CT/bl/03-0446 / 10142(61)
14 January 2013

HSBC Institutional Trust Services (Singapore) Limited
(As Trustee of Fortune Real Estate Investment Trust)
21 Collyer Quay
#03-01 HSBC Building
Singapore 049320

ARA Asset Management (Fortune) Limited
(As Manager of Fortune Real Estate Investment Trust)
Units 5508 – 5510, 55/F
The Center
99 Queen's Road Central
Hong Kong

Dear Sirs

Market Valuation in respect of 16 Retail Properties for Fortune Real Estate Investment Trust ("Fortune REIT")

Instructions

In accordance with your instructions for us to value the Properties owned by Fortune REIT, we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Properties as at 31 December 2012 (referred to as the "Valuation Date") for accounting purposes.

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

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

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

 - 4 Fortune Metropolis**
Fortune Metropolis, The Metropolis, 6-10 Metropolis Drive, Hung Hom, Kowloon, Hong Kong

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

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

 - 7 Provident Square**
Portion of Basement, Portion of Ground Floor and Portion of Upper Ground Floor (but excluding the Carparking Spaces, Driveways and Appurtenant Areas, the Common Areas & Facilities thereof and therein) and Sub-Basement, 21-53 Wharf Road, North Point, Hong Kong

 - 8 Caribbean Square**
Caribbean Square, Caribbean Coast, 1 Kin Tung Road, Tung Chung, Lantau Island, New Territories, Hong Kong

 - 9 Jubilee Square**
Jubilee Square, Jubilee Garden, 2-18 Lok King Street, Fo Tan, Shatin, New Territories, Hong Kong

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

 - 11 Tsing Yi Square**
Various Portions in Tsing Yi Square, Tsing Yi Garden, 7-19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong

 - 12 Nob Hill Square**
Nob Hill Square, Nob Hill, 8 King Lai Path, Kwai Chung, New Territories, Hong Kong

 - 13 Centre de Laguna**
Centre de Laguna, 93 Cha Kwo Ling Road, Kindergarten on Ground Floor, 99 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong

 - 14 Hampton Loft**
Hampton Loft, Hampton Place, 11 Hoi Fan Road, Tai Kok Tsui, Kowloon, Hong Kong

 - 15 Lido Avenue**
Shops on Ground Floor, Lido Garden, 41-63 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong

 - 16 Rhine Avenue**
Shops on Ground Floor, Rhine Garden, 38 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong

(Collectively referred to as The "Properties")

Basis of Valuation

Our valuation is our opinion of the market value of the property which we would define as intended to mean “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of special value. The market value of a property is also estimated without regard to costs of sale or purchase, and without offset for any associated taxes.

We have prepared this valuation report pursuant to Chapter 6.8 of the Code on Real Estate Investment Trusts (the “REIT Code”) issued by the Securities and Futures Commission of Hong Kong and The HKIS Valuation Standards on Properties (1st edition 2005) published by the Hong Kong Institute of Surveyors.

Valuation Methodologies

We have valued the Properties subject to their respective tenancies. In undertaking our valuation of the Properties, Income Capitalization and Direct Comparison approaches are adopted. Income Capitalization approach is considered to be the most appropriate method to assess market value of leased properties, particularly taking into consideration of the property’s type of use and condition. Apart from Income Capitalization approach, Direct Comparison approach is also adopted for cross referencing purposes.

Income Capitalisation

By this approach, the existing net rental incomes, i.e. rent exclusive of rates, government rents, management fees, air-conditioning charges and other tenants’ outgoings, of all lettable units of a property are capitalized for its unexpired term of contractual tenancies. Upon reversion, i.e. at the expiry of the existing tenancy, each unit is assumed to be let at its market rent as at the Valuation Date, which is in turn capitalized at market yield as expected by investors for each type of property. Due consideration has been given to expectations of the

renewal of Government leases upon their expiries. Any vacant units are assumed to be let at their respective market rents at the Valuation Date. The market value of the Property is the total of the capitalized value of the term income and the capitalized value of the reversion income, as appropriately deferred.

Direct Comparison

As a cross-reference, sales evidence of shopping arcade and carpark transaction records have been collected and analyzed in terms of unit price per square foot and unit rate per space respectively. As there were limited shopping arcade transactions, where appropriate, we have also made reference to strata titled transactions.

Valuation Assumptions and Conditions

Our valuation is subject to the following assumptions and conditions.

Source of Information

We have relied to a very considerable extent on information given by the Manager or his representatives and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupancies, lettings, incomes, expenditures, site and floor areas and all other relevant matters. We have not verified the information provided to us and have assumed that they are correct. We do not undertake to verify the authenticity of the information provided to us and we have no reason to doubt the truth and accuracy of this information which is material to the valuation. We were also advised by the Manager that no material facts have been omitted from the information provided. We take no responsibility for inaccurate data provided to us and subsequent conclusions derived from such data.

Inspection and Measurement

We have inspected the exterior and where possible, the interior of the Properties. However, we have not carried out on-site measurement to verify the correctness of the site areas and/or floor areas of the Properties valued and have assumed that the site areas and floor areas shown on the documents handed to us are correct.

Title Documents and Encumbrances

We have not been provided with extracts from title documents to the Properties but we have caused sample searches to be made at the Land Registry. We have not, however, searched the original documents

Valuation Report

to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us.

No allowance has been made in our valuation for any charge, mortgage or amount owing on the Properties. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, premiums, restrictions, title defects and outgoing of an onerous nature which could affect their values.

Whilst we have taken reasonable care to investigate the titles of the Properties valued, we do not accept liability for any interpretation which we have placed on such information, which is more properly within the sphere of your legal advisers.

Tenancy and Rental Information

Our valuation is carried out subject to the existing tenancy arrangements and tenancy renewal agreements. In accordance with the tenancy schedule provided by the Manager, majority of the tenancies are exclusive of rates, Government rent, management fees, promotional levy and air-conditioning charges.

In accordance with the standard tenancy agreement, the landlord is responsible for structural repairs and the landlord's fixtures and fittings and to keep the conduits in tenable repair whilst the tenants are responsible for internal repairs to the Properties.

We have not examined the lease documentation for each specific tenancy and our assessment is based on the assumption that all leases are executed and are in accordance with the provisions stated in the tenancy schedule provided to us.

The estimated net property yield is based on the monthly net rental incomes, licence fees and miscellaneous incomes of the Properties as at the Valuation Date and the average monthly net income receivable from parking lots, turnover rents, etc. during the period from January 2012 to December 2012, unless otherwise stated.

Structural Condition

We have not undertaken any structural survey or tested the services of the Properties. Our valuation has therefore been undertaken on the basis that the Properties were all in satisfactory repair and condition with services functioning satisfactorily and are free from rot, infestation or any other structural defect.

Contamination

We have not arranged for any investigation to be carried out to determine whether any deleterious or hazardous material has been used in the construction of the Properties and have therefore assumed in our valuation that none of the said material was contained in the Properties.

Compliance with Relevant Ordinances and Regulations

We have assumed that the Properties had been developed, constructed, occupied and used in full compliance with, and without contravention of any Ordinances, except only where otherwise stated. We have further assumed that, for any use of the Properties upon which this report is based, any and all required licences, permits, certificates, and authorization have been obtained, except only where otherwise stated.

Valuer's Interest

We hereby confirm that our valuers undertaking this valuation are authorised to practise as valuers and have the necessary expertise and experience in valuing similar types of properties.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions. We have no present or prospective interest in the Properties and are not a related corporation of nor do we have a relationship with the Manager, the Trustee or any other party or parties who Fortune REIT is contracting with.

Summary of Values

We are of the opinion that the market values of the Properties subject to their respective tenancies as at the Valuation Date are as follows:

Property	Approximate Gross Rentable Area (Sq.ft.)	No. of parking lots	Market value in existing state as at 31 December 2012
Fortune City One	414,469	658	HK\$5,365,000,000
Ma On Shan Plaza	310,084	290	HK\$3,801,000,000
Metro Town	180,822	74	HK\$2,380,000,000
Fortune Metropolis	332,168	179	HK\$1,839,000,000
Belvedere Square	276,862	329*	HK\$1,431,000,000
Waldorf Avenue	80,842	73	HK\$1,268,000,000
Provident Square	180,238	N/A	HK\$786,000,000
Caribbean Square	63,018	117	HK\$716,000,000
Jubilee Square	170,616	97	HK\$551,000,000
Smartland	123,544	67	HK\$516,000,000
Tsing Yi Square	78,836	27	HK\$463,000,000
Nob Hill Square	91,779	43	HK\$381,000,000
Centre de Laguna	43,000	N/A	HK\$229,000,000
Hampton Loft	74,734	35	HK\$222,000,000
Lido Avenue	9,836	N/A	HK\$153,000,000
Rhine Avenue	14,604	N/A	HK\$107,000,000
Total	2,445,452	1,989*	HK\$20,208,000,000

* including 15 motor cycle parking spaces

Please refer to the attached valuation summary for property particulars of each of the Properties.

Limiting Conditions

This report is for the use of the Manager, the board of directors of the Manager and the Trustee in connection with the valuation of the Properties, as required under the Code on Real Estate Investment Trusts. No responsibility is accepted to any other party for the whole or any part of its contents.

This report and valuation have been prepared on the basis of information available as at 31 December 2012. Knight Frank accepts no responsibility for subsequent changes in information as to income, expenditures or market conditions.

Conversion Factors

Conversion factors used in this report are
 1 square metre = 10.764 square feet
 1 metre = 3.2808 feet

Yours faithfully
 For and on behalf of
Knight Frank Petty Limited

Alnwick Chan
 FRICS FHKIS RPS(GP)
 Executive Director

Note:

Alnwick Chan, FRICS FHKIS RPS(GP), has been a qualified valuer with Knight Frank since 1997 and has 26 years' experience in the valuation of properties in Hong Kong.

Valuation Report

Fortune City One

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

Description	<p>City One Shatin is a comprehensive residential cum commercial development, completed by phases between 1981 and 1989.</p> <p>The property comprises various commercial areas and parking lots within City One Shatin, which are set out below:-</p> <ul style="list-style-type: none">- The free standing commercial podium known as Fortune City One Plus (Commercial Block A) at the Ground Floor, 4th Floor and the Roof;- The free standing commercial podium known as Fortune City One (Commercial Block B) at the Ground Floor, 1st Floor and portion of the Roof, Roof Garden, Centre Garden and kiosks thereof;- The wet market and kindergarten below residential tower blocks 34-36 on Ground Floor;- Various single shops and non-domestic units dispersed throughout the development on the Ground Floor level of 12 individual tower blocks; and- A total of 658 parking lots. <p>The total gross rentable area of the property (excluding parking lots) is approximately 38,505.11 Sq.m. (414,469 Sq.ft.).</p>
Land Tenure	<p>Sha Tin Town Lot No. 1 is held under New Grant No. ST11064 for a term of 99 years commencing from 1 July 1898 which thereafter was statutorily extended to 30 June 2047. The Government rent payable for the property is at 3% of the Rateable Value for the time being of the property.</p>
Monthly Rental and Other Incomes as at 31 December 2012	<p>Approximately HK\$19,867,000, exclusive of rates, government rent, management fees and air-conditioning charges.</p>
Average Monthly Car Parking Net Income for January 2012 to December 2012	<p>Approximately HK\$493,000</p>
Market Value in Existing State as at 31 December 2012	<p>HK\$5,365,000,000</p>
Estimated Net Property Yield	<p>4.6%</p>

Ma On Shan Plaza

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

Description	<p>Ma On Shan Plaza is the commercial portion of a private residential cum commercial development, known as Bayshore Towers, completed in 1994.</p> <p>The property comprises the entire shopping centre on Levels 2 and 3 of a 5-storey podium (including a Basement, Ground Floor and Level 1) and 290 parking lots on the Basement Floor of the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 28,807.51 Sq.m. (310,084 Sq.ft.).</p>
Land Tenure	<p>Sha Tin Town Lot No. 382 is held under New Grant No. 12378 for a term commencing from 6 December 1991 to 30 June 2047. The Government rent payable for the property is at 3% of the Rateable Value for the time being of the property.</p>
Monthly Rental and Other Incomes as at 31 December 2012	<p>Approximately HK\$15,266,000, exclusive of rates, government rent, management fees and air-conditioning charges.</p>
Average Monthly Car Parking Net Income for January 2012 to December 2012	<p>Approximately HK\$432,000</p>
Market Value in Existing State as at 31 December 2012	<p>HK\$3,801,000,000</p>
Estimated Net Property Yield	<p>5.0%</p>

Metro Town

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

Description	<p>Metro Town is a private residential cum commercial development completed in two phases in 2006 and 2007.</p> <p>The property comprises the commercial podium on the Ground Level, Level 1, Level 2, Level 3, Level 5 and the covered footbridge of a 5-storey commercial podium of the development. It also comprises a total of 74 commercial parking lots on Level 2 of the commercial podium of the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 16,798.77 Sq.m. (180,822 Sq.ft.).</p>
Land Tenure	Tseung Kwan O Town Lot No. 73 is held under New Grant No. SK9700 for a term of 50 years commencing from 11 February 2003. The Government rent payable for the property is at 3% of the Rateable Value for the time being of the property.
Monthly Rental and Other Incomes as at 31 December 2012	Approximately HK\$8,225,000, exclusive of rates, government rent, management fees and air-conditioning charges.
Average Monthly Car Parking Net Income for January 2012 to December 2012	Approximately HK\$190,000
Market Value in Existing State as at 31 December 2012	HK\$2,380,000,000
Estimated Net Property Yield	4.2%

Fortune Metropolis

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

Description	<p>Fortune Metropolis is the commercial portion of a commercial / office / hotel / serviced apartment development, known as The Metropolis, completed in 2001.</p> <p>The property comprises the three levels of retail premises on L7, L8 and L9 Floors and 179 parking lots on Level 5 and Level 6 of the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 30,859.16 Sq.m. (332,168 Sq.ft.).</p>
Land Tenure	Kowloon Inland Lot No. 11077 is held under a Conditions of Grant No. 12444 for a term commencing from 14 February 1997 to 30 June 2047. The Government rent payable for the property is at 3% of the Rateable Value for the time being of the property.
Monthly Rental and Other Incomes as at 31 December 2012	Approximately HK\$6,830,000, exclusive of rates, government rent, management fees and air-conditioning charges.
Average Monthly Car Parking Net Income for January 2012 to December 2012	Approximately HK\$440,000
Market Value in Existing State as at 31 December 2012	HK\$1,839,000,000
Estimated Net Property Yield	4.7%

Valuation Report

Belvedere Square

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

Description	<p>Belvedere Garden is a comprehensive residential cum commercial development, completed in three phases in between 1987 and 1991.</p> <p>The property comprises various commercial areas, clinics, kindergartens, a market and various parking lots within Belvedere Garden, which are collectively referred to as Belvedere Garden Property. Details are set out below:-</p> <p>Belvedere Garden Phase 1 Shop Nos. 1 to 7 on Ground Floor, Clinic Nos. 1, 2, 3 and 4 on Mezzanine Floor, the Kindergarten on Mezzanine Floor, Car Parking Spaces Nos. 16, 22, 23, 24, 25, 26, 27, 28, 29, 32, 34, 35, 37, 38, 39, 40, 41, 42, 43, 44, 45, 47 and 50 to 68 on Ground Floor and Car Parking Spaces Nos. 12, 13, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 33, 34, 35, 36, 37, 40, 41, 43, 44, 47, 48, 49 and 51 on Basement 2 and 15 motor cycle spaces on Ground Floor.</p> <p>Belvedere Garden Phase 2 Shops Nos. 1 to 10 & 12 and the Kindergarten on the Ground Floor, Shops on the 1st Floor and Shops on the 2nd Floor and Car Parking Spaces Nos. 51-77, 114, 117, 118, 121, 126-135 and 137-147 on Ground Floor, Common Areas.</p> <p>Belvedere Garden Phase 3 Shops and Market on the Ground Floor of Belvedere Square, Shops on Basement 2, Kindergarten on the Podium and Car Parking Spaces Nos. 298, 303-306, 308-310, 324-326, 375-380 and 384-385 on Basement 2, Car Parking Spaces Nos. 1-36, 50-53, 55-116 and 118-192 on Basement 1, Common Areas.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 25,721.11 Sq.m. (276,862 Sq.ft.).</p>
Land Tenure	<p>Tsuen Wan Town Lot No. 308 is held under New Grant No. TW6583 for a term of 99 years less the last 3 days thereof commencing from 1 July 1898 which thereafter was statutorily extended to 30 June 2047.</p> <p>Tsuen Wan Town Lot No. 316 is held under New Grant No. 6639 for a term of 99 years less the last 3 days thereof commencing from 1 July 1898 which thereafter was statutorily extended to 30 June 2047.</p> <p>The Government rent payable for the property is at 3% of the Rateable Value for the time being of the property.</p>
Monthly Rental and Other Incomes as at 31 December 2012	Approximately HK\$5,768,000, exclusive of rates, government rent, management fees and air-conditioning charges.
Average Monthly Car Parking Net Income for January 2012 to December 2012	Approximately HK\$219,000
Market Value in Existing State as at 31 December 2012	HK\$1,431,000,000
Estimated Net Property Yield	5.0%

Waldorf Avenue

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

Description	Waldorf Garden is a private residential cum commercial development completed in 1982. The property comprises a retail floor on Level 3 and a total of 73 parking lots on Levels 1 and 2 within a 4-storey podium of the development. The total gross rentable area of the property (excluding parking lots) is approximately 7,510.41 Sq.m. (80,842 Sq.ft.).
Land Tenure	Tuen Mun Town Lot No. 194 is held under New Grant No. 2344 for a term of 99 years from 1 July 1898 which thereafter was statutorily extended to 30 June 2047. The Government rent payable for the property is at 3% of the Rateable Value for the time being of the property.
Monthly Rental and Other Incomes as at 31 December 2012	Approximately HK\$4,727,000, exclusive of rates, government rent, management fees and air-conditioning charges.
Average Monthly Car Parking Net Income for January 2012 to December 2012	Approximately HK\$162,000
Market Value in Existing State as at 31 December 2012	HK\$1,268,000,000
Estimated Net Property Yield	4.6%

Provident Square

Provident Square, Portion of Basement, Portion of Ground Floor and Portion of Upper Ground Floor (but excluding the Carparking Spaces, Driveways and appurtenant Areas, the Common Areas & Facilities thereof and therein) and Sub-Basement, 21-53 Wharf Road, North Point, Hong Kong.

Description	Provident Square is the commercial portion of a private residential cum commercial development, known as Provident Centre, completed in between 1982 and 1984. The property comprises the portion of Basement, the portion of Ground Floor, the portion of Upper Ground Floor and the Sub-basement within Provident Centre. The total gross rentable area of the property is approximately 16,744.52 Sq.m. (180,238 Sq.ft.).
Land Tenure	Inland Lot No. 8465 is held under a Government Lease for a term of 75 years commencing from 5 September 1921 renewable for 75 years. The Government rent payable for the lot is HK\$11,430,828 per annum.
Monthly Rental and Other Incomes as at 31 December 2012	Approximately HK\$3,246,000, exclusive of rates, government rent, management fees and air-conditioning charges.
Market Value in Existing State as at 31 December 2012	HK\$786,000,000
Estimated Net Property Yield	5.0%

Valuation Report

Caribbean Square

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

Description	<p>Caribbean Square is the commercial portion of a private residential cum commercial development, known as "Caribbean Coast", completed between 2002 and 2008. The property comprises the commercial accommodation, the wet market and the kindergarten on ground floor within the development. It also comprises a total of 117 parking lots on the ground floor (i.e. 1st floor as stipulated in land search record) of Phase 6 of the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 5,854.51 Sq.m. (63,018 Sq.ft.).</p>
Land Tenure	<p>Tung Chung Town Lot No. 5 is held under New Grant No. IS8102 for a term commencing from 26 June 1997 to 30 June 2047. The Government rent payable for the property is at 3% of the Rateable Value for the time being of the property.</p>
Monthly Rental and Other Incomes as at 31 December 2012	<p>Approximately HK\$2,861,000, exclusive of rates, government rent, management fees and air-conditioning charges.</p>
Average Monthly Car Parking Net Income for January 2012 to December 2012	<p>Approximately HK\$49,000</p>
Market Value in Existing State as at 31 December 2012	<p>HK\$716,000,000</p>
Estimated Net Property Yield	<p>4.9%</p>

Jubilee Square

Jubilee Square, Jubilee Garden, 2-18 Lok King Street, Fo Tan, Shatin, New Territories, Hong Kong.

Description	<p>Jubilee Square is the commercial portion of a private residential cum commercial development, known as Jubilee Garden, completed in 1986. The property comprises a free-standing 7-storey shopping centre and a wet market on the 1st Floor of the podium of Jubilee Garden. It also comprises a total of 97 parking lots on the 1st Floor of the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 15,850.61 Sq.m. (170,616 Sq.ft.).</p>
Land Tenure	<p>Sha Tin Town Lot No. 87 is held under New Grant No. ST11326 for a term of 99 years commencing from 1 July 1898 which thereafter was statutorily extended to 30 June 2047. The Government rent payable for the property is at 3% of the Rateable Value for the time being of the property.</p>
Monthly Rental and Other Incomes as at 31 December 2012	<p>Approximately HK\$1,898,000, exclusive of rates, government rent, management fees and air-conditioning charges.</p>
Average Monthly Car Parking Net Income for January 2012 to December 2012	<p>Approximately HK\$277,000</p>
Market Value in Existing State as at 31 December 2012	<p>HK\$551,000,000</p>
Estimated Net Property Yield	<p>4.7%</p>

Smartland

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

Description	<p>Smartland is portion of the commercial portion of a residential cum commercial development, known as East Asia Gardens, completed in 1981.</p> <p>The property comprises various retail premises on the Ground and 1st Floors, the whole of 2nd Floor, the reserved podium roof on the 3rd Floor, portions of external walls (except the portion at A101 on Ground Floor) and 67 parking lots in the Basement Floor of a 4-storey podium (including the Basement).</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 11,477.52 Sq.m. (123,544 Sq.ft.).</p>
Land Tenure	<p>Tsuen Wan Town Lot No. 247 is held under New Grant No. 5591 for a term of 99 years commencing from 1 July 1898 which thereafter was statutorily extended to 30 June 2047. The Government rent payable for the property is at 3% of the Rateable Value for the time being of the property.</p>
Monthly Rental and Other Incomes as at 31 December 2012	<p>Approximately HK\$2,107,000, exclusive of rates, government rent, management fees and air-conditioning charges.</p>
Average Monthly Car Parking Net Income for January 2012 to December 2012	<p>Approximately HK\$117,000</p>
Market Value in Existing State as at 31 December 2012	<p>HK\$516,000,000</p>
Estimated Net Property Yield	<p>5.2%</p>

Tsing Yi Square

Tsing Yi Square, Tsing Yi Garden, 7-19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong.

Description	<p>Tsing Yi Square is the commercial portion of a private residential cum commercial development, known as Tsing Yi Garden, completed in 1986.</p> <p>The property comprises various retail shops on the Ground Floor and 1st Floor and 27 parking lots within the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 7,324.04 Sq.m. (78,836 Sq.ft.).</p>
Land Tenure	<p>Tsing Yi Town Lot No. 101 is held under New Grant No. TW6229 for a term of 99 years commencing from 1 July 1898 which thereafter was statutorily extended to 30 June 2047. The Government rent payable for the property is at 3% of the Rateable Value for the time being of the property.</p>
Monthly Rental and Other Incomes as at 31 December 2012	<p>Approximately HK\$1,885,000, exclusive of rates, government rent, management fees and air-conditioning charges.</p>
Average Monthly Car Parking Net Income for January 2012 to December 2012	<p>Approximately HK\$26,000</p>
Market Value in Existing State as at 31 December 2012	<p>HK\$463,000,000</p>
Estimated Net Property Yield	<p>5.0%</p>

Valuation Report

Nob Hill Square

Nob Hill Square, Nob Hill, 8 King Lai Path, Kwai Chung, New Territories, Hong Kong.

Description	<p>Nob Hill Square is the commercial portion of a private residential cum commercial development, known as Nob Hill, completed in 2002.</p> <p>The property comprises three levels of commercial floors on the Ground, 1st and 2nd Floors and 43 parking lots on the Mezzanine Floor of the 4- storey commercial podium within the development.</p> <p>The total gross rentable area of the property (excluding parking lots) is approximately 8,526.48 Sq.m. (91,779 Sq.ft.).</p>
Land Tenure	<p>Kwai Chung Town Lot No. 474 is held under New Grant No. 7071 for a term of 50 years commencing from 17 July 1998. The Government rent payable for the property is at 3% of the Rateable Value for the time being of the property.</p>
Monthly Rental and Other Incomes as at 31 December 2012	<p>Approximately HK\$1,467,000, exclusive of rates, government rent, management fees and air-conditioning charges.</p>
Average Monthly Car Parking Net Income for January 2012 to December 2012	<p>Approximately HK\$71,000</p>
Market Value in Existing State as at 31 December 2012	<p>HK\$381,000,000</p>
Estimated Net Property Yield	<p>4.8%</p>

Centre de Laguna

Centre de Laguna, 93 Cha Kwo Ling Road, Kindergarten on Ground Floor, 99 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong.

Description	<p>Centre de Laguna is the commercial development within a private residential cum commercial development, known as Laguna City, completed in 1992.</p> <p>The property comprises the commercial accommodation on the Ground and Upper Ground Floors of the commercial development and a kindergarten on Ground Floor of Blocks 32 to 38 of the development.</p> <p>The total gross rentable area of the property is approximately 3,994.80 Sq.m. (43,000 Sq.ft.).</p>
Land Tenure	<p>Kowloon Inland Lot No. 6100 is held under a Conditions of Exchange No. 12071 for a term commencing from 31 October 1989 to 30 June 2047. The Government rent payable for the property is at 3% of the Rateable Value for the time being of the property.</p>
Monthly Rental and Other Incomes as at 31 December 2012	<p>Approximately HK\$899,000, exclusive of rates, government rent, management fees and air-conditioning charges.</p>
Market Value in Existing State as at 31 December 2012	<p>HK\$229,000,000</p>
Estimated Net Property Yield	<p>4.7%</p>

Hampton Loft

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

Description	Hampton Loft is the commercial portion of a private residential cum commercial development, known as Hampton Place, completed in 2003. The property comprises the commercial units on the 5th floor and 6th floor of the development and a total of 35 commercial parking lots on the 1st floor of the development. The total gross rentable area of the property (excluding the parking lots) is approximately 6,942.96 Sq.m. (74,734 Sq.ft.).
Land Tenure	Kowloon Inland Lot No. 11107 is held under Conditions of Sale No. 12554 for a term of 50 years commencing from 13 December 1999. The Government rent payable for the property is at 3% of the Rateable Value for the time being of the property.
Monthly Rental and Other Incomes as at 31 December 2012	Approximately HK\$804,000, exclusive of rates, government rent, management fees and air-conditioning charges.
Average Monthly Car Parking Net Income for January 2012 to December 2012	Approximately HK\$64,000
Market Value in Existing State as at 31 December 2012	HK\$222,000,000
Estimated Net Property Yield	4.7%

Lido Avenue

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

Description	Lido Garden is a private residential cum commercial development completed in 1989. The property comprises various retail units on Ground Floor of the development. The total gross rentable area of the property is approximately 913.79 Sq.m. (9,836 Sq.ft.).
Land Tenure	Tsuen Wan Marine Lot No. 4 is held under a Conditions of Sale No. 2309 for a term of 75 years, renewable for 24 years, commencing from 1 July 1898 which thereafter was statutorily extended to 30 June 2047. The Government rent payable for the property is at 3% of the Rateable Value for the time being of the property.
Monthly Rental and Other Incomes as at 31 December 2012	Approximately HK\$646,000, exclusive of rates, government rent, management fees and air-conditioning charges.
Market Value in Existing State as at 31 December 2012	HK\$153,000,000
Estimated Net Property Yield	5.1%

Rhine Avenue

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

Description	Rhine Garden is a private residential cum commercial development completed in 1992. The property comprises four retail units on Ground Floor of the development. The total gross rentable area of the property is approximately 1,356.74 Sq.m. (14,604 Sq.ft.).
Land Tenure	Lot No. 261 in Demarcation District No. 390 is held under New Grant No. TW6771 for a term commencing from 1 September 1990 to 30 June 2047. The Government rent payable for the property is at 3% of the Rateable Value for the time being of the property.
Monthly Rental and Other Incomes as at 31 December 2012	Approximately HK\$380,000, exclusive of rates, government rent, management fees and air-conditioning charges.
Market Value in Existing State as at 31 December 2012	HK\$107,000,000
Estimated Net Property Yield	4.3%

The valuation report contains herein is in summary form. A full version in English language is available for public inspection at the registered office of the Manager.

Report of the Trustee

HSBC Institutional Trust Services (Singapore) Limited (the “Trustee”) is under a duty to take into custody and hold the assets of Fortune Real Estate Investment Trust (“Fortune REIT”) and its subsidiaries in trust for the holders (“Unitholders”) of units in Fortune REIT.

Fortune REIT is constituted by the trust deed dated 4 July 2003 between the Manager and the Trustee, as amended and/or supplemented by the First Amending and Restating Deed dated 29 June 2005, the Second Supplemental Deed dated 20 April 2006, the Third Supplemental Deed dated 12 October 2009, the Fourth Supplemental Deed dated 26 February 2010, the Fifth Supplemental Deed dated 26 March 2010, the Sixth Supplemental Deed dated 23 July 2010 and the Seventh Supplemental Deed dated 12 January 2012 and may be further amended or supplemented to from time to time (collectively, the “Trust Deed”).

In accordance with, inter alia, the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting year and report thereon to Unitholders in an annual report.

Under the Code on Real Estate Investment Trusts published by the Hong Kong Securities and Futures Commission, the Trustee shall, among other things, oversee the activities of the Manager for compliance with the Trust Deed, and regulatory requirements applicable to Fortune REIT, and shall issue a report to the Unitholders, to be included in the annual report, on whether in the Trustee’s opinion, the Manager has in all material respects, managed Fortune REIT in accordance with the provisions of the Trust Deed.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed Fortune REIT and its subsidiaries during the financial year covered by these financial statements in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed. The Trustee further confirms that, in its opinion, the Manager has, in all material respects, managed Fortune REIT in accordance with the provisions of the Trust Deed during the financial year ended 31 December 2012.

For and on behalf of the Trustee,

Antony Wade Lewis
Director

Singapore
24 January 2013

Statement by the Manager

In the opinion of the Directors of ARA Asset Management (Fortune) Limited (the “**Manager**”), 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 set out on pages 94 to 141, which comprise the consolidated and Fortune REIT’s statements of financial position as at 31 December 2012, and statements of 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, are properly drawn up in accordance with the International Financial Reporting Standards and the Trust Deed so as to give a true and fair view of the disposition of the assets and liabilities of the Group and of Fortune REIT as at 31 December 2012 and of their results and cash flows for the year then ended. At the date of this statement, there are reasonable grounds to believe that Fortune REIT will be able to meet its financial obligations as and when they materialise.

The consolidated and separate financial statements on pages 94 to 141 were approved and authorised for issue by the Manager on 24 January 2013.

For and on behalf of the Manager,
ARA Asset Management (Fortune) Limited

Ang Meng Huat, Anthony
Director

24 January 2013

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 set out on pages 94 to 141, which comprise the consolidated and Fortune REIT's statements of financial position as at 31 December 2012, and statements of 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, 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 issued by the Monetary Authority of Singapore (the "CIS Code") 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 2012 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 2013

Deloitte & Touche LLP
Public Accountants and Certified Public Accountants
Singapore
24 January 2013

Statements of Comprehensive Income

For the year ended 31 December 2012

	Notes	Group		Fortune REIT	
		2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Revenue	6	1,113,696	909,425	550,646	443,775
Property operating expenses	7	(325,421)	(267,299)		
Net property income		788,275	642,126		
Manager's base fee		(57,947)	(45,827)	(57,947)	(45,827)
Foreign currency exchange gain		205	52	205	52
Interest income		6,011	8,446	3,159	3,110
Trust expenses	8	(30,619)	(22,025)	(48,803)	(84,308)
Change in fair value of investment properties		1,796,263	3,043,804	–	–
Change in fair value of derivative financial instruments		(4,613)	3,038	–	–
Borrowing costs	9	(147,118)	(174,110)	–	–
Profit before taxation and transactions with unitholders	10	2,350,457	3,455,504	447,260	316,802
Income tax expense	11	(112,078)	(92,403)	(533)	(528)
Profit for the year, before transactions with unitholders		2,238,379	3,363,101	446,727	316,274
Distributions to unitholders		(549,462)	(442,283)	(549,462)	(442,283)
Profit/(loss) for the year, after transactions with unitholders		1,688,917	2,920,818	(102,735)	(126,009)
Other comprehensive income/(expenses)					
Change in fair value of derivative financial instruments under cash flow hedge		(15,925)	(72,563)	–	–
Total comprehensive income/(expenses) for the year		1,672,992	2,848,255	(102,735)	(126,009)
Income available for distribution to unitholders		549,462	442,283		
Basic earnings per unit (HK cents)	12	132.07	200.42		

Distribution Statement

For the year ended 31 December 2012

	Notes	Group	
		2012 HK\$'000	2011 HK\$'000
Profit for the year, before transactions with unitholders		2,238,379	3,363,101
Adjustments:			
Manager's base fee		57,947	45,827
Acquisition fee		19,000	–
Change in fair value of investment properties		(1,796,263)	(3,043,804)
Change in fair value of derivative financial instruments		4,613	(3,038)
Front end fees		18,184	62,283
Foreign currency exchange gain		(205)	(52)
Other non-tax deductible trust expenses		7,807	17,966
Income available for distribution	(i)	549,462	442,283
Distributions to unitholders			
15.82 HK cents (2011: 12.80 HK cents) per unit for the six months ended 30 June	(ii)	268,327	214,805
16.53 HK cents (2011: 13.50 HK cents) per unit for the six months ended 31 December	(iii)	281,135	227,478
		549,462	442,283
Distribution per unit (HK cents)		32.35	26.30

No distribution statement of Fortune Real Estate Investment Trust ("Fortune REIT") is presented as the amount of distribution to unitholders is determined based on consolidated results of the Group.

Notes:

- (i) The distribution policy of Fortune REIT has been amended on 26 March 2010 pursuant to the extraordinary resolution passed on the same date for the purpose of allowing Fortune REIT to comply with the relevant Hong Kong regulatory requirements, including the Code on Real Estate Investment Trusts (the "REIT Code") issued by The Securities and Futures Commission of Hong Kong ("SFC"). The current distribution policy, as amended, obliges Fortune REIT to distribute to unitholders on a semi-annual basis, the higher of (a) 100% of its tax-exempt income (exclude dividends paid out of interest income and gains, if any, which are distributable at the discretion of ARA Asset Management (Fortune) Limited (the "Manager")) after deduction of applicable expenses ("Net Tax-Exempt Income"); and (b) 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 REIT Code ("Net Profit After Tax").
- Net Tax-Exempt Income and Net Profit After Tax for the year ended 31 December 2012 is HK\$549.5 million (year ended 31 December 2011: HK\$442.3 million) and HK\$515.1 million (year ended 31 December 2011: HK\$417.8 million), respectively. Accordingly, the income available for distribution, based on the Net Tax-Exempt Income, of HK\$549.5 million (year ended 31 December 2011: HK\$442.3 million) would be distributed to unitholders for the year ended 31 December 2012.
- (ii) The distribution per unit of 15.82 HK cents for the six months ended 30 June 2012 (six months ended 30 June 2011: 12.80 HK cents) is calculated based on the Group's income available for distribution for the period of HK\$268.3 million (six months ended 30 June 2011: HK\$214.8 million) over 1,695,337,503 units (30 June 2011: 1,677,297,276 units), representing issued units as at 30 June 2012 of 1,692,187,125 units (30 June 2011: 1,674,182,145 units) plus the number of units issued after the distribution period to the Manager as settlement of the Manager's base fee for its services in the second quarter of 2012 of 3,150,378 units (second quarter of 2011: 3,115,131 units). The distribution amounting to HK\$268.3 million (six months ended 30 June 2011: HK\$214.8 million) was paid on 29 August 2012 (six months ended 30 June 2011: 29 August 2011).
- (iii) The distribution per unit of 16.53 HK cents for the six months ended 31 December 2012 (six months ended 31 December 2011: 13.50 HK cents) is calculated based on the Group's income available for distribution for the period of HK\$ 281.1 million (six months ended 31 December 2011: HK\$227.5 million) over 1,700,225,414 units (31 December 2011: 1,684,017,665 units), representing issued units as at 31 December 2012 of 1,697,825,978 units (31 December 2011: 1,680,695,942 units) plus the number of units issued after the distribution period to the Manager as settlement of the Manager's base fee for its services in the fourth quarter of 2012 of 2,399,436 units (fourth quarter of 2011: 3,321,723 units). The distribution for the six months ended 31 December 2012 amounting to HK\$281.1 million (six months ended 31 December 2011: HK\$227.5 million) will be paid on 28 February 2013 (six months ended 31 December 2011: 29 February 2012).

Statements of Financial Position

As at 31 December 2012

	Notes	Group		Fortune REIT	
		2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
ASSETS AND LIABILITIES					
Non-current assets					
Investments in subsidiaries	13	–	–	5,470,134	5,470,134
Investment properties	14	20,208,000	16,388,000	–	–
Total non-current assets		20,208,000	16,388,000	5,470,134	5,470,134
Current assets					
Trade and other receivables	15	55,245	49,809	53,306	39,615
Bank balances and cash	16	578,022	881,721	438,309	434,237
Total current assets		633,267	931,530	491,615	473,852
Total assets		20,841,267	17,319,530	5,961,749	5,943,986
Non-current liabilities					
Derivative financial instruments	17	145,357	124,819	–	–
Borrowings	18	3,878,815	2,794,231	–	–
Deferred tax liabilities	19	192,886	170,067	–	–
Total non-current liabilities		4,217,058	3,089,117	–	–
Current liabilities					
Trade and other payables	20	410,827	347,940	7,906	18,055
Borrowings	18	940,000	420,000	–	–
Distribution payable		281,135	227,478	281,135	227,478
Provision for taxation		14,538	7,225	1,515	1,472
Total current liabilities		1,646,500	1,002,643	290,556	247,005
Total liabilities, excluding net assets attributable to unitholders		5,863,558	4,091,760	290,556	247,005
Net assets attributable to unitholders		14,977,709	13,227,770	5,671,193	5,696,981
Units in issue and to be issued ('000)	21	1,700,225	1,684,018		
Net asset value per unit (HK\$) attributable to unitholders	22	8.81	7.85		

Statements of Changes in Net Assets Attributable to Unitholders

For the year ended 31 December 2012

Group

	Units in issue and to be issued HK\$'000	Unit issue costs HK\$'000	Hedging reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Net assets attributable to unitholders as at 1 January 2011	6,345,586	(271,593)	(415)	4,260,110	10,333,688
OPERATIONS					
Profit for the year, before transactions with unitholders	–	–	–	3,363,101	3,363,101
Distribution paid and payable of 12.80 HK cents per unit for the six months ended 30 June 2011	–	–	–	(214,805)	(214,805)
Distribution payable of 13.50 HK cents per unit for the six months ended 31 December 2011	–	–	–	(227,478)	(227,478)
Change in fair value of derivative financial instruments under cash flow hedge	–	–	(72,563)	–	(72,563)
Total comprehensive income for the year	–	–	(72,563)	2,920,818	2,848,255
UNITHOLDERS' TRANSACTIONS					
Creation of units					
– Manager's base fee paid/payable in units	45,827	–	–	–	45,827
Increase in net assets resulting from unitholders' transactions	45,827	–	–	–	45,827
Net assets attributable to unitholders as at 31 December 2011	6,391,413	(271,593)	(72,978)	7,180,928	13,227,770
OPERATIONS					
Profit for the year, before transactions with unitholders	–	–	–	2,238,379	2,238,379
Distribution paid and payable of 15.82 HK cents per unit for the six months ended 30 June 2012	–	–	–	(268,327)	(268,327)
Distribution payable of 16.53 HK cents per unit for the six months ended 31 December 2012	–	–	–	(281,135)	(281,135)
Change in fair value of derivative financial instruments under cash flow hedge	–	–	(15,925)	–	(15,925)
Total comprehensive income for the year	–	–	(15,925)	1,688,917	1,672,992
UNITHOLDERS' TRANSACTIONS					
Creation of units					
– Acquisition fee	19,000	–	–	–	19,000
– Manager's base fee paid/payable in units	57,947	–	–	–	57,947
Increase in net assets resulting from unitholders' transactions	76,947	–	–	–	76,947
Net assets attributable to unitholders as at 31 December 2012	6,468,360	(271,593)	(88,903)	8,869,845	14,977,709

Statements of Changes in Net Assets Attributable to Unitholders

For the year ended 31 December 2012

Fortune REIT

	Units in issue and to be issued HK\$'000	Unit issue costs HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Net assets attributable to unitholders as at 1 January 2011	6,345,586	(271,593)	(296,830)	5,777,163
OPERATIONS				
Profit for the year, before transactions with unitholders	–	–	316,274	316,274
Distribution paid and payable of 12.80 HK cents per unit for the six months ended 30 June 2011	–	–	(214,805)	(214,805)
Distribution payable of 13.50 HK cents per unit for the six months ended 31 December 2011	–	–	(227,478)	(227,478)
Total comprehensive expenses for the year	–	–	(126,009)	(126,009)
UNITHOLDERS' TRANSACTIONS				
Creation of units				
– Manager's base fee paid/payable in units	45,827	–	–	45,827
Increase in net assets resulting from unitholders' transactions	45,827	–	–	45,827
Net assets attributable to unitholders as at 31 December 2011	6,391,413	(271,593)	(422,839)	5,696,981
OPERATIONS				
Profit for the year, before transactions with unitholders	–	–	446,727	446,727
Distribution paid and payable of 15.82 HK cents per unit for the six months ended 30 June 2012	–	–	(268,327)	(268,327)
Distribution payable of 16.53 HK cents per unit for the six months ended 31 December 2012	–	–	(281,135)	(281,135)
Total comprehensive expenses for the year	–	–	(102,735)	(102,735)
UNITHOLDERS' TRANSACTIONS				
Creation of units				
– Acquisition fee	19,000	–	–	19,000
– Manager's base fee paid/payable in units	57,947	–	–	57,947
Increase in net assets resulting from unitholders' transactions	76,947	–	–	76,947
Net assets attributable to unitholders as at 31 December 2012	6,468,360	(271,593)	(525,574)	5,671,193

Statements of Cash Flows

For the year ended 31 December 2012

	Group		Fortune REIT	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Operating activities				
Profit before taxation and transactions with unitholders	2,350,457	3,455,504	447,260	316,802
Adjustments for:				
Manager's base fee paid/payable in units	57,947	45,827	57,947	45,827
Acquisition fee paid in units	19,000	–	19,000	–
Change in fair value of investment properties	(1,796,263)	(3,043,804)	–	–
Change in fair value of derivative financial instruments	4,613	(3,038)	–	–
Interest income	(6,011)	(8,446)	(3,159)	(3,110)
Interest expense	128,934	111,827	–	–
Front end fees	18,184	62,283	18,184	62,283
Operating cash flows before movement in working capital	776,861	620,153	539,232	421,802
(Increase)/decrease in trade and other receivables	(626)	16,516	(33,745)	(42,030)
Increase/(decrease) in trade and other payables	39,487	77,286	(10,409)	11,971
Cash generated from operations	815,722	713,955	495,078	391,743
Income tax paid	(84,473)	(72,253)	(490)	(300)
Net cash from operating activities	731,249	641,702	494,588	391,443
Investing activities				
Acquisition of property companies/properties, net of cash acquired (Note 14(i))	(1,896,231)	–	–	–
Upgrading of investment properties	(114,237)	(44,196)	–	–
Placement of fixed deposits	–	(150,000)	–	(150,000)
Withdrawal of fixed deposits	150,000	80,000	150,000	80,000
Interest received	9,516	5,362	5,029	1,661
Net cash (used in)/from investing activities	(1,850,952)	(108,834)	155,029	(68,339)
Financing activities				
Drawdown of borrowings	2,040,000	821,300	–	–
Repayment of borrowings	(420,000)	(479,000)	–	–
Distribution paid	(495,545)	(416,623)	(495,545)	(416,623)
Interest paid	(124,851)	(111,097)	–	–
Payment of front end fees	(33,600)	(41,800)	–	–
Net cash from/(used in) financing activities	966,004	(227,220)	(495,545)	(416,623)
Net (decrease)/increase in cash and cash equivalents	(153,699)	305,648	154,072	(93,519)
Cash and cash equivalents at beginning of the year	731,721	426,073	284,237	377,756
Cash and cash equivalents at end of the year	578,022	731,721	438,309	284,237
Represented:				
Cash at bank and in hand	156,127	103,721	16,414	6,237
Fixed deposits with original maturity date less than 3 months	421,895	628,000	421,895	278,000
	578,022	731,721	438,309	284,237

Notes to the Financial Statements

For the year ended 31 December 2012

1 General

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) (the "**Trust Deed**") made between ARA Asset Management (Fortune) Limited, as the manager of Fortune REIT (the "**Manager**"), and HSBC Institutional Trust Services (Singapore) Limited, as the trustee of Fortune REIT (the "**Trustee**"). Fortune REIT was listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and The Stock Exchange of Hong Kong Limited (the "**SEHK**") on 12 August 2003 and 20 April 2010, respectively.

The registered offices and principal places of business of the Manager in Singapore and Hong Kong are 6 Temasek Boulevard, #16-02 Suntec Tower Four, Singapore 038986 and Units 5508-5510, 55th Floor, The Center, 99 Queen's Road Central, Hong Kong, respectively.

The registered offices and principal places of business of the Trustee is 21 Collyer Quay #10-02, HSBC Building, Singapore 049320.

The consolidated and Fortune REIT's separate financial statements are presented in Hong Kong dollars ("**HK\$**"), which is the functional currency of Fortune REIT.

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

The consolidated and separate financial statements on pages 94 to 141 were authorised for issue by the Manager on 24 January 2013.

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

(a) Property management fees

Property management fee

Under the Property Management Agreement, Goodwell-Fortune Property Services Limited (the "**Property Manager**"), which is a subsidiary of the largest unitholder (Note 30(a)), will receive from each of the property holding subsidiaries (the "**Property Companies**") a fee of 3.0% per annum of gross property revenue for the provision of property management services and lease management services.

In respect of Fortune City One, the Property Manager has engaged Paramatta Estate Management Limited, which is not a related party of Fortune REIT, to provide part of the property management services.

In respect of Belvedere Square and Provident Square, acquired in February 2012, the Property Manager has engaged Cayley Property Management Limited and Whampoa Property Management Limited, respectively, which are related parties of Fortune REIT, to provide part of the property management services.

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

1 General (Continued)

(a) Property management fees (Continued)

Marketing services fee

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

- one month's base rent for securing a tenancy of three years or more;
- one-half month's base rent for securing a tenancy of less than three years;
- one-half month's base rent for securing a renewal of tenancy irrespective of duration of the renewal term; and
- 10.0% of total licence fee for securing a licence for duration of less than 12 months.

(b) Trustee's fees

The Trustee's fees are 0.035% per annum (subject to a minimum of HK\$50,000 per month) on the value of the real estate properties and are accrued daily and paid monthly in arrears in accordance with the Trust Deed.

(c) Manager's fees

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

Base fee

Under the Trust Deed, the Manager will receive a base fee from Fortune REIT at a rate not exceeding 0.3% per annum on the value of the properties. The base fee will be paid quarterly in arrears and in the form of units in Fortune REIT during the first five years after the units are listed on the SGX-ST. Thereafter, the base fee shall be paid to the Manager in the form of and/or units as the Manager may elect.

Performance fee

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

(d) Acquisition fee and divestment fee

The Manager is entitled to receive the following fees:

Acquisition fee

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

Divestment fee

Under the Trust Deed, the Manager will receive a divestment fee of not exceeding a maximum of 0.5% of the sale price of any real estate directly or indirectly sold or divested by Fortune REIT (pro-rated if applicable to proportion of Fortune REIT's interest in the real estate sold) in the form of cash.

Notes to the Financial Statements

For the year ended 31 December 2012

2 Application of New and Revised International Financial Reporting Standards

In the current year, the Group has applied the following amendments to International Financial Reporting Standard (“IFRS”) issued by the International Accounting Standards Board:

Amendments to IFRS 7

Disclosures – Transfers of Financial Assets

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The adoption of these amendments had no material impact on disclosure of the Group for the current year.

New and revised IFRSs issued but not effective

The Group has not early adopted the following new and revised IFRSs that have been issued but are not yet effective.

Amendments to IFRS

Annual Improvements to IFRSs 2009 – 2011 Cycle¹

Amendments to IFRS 7

Disclosures – Offsetting Financial Assets and Financial Liabilities¹

Amendments to IFRS 9 and IFRS 7

Mandatory Effective Date of IFRS 9 and Transition Disclosures³

Amendments to IFRS 10,

Consolidated Financial Statements, Joint Arrangements and

IFRS 11 and IFRS 12

Disclosure of Interests in Other Entities: Transition Guidance¹

Amendments to IFRS 10,

Investment Entities²

IFRS 12 and IAS 27

IFRS 9

Financial Instruments³

IFRS 10

Consolidated Financial Statements¹

IFRS 11

Joint Arrangements¹

IFRS 12

Disclosure of Interests in Other Entities¹

IFRS 13

Fair Value Measurement¹

IAS 19 (Revised 2011)

Employee Benefits¹

IAS 27 (Revised 2011)

Separate Financial Statements¹

IAS 28 (Revised 2011)

Investments in Associates and Joint Ventures¹

Amendments to IAS 1

Presentation of Items of Other Comprehensive Income⁴

Amendments to IAS 32

Offsetting Financial Assets and Financial Liabilities²

IFRIC 20

Stripping Costs in the Production Phase of a Surface Mine¹

1. Effective for annual periods beginning on or after 1 January 2013
2. Effective for annual periods beginning on or after 1 January 2014
3. Effective for annual periods beginning on or after 1 January 2015
4. Effective for annual periods beginning on or after 1 July 2012

2 Application of New and Revised International Financial Reporting Standards (Continued)

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Manager anticipates that IFRS 9 will be adopted in the Group's financial statements for the annual period beginning 1 January 2015 but that the application of IFRS 9 may not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures were issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these standards that are applicable to the Group are described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities has been withdrawn upon the issuance of IFRS 10. IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

Notes to the Financial Statements

For the year ended 31 December 2012

2 Application of New and Revised International Financial Reporting Standards (Continued)

New and revised standards on consolidation, joint arrangements, associates and disclosures (Continued)

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

These standards together with the amendments regarding the transitional guidance are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these standards are applied early at the same time.

The Manager anticipates that these standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. However, the Manager expects that the application of these standards will not have significant impact on amounts reported in the consolidated financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to IFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities. The amendments to IFRS 10, IFRS 12 and IAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The Manager anticipates that the application of the amendments will have no effect on the Group as Fortune REIT is not an investment entity.

2 Application of New and Revised International Financial Reporting Standards (Continued)

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Manager anticipates that IFRS 13 will be adopted in the Group's financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

The Manager anticipates that the application of other amendments and interpretations will have no material impact on the consolidated financial statements.

3 Significant Accounting Policies

(a) Basis of preparation of financial statements

The consolidated and Fortune REIT's separate financial statements have been prepared on historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values.

The consolidated and Fortune REIT's separate financial statements have been prepared in accordance with IFRSs issued by IASB, and are drawn up in accordance with the relevant provisions of the Trust Deed, the relevant requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the Code on Real Estate Investment Trust (the "REIT Code") issued by the Securities and Futures Commission of Hong Kong ("SFC").

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

Notes to the Financial Statements

For the year ended 31 December 2012

3 Significant Accounting Policies (Continued)

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Fortune REIT and its subsidiaries controlled by Fortune REIT made up to 31 December 2012. Control is achieved where Fortune REIT has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. Income and expenses of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those used by Fortune REIT.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

(c) Investments in subsidiaries

Investments in subsidiaries are included in Fortune REIT's statement of financial position at cost less any identified impairment loss. Results of subsidiaries are accounted for by Fortune REIT on the basis of dividends received or receivable during the year.

(d) Investment properties

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

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

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

3 Significant Accounting Policies (Continued)

(e) Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs, including front-end fees and commitment fees, that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets categorised as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each reporting date subsequent to initial recognition, loans and receivables which includes trade and other receivables and bank balances and cash are carried at amortised cost using the effective interest method, less any identified impairment losses.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Notes to the Financial Statements

For the year ended 31 December 2012

3 Significant Accounting Policies (Continued)

(e) Financial instruments (Continued)

Impairment of financial assets (Continued)

The carrying amount of the trade receivables is reduced by the impairment loss through the use of an allowance account. When such receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group entity after deducting all of its liabilities.

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

Financial liabilities (including trade and other payables, distributable payable and borrowings) are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

3 Significant Accounting Policies (Continued)

(e) Financial instruments (Continued)

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group uses interest rate swaps to hedge its exposure against changes in interest rates. Hedging relationships are classified as cash flow hedges when such relationships are used to hedge against exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability and such variability could affect profit or loss.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in hedging reserve are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss recognised in other comprehensive income and accumulated in hedging reserve at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in hedging reserve is recognised immediately in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2012

3 Significant Accounting Policies (Continued)

(e) Financial instruments (Continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(f) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(g) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the course of the ordinary activities, net of discounts.

Rental income under operating leases, except for contingent rentals, is recognised in the profit or loss on a straight-line basis over the term of the relevant lease.

Contingent rentals, which include gross turnover rental, are recognised as income in the accounting period on a receipt basis. No contingent rentals are recognised if there are uncertainties due to the possible return of amounts received.

Charge-out collections, which consist of payments in respect of the operation of the properties which are payable by the tenants and licensees, are recognised as income when the services and facilities are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from subsidiaries is recognised when Fortune REIT's right to receive payment has been established (provided that it is probable that economic benefits will flow to Fortune REIT and the amount of revenue can be measured reliably).

3 Significant Accounting Policies (Continued)

(h) Foreign currencies

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

In preparing the financial statements of each individual entity, transactions in currencies other than Hong Kong dollars are recorded in Hong Kong dollars at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

(i) Borrowing costs

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

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

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

(j) Impairment of investments in subsidiaries

At the end of the reporting period, Fortune REIT reviews the carrying amounts of its investments in subsidiaries to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of investments in subsidiaries is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of investments in subsidiaries is estimated to be less than its carrying amount, the carrying amount of investments in subsidiaries is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of investments in subsidiaries is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for investments in subsidiaries in prior years. A reversal of an impairment loss is recognised as income immediately.

Notes to the Financial Statements

For the year ended 31 December 2012

3 Significant Accounting Policies (Continued)

(k) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all temporary difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4 Key Sources of Estimation Uncertainty

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

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

In the process of applying the Group's accounting policies, the Manager is of the opinion that there are no instances of application of judgments or the use of estimation techniques which may have a significant effect on the amounts recognised in the financial statements other than as follows:

(a) Valuation of investment properties

As described in Notes 3(d) and 14, investment properties are stated at fair value based on the valuation performed by independent professional valuers. The valuers have determined the fair values using the basis of capitalisation of the net income which involve the making of certain assumptions and the use of estimates. In relying on the valuation reports of the professional valuers, the Manager has exercised its judgement and is satisfied that the method of valuation is reflective of the current market conditions.

(b) Valuation of derivative financial instruments

As described in Note 17, the fair value of derivative financial instruments that are not quoted in active markets are determined by using certain valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel. All models are calibrated to ensure that outputs reflect actual data and comparative market prices.

5 Segmental Reporting

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, which is the management of the Manager, in order to allocate resources to segments and to assess their performance.

The Group owns 16 (2011: 14) properties as at 31 December 2012 which are located in Hong Kong. Revenue and net property income of each property (which constitutes an operating segment) is the measure reported to the Manager for the purposes of resource allocation and performance assessment. The accounting policies of the operating segments are the same as the Group's accounting policies. The Manager considers that all existing properties held by the Group, consisting of retail shopping malls, have similar economic characteristics and have similar nature in providing leasing service to similar type of retail tenants for rental income. In addition, the cost structure and the economic environment in which they operate are similar. Therefore, the Manager concluded that each of the properties or operating segments are aggregated into a single reportable segment and no further analysis for segment information is presented.

The major customers from whom more than 10% of the Group's revenue are derived consist of the subsidiaries of Hutchison Whampoa Limited ("HWL"), an associate of the largest unitholder as disclosed in Note 30. For the year ended 31 December 2012, the Group's revenue from rental income and charge-out collections generated from the subsidiaries of HWL amounted to HK\$126.7 million (2011: HK\$93.4 million) in aggregate.

Notes to the Financial Statements

For the year ended 31 December 2012

6 Revenue

	Group		Fortune REIT	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Dividend income	–	–	550,646	443,775
Base rental	808,339	652,818	–	–
Charge-out collections	208,820	173,420	–	–
Other rental	94,426	82,210	–	–
Other income	2,111	977	–	–
	1,113,696	909,425	550,646	443,775

The other rental include contingent rents of HK\$7.7 million (2011: HK\$3.7 million), license fees of HK\$38.7 million (2011: HK\$35.6 million) and car park revenue of HK\$43.3 million (2011: HK\$36.0 million).

7 Property Operating Expenses

	Group	
	2012 HK\$'000	2011 HK\$'000
Building management expenses	119,573	94,339
Utilities	43,255	35,377
Government rents and rates	43,772	36,659
Manager's performance fee	24,468	20,025
Property manager fee	25,808	21,152
Carpark operating expenses	13,177	10,252
Advertising and promotion	11,706	9,745
Legal and other professional fees	8,078	8,200
Leasing commission and marketing services fee	18,961	16,202
Others	16,623	15,348
	325,421	267,299

8 Trust Expenses

	Group		Fortune REIT	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Trustee's fee	6,592	5,166	6,592	5,166
Acquisition fee	19,000	–	19,000	–
Front end fees (Note (i))	–	–	18,184	62,283
Expenses for acquisition	1,215	10,000	1,215	10,000
Other charges	3,812	6,859	3,812	6,859
	30,619	22,025	48,803	84,308

Note:

(i) Front end fees incurred by Fortune REIT in respect of its subsidiaries' bank borrowings are not recharged to the subsidiaries.

9 Borrowing Costs

	Group	
	2012 HK\$'000	2011 HK\$'000
Interest expense on		
– term loans	60,054	42,308
– revolving loans	11,082	2,869
Equalisation of interest expense through interest rate swaps	56,240	50,890
Commitment fee	1,558	15,760
Front end fees		
– amortisation	18,184	11,665
– written off upon early redemption of term loans	–	50,618
	147,118	174,110

10 Profit Before Taxation and Transactions with Unitholders

Profit before taxation and transactions with unitholders is arrived at after charging/crediting:

	Group		Fortune REIT	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Audit fees to external auditors in respect of				
– Current year	1,799	1,635	666	673
– Prior year	(42)	208	7	–
Non-audit services fee to external auditors	824	487	40	37
Fees to internal auditor	330	330	–	–
Valuation fees (paid to principal valuer)	303	419	–	–
Bank charges	485	389	13	–
Public relation and non-deal roadshow expenses	1,554	1,365	700	464

Notes to the Financial Statements

For the year ended 31 December 2012

11 Income Tax Expense

	Group		Fortune REIT	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Current tax:				
– Hong Kong	89,341	70,347	–	–
– Singapore	533	528	533	528
– Over provision in prior years	(615)	(374)	–	–
	89,259	70,501	533	528
Deferred taxation (Note 19)				
– Current year	22,415	21,902	–	–
– Under provision in prior year	404	–	–	–
	112,078	92,403	533	528

Fortune REIT's subsidiaries in Hong Kong are subject to Hong Kong profits tax at 16.5% (2011: 16.5%).

Fortune REIT, which is established in Singapore, is subject to Singapore income tax at 17% (2011: 17%).

At present, Fortune REIT has not been accorded the tax transparency treatment and income earned will be subject to Singapore income tax at the prevailing corporate tax rate.

The Ministry of Finance of Singapore (“MOF”) has issued a tax ruling on the taxation of Fortune REIT for income earned and expenditure incurred after its listing on 12 August 2003. Subject to meeting the terms and conditions of tax ruling, the Singapore taxation of Fortune REIT is described below:

(i) Tax-Exempt Income

Fortune REIT will be exempt from Singapore income tax on the dividends received from its subsidiaries that are distributed out of income (including interest income and gains from the sale of properties) which have been subject to Hong Kong Profits Tax at a rate of not less than 15%.

(ii) Taxable Income

Fortune REIT will be subject to Singapore income tax on dividends received from its subsidiaries that are paid out of income or gains which are not subject to Hong Kong Profits Tax (except for gains from the sale of investments in Property Companies that are capital in nature), and on all income derived from or accrued in Singapore, or received in Singapore from outside Singapore.

(iii) Non-Taxable Capital Gain

Fortune REIT is not assessable to Singapore income tax on the gains from the disposal of investments in its subsidiaries that have been confirmed by MOF to be capital gains.

11 Income Tax Expense (Continued)

The income tax expenses varied from the amount of income tax determined by applying the Hong Kong profits tax rate of 16.5% (2011: 16.5%) to the profit before taxation and transactions with unitholders as a result of the following differences:

	Group		Fortune REIT	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Profit before taxation and transactions with unitholders	2,350,457	3,455,504	447,260	316,802
Tax at the applicable income tax rate	387,825	570,158	73,798	52,272
Tax effect of expenses not deductible for tax purpose	21,401	26,763	17,576	21,463
Tax effect of income not taxable for tax purpose	(296,953)	(504,160)	(90,857)	(73,223)
Effect of different tax rates of overseas operations	16	16	16	16
Over provision in prior years	(211)	(374)	–	–
Taxation for the year	112,078	92,403	533	528

Hong Kong profits tax rate is used as it is the jurisdiction where the operations of the Group are substantially based.

Notes to the Financial Statements

For the year ended 31 December 2012

12 Earnings Per Unit

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

	Group	
	2012 HK\$'000	2011 HK\$'000
Profit for the year, before transactions with unitholders	2,238,379	3,363,101
Weighted average number of units outstanding during the year Number of units ('000)	1,694,842	1,678,044
Basic earnings per unit (HK cents)	132.07	200.42

The weighted average number of units outstanding during the year takes into account the 2,399,436 (2011: 3,321,723) units issuable as Manager's base fee for the period from 1 October 2012 to 31 December 2012 (2011: 1 October 2011 to 31 December 2011), which were issued to the Manager on 3 January 2013 (2011: 4 January 2012).

No diluted earnings per unit is presented as there are no potential units in issue during the financial year nor outstanding as at the end of the financial year.

13 Investments in Subsidiaries

	Fortune REIT	
	2012 HK\$'000	2011 HK\$'000
Unquoted ordinary shares, at cost	3,103,540	3,103,540
Unquoted preference shares, at cost	2,366,384	2,366,384
Unquoted deferred shares, at cost	210	210
	5,470,134	5,470,134

13 Investments in Subsidiaries (Continued)

The following companies are subsidiaries of Fortune REIT as at 31 December 2012 and 2011:

Name of company	Country/ Place of incorporation	Effective equity interest held by Fortune REIT		Ordinary shares	Nominal value of issued and fully paid capital			Principal activities
		2012	2011		Redeemable preference shares	Non- voting deferred shares		
		%	%				HK\$	
Direct subsidiaries								
Ace Courage Limited	British Virgin Islands ("BVI")	100	100	8	56,059	–	–	Property investment in Centre de Laguna
Art Full Resources Limited	Hong Kong	100	100	2	60,000	–	–	Property investment in Nob Hill Square
Elveden Enterprises Limited	BVI	100	–	8	–	–	–	Investment holding
Full Belief Limited	BVI	100	100	8	109,000	–	–	Property investment in Hampton Loft
Genuine Joy Limited	BVI	100	100	8	328,000	–	–	Property investment in Caribbean Square
Marvel Point Investments Limited	BVI	100	100	78	–	–	–	Investment holding
Mightypattern Limited	Hong Kong	100	100	800	–	–	–	Investment holding
Partner Now Limited	BVI	100	100	8	30,810	–	–	Property investment in Lido Avenue
Poko Shine Limited	Hong Kong	100	100	2	336,000	–	–	Property investment in Ma On Shan Plaza
Proven Effort Limited	BVI	100	100	8	17,495	–	–	Property investment in Rhine Avenue
Quick Switch Limited	BVI	100	100	8	79,000	–	–	Property investment in Smartland
Team Challenge Limited	BVI	100	100	8	95,620	–	–	Property investment in Tsing Yi Square
Vision Million Limited	BVI	100	100	8	810,000	–	–	Property investment in Fortune Metropolis
Waldorf Realty Limited	Hong Kong	100	100	210,000	–	210,000	–	Property investment in Waldorf Avenue
Yee Pang Realty Limited	Hong Kong	100	100	10,000	8,000	–	–	Property investment in Jubilee Square

Notes to the Financial Statements

For the year ended 31 December 2012

13 Investments in Subsidiaries (Continued)

Name of company	Country/ Place of incorporation	Effective equity interest held by		Nominal value of issued and fully paid capital			Principal activities
		Fortune REIT		Ordinary shares	Redeemable preference shares	Non- voting deferred shares	
		2012 %	2011 %	HK\$	HK\$	HK\$	
Indirect subsidiaries							
Beachcross Investments Limited	BVI	100	–	8	–	–	Investment holding
Bysean Limited	Hong Kong	100	–	2	–	–	Property investment in part of the Belvedere Square
Bysky Limited	Hong Kong	100	–	2	–	–	Property investment in part of the Belvedere Square
Caratal Company Limited	Hong Kong	100	–	100,000	–	–	Dormant
Fullforce Limited	Hong Kong	100	–	2	–	–	Property investment in part of the Belvedere Square
Giftmyth Investments Limited	BVI	100	–	8	–	–	Investment holding
Ling Fung Development Limited	Hong Kong	100	–	10,000	–	–	Dormant
Maulden Investments Limited	BVI	100	–	8	–	–	Property investment in Provident Square
Mega Gain Resources Limited	Hong Kong	100	100	1	436,400	–	Property investment in Metro Town
Million Nice Development Limited	Hong Kong	100	100	2	–	–	Property investment in Fortune City One
Pinelink Investment Limited	BVI	100	100	8	–	–	Investment holding
Quebo Limited	Hong Kong	100	–	2	–	–	Investment holding
Quebostar Limited	Hong Kong	100	–	10,000	–	–	Property investment in part of the Belvedere Square
Quintoll Investments Limited	BVI	100	–	8	–	–	Investment holding
Recoup Investments Limited	BVI	100	–	8	–	–	Investment holding
Swinley Investments Limited	BVI	100	–	8	–	–	Financing
Tidmarsh Investments Limited	BVI	100	–	8	–	–	Property investment in part of the Belvedere Square
Wilmington Land Company Limited	Hong Kong	100	–	350,000	–	–	Dormant

13 Investments in Subsidiaries (Continued)

Notes:

- (i) All redeemable preference shares are held by Fortune REIT.
- The redeemable preference shares issued by the subsidiaries are redeemable at the option of the subsidiaries and they have the following terms:
- They do not carry any right to dividend;
 - They are not participating (i.e. there is no right to participate in the surplus profits of the subsidiary after payment of dividend to the holders of the ordinary shares);
 - They do not have any voting rights at general meetings of the subsidiary;
 - In the event of a winding up of the subsidiary, the holders of the redeemable preference shares have priority over the holders of the ordinary shares to repayment of capital and premium paid on the issue of such redeemable preference shares, but that the holders of the redeemable preference shares are not entitled to participate in the surplus assets (if any) of the subsidiary; and
 - Each redeemable preference share is redeemable at any time at the option of the subsidiary at a redemption price equal to the issue price thereof.
- (ii) The non-voting deferred shares held by Fortune REIT are subject to the following restrictions and provisions:
- They do not carry any right to dividend;
 - They do not have any voting rights at general meetings of the subsidiary; and
 - On a return of assets on winding up or otherwise, the assets of the subsidiary to be returned should be distributed as regards the first HK\$100,000,000,000 thereof among the holders of ordinary shares in proportion to the nominal amounts of ordinary shares held by them respectively and one half of the balance of such assets shall belong to and be distributed among the holders of the non-voting deferred shares and the other half thereof to and among the holders of the ordinary shares in proportion in each case to the nominal amount of the shares held by them respectively.
- (iii) The place of operations of the above property investment subsidiaries is Hong Kong.
- (iv) Except for the interests in Marvel Point Investments Limited and Mega Gain Resources Limited (2011: Marvel Point Investments Limited, Full Belief Limited, Genuine Joy Limited, and Mega Gain Resources Limited), interests in the remaining subsidiaries were pledged as securities for the loan and credit facility granted by the banks to the subsidiaries as disclosed in Note 18 (i) and (ii).

14 Investment Properties

	Group	
	2012 HK\$'000	2011 HK\$'000
FAIR VALUE		
At beginning of year	16,388,000	13,300,000
During the year:		
Acquisition of investment properties (Note (i))	1,900,000	–
Stamp duty incurred in relation to acquisition	9,500	–
Capital expenditure incurred in upgrading investment properties	114,237	44,196
Change in fair value of investment properties	1,796,263	3,043,804
At end of year	20,208,000	16,388,000

Notes to the Financial Statements

For the year ended 31 December 2012

14 Investment Properties (Continued)

Details of the investment properties as at the end of the reporting period are set out below:

Description of property	Tenure of land	Terms of leases	Remaining term of lease	Location	Valuation	
					2012 HK\$'000	2011 HK\$'000
Fortune City One	Leasehold	149 years	34.5 years	No. 1 & 2 Ngan Shing Street, 6 Lok Shing Street, Shatin, New Territories, Hong Kong	5,365,000	4,895,000
Ma On Shan Plaza	Leasehold	55.5 years	34.5 years	No. 608 Sai Sha Road, Ma On Shan, Shatin, New Territories, Hong Kong	3,801,000	3,302,000
Metro Town	Leasehold	50 years	40 years	No. 8 King Ling Road, Tseung Kwan O, Hong Kong	2,380,000	2,200,000
Fortune Metropolis	Leasehold	50.5 years	34.5 years	No. 6-10 Metropolis Drive, Kowloon, Hong Kong	1,839,000	1,728,000
Belvedere Square	Leasehold	149 years	34.5 years	No. 530-590, 620 & 625, Castle Peak Road, Tsuen Wan, New Territories, Hong Kong	1,431,000	–
Waldorf Avenue	Leasehold	149 years	34.5 years	No. 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong	1,268,000	1,164,000
Provident Square	Leasehold	150 years	59 years	No. 21-53 Wharf Road, North Point, Hong Kong	786,000	–
Caribbean Square	Leasehold	50 years	34.5 years	No. 1 Kin Tung Road, Tung Chung, New Territories, Hong Kong	716,000	680,000

14 Investment Properties (Continued)

Description of property	Tenure of land	Terms of leases	Remaining term of lease	Location	Valuation	
					2012 HK\$'000	2011 HK\$'000
Jubilee Square	Leasehold	149 years	34.5 years	No. 2-18 Lok King Street, Fo Tan, Shatin, New Territories, Hong Kong	551,000	479,000
Smartland	Leasehold	149 years	34.5 years	No. 16 Tsuen Wah Street, Tsuen Wan, New Territories, Hong Kong	516,000	485,000
Tsing Yi Square	Leasehold	149 years	34.5 years	No. 7-19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong	463,000	439,000
Nob Hill Square	Leasehold	50 years	35.5 years	No. 8 King Lai Path, Kwai Chung, New Territories, Hong Kong	381,000	359,000
Centre de Laguna	Leasehold	58 years	34.5 years	93/99 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong	229,000	217,000
Hampton Loft	Leasehold	50 years	37 years	No. 11 Hoi Fan Road, Kowloon, Hong Kong	222,000	211,000
Lido Avenue	Leasehold	149 years	34.5 years	No. 41-63 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong	153,000	133,000
Rhine Avenue	Leasehold	57 years	34.5 years	No. 38 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong	107,000	96,000
					20,208,000	16,388,000

Notes to the Financial Statements

For the year ended 31 December 2012

14 Investment Properties (Continued)

- (i) On 17 February 2012, Fortune REIT completed the acquisition of Belvedere Square and Provident Square from subsidiaries of HWL and Cheung Kong (Holdings) Limited (“**Cheung Kong**”) and an independent third party of Fortune REIT through direct acquisition of investment properties and acquisition of the entire equity interest in Recoup Investments Limited (“**Recoup**”) and 35% equity interest in Quebostar Limited (“**Quebostar**”) for a total cash consideration of HK\$1,900 million plus adjustments on the net current assets/liabilities of Recoup and Quebostar as at completion date of the acquisition.

The acquisition of Recoup and Quebostar has been accounted for as acquisition of assets and liabilities as it does not meet the definition of a business combination.

The above acquisition was funded by the drawdown of a new bank borrowing as disclosed in Note 18 and utilisation of the revolving credit facility under the facility agreement dated 11 April 2011. Details of the acquisition are as follows:

	Direct acquisition of investment properties HK\$'000	Acquisition of subsidiaries HK\$'000	Total HK\$'000
Investment properties	714,456	1,185,544	1,900,000
Cash and cash equivalents	–	45,048	45,048
Trade and other receivables	–	8,315	8,315
Trade and other payables	–	(19,057)	(19,057)
Provision for taxation	–	(2,527)	(2,527)
Total consideration, satisfied by cash	714,456	1,217,323	1,931,779
Net cash outflow arising on acquisition			
Cash consideration paid	(714,456)	(1,217,323)	(1,931,779)
Cash and cash equivalents acquired	–	45,048	45,048
Stamp duty incurred in relation to acquisition	(9,500)	–	(9,500)
	(723,956)	(1,172,275)	(1,896,231)

The amounts paid to subsidiaries of HWL and Cheung Kong and the independent third party were HK\$1,774,183,000, HK\$67,541,000 and HK\$90,055,000, respectively.

- (ii) On 31 December 2012 and 2011, independent valuations was undertaken by Knight Frank Petty Limited (“**Knight Frank**”). The firm is an independent qualified professional valuer not related to the Group and has appropriate professional qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation of the properties was principally arrived at using the basis of capitalisation of the net income. In the valuation, the market rentals of all lettable units of the properties are assessed and capitalised at market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yields derived from analysing the sales transactions and the valuer’s knowledge of the market expectation from property investors.

14 Investment Properties (Continued)

- (iii) All of the Group's property interests in properties located in Hong Kong are either held under long leases or medium-term leases in which are finance lease in nature. The properties have been leased out under operating leases, most of which contain tenancy periods ranging from two to three years. Subsequent renewals are negotiated with the lessees at prevailing market rates.

The carrying amount of investment properties shown above comprise:

	2012 HK\$'000	2011 HK\$'000
Land in Hong Kong:		
Long lease	786,000	–
Medium-term lease	19,422,000	16,388,000
	20,208,000	16,388,000

- (iv) Certain properties with total fair value of HK\$16,009.0 million (2011: HK\$11,654.0 million) as at 31 December 2012 have been mortgaged as collaterals for credit facilities granted by the banks.

15 Trade and Other Receivables

	Group		Fortune REIT	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
(a) Trade receivables				
Outside parties	28,188	25,337	–	–
Related parties (Note 30)	1,815	–	–	–
	30,003	25,337	–	–
(b) Other receivables and prepayments				
Security deposits	21,704	17,456	–	–
Other receivables	2,455	6,114	2,061	3,691
Prepayments	1,083	902	51,245	35,924
	25,242	24,472	53,306	39,615
	55,245	49,809	53,306	39,615

Aging analysis of the Group's trade receivables at the end of the reporting period is as follows:

	Group	
	2012 HK\$'000	2011 HK\$'000
0 – 30 days	29,356	25,251
31 – 90 days	594	43
Over 90 days	53	43
	30,003	25,337

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15 Trade and Other Receivables (Continued)

There is no credit period given on billing for rental of properties. No interest is charged on the trade receivables for the first 10 days from the date of the invoice. Interest will be charged on the outstanding amount overdue for more than 10 days at the rate of 12% per annum. The balances of trade receivables include accrued rentals in respect of rent free periods.

Included in the Group's trade receivable balance are debtors with a carrying amount of HK\$3.3 million (2011: HK\$1.0 million) which are past due as at the reporting date for which the Group has not provided for doubtful debts as there has not been a significant change on credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The aging of the debtors which are past due but not impaired are as follows:

	Group	
	2012 HK\$'000	2011 HK\$'000
1 – 30 days	2,687	883
31 – 90 days	594	43
Over 90 days	53	43
	3,334	969

In determining the recoverability of a trade receivable, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The exposure of credit risk is limited due to deposits received from tenants. Full provision will be made on the balance overdue for 90 days after setting off the relevant tenant's deposits. Accordingly, the Manager believes that there is no further credit provision required in excess of the allowance for doubtful debts.

Fortune REIT's prepayments included front end fees of HK\$51.2 million (2011: HK\$35.8 million) as at 31 December 2012 in respect of its subsidiaries' bank borrowings.

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

	Group and the Fortune REIT	
	2012 HK\$'000	2011 HK\$'000
Denominated in: Singapore dollars	1,638	1,400

16 Bank Balances and Cash

	Group		Fortune REIT	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Cash at bank and in hand	156,127	103,721	16,414	6,237
Fixed deposits with original maturity date less than 3 months	421,895	628,000	421,895	278,000
Cash and cash equivalents	578,022	731,721	438,309	284,237
Fixed deposits with original maturity date more than 3 months	–	150,000	–	150,000
	578,022	881,721	438,309	434,237
Effective interest rate per annum	0.57%	1.73%	0.75%	1.31%

The cash and cash equivalents which are not denominated in the functional currency of the relevant Group entities are as follows:

	Group and the Fortune REIT	
	2012 HK\$'000	2011 HK\$'000
Denominated in: Singapore dollars	3,712	1,006

17 Derivative Financial Instruments

	Group	
	2012 HK\$'000	2011 HK\$'000
Derivative financial instruments are analysed as:		
Derivatives under hedge accounting:		
Cash flow hedges – interest rate swaps	70,697	80,735
Derivatives not under hedge accounting:		
Interest rate swaps	74,660	44,084
	145,357	124,819

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

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17 Derivative Financial Instruments (Continued)

Derivatives under hedge accounting:

Contracts with notional amount of HK\$1,415.0 million (2011: 1,415.0 million) as at 31 December 2012 will mature in April 2016 and are highly effective. During the year, hedge accounting for a contract with notional amount of HK\$480.0 million which will mature in December 2014 was discontinued as the hedge is no longer highly effective. These contracts have fixed interest payments at rates ranging from 2.00% to 2.62% per annum for the year ended 31 December 2012 and have floating interest receipts at three months Hong Kong Inter-bank Offered Rate ("HIBOR") repricing every three months.

The effective portion of the change in fair value of the derivative financial instruments, amounting to a loss of HK\$15.9 million (2011: loss of HK\$72.6 million), is recognised in other comprehensive income for the year ended 31 December 2012. The fair value change of the derivative financial instrument which was no longer highly effective hedge amounting to a gain of HK\$4.7 million is recognised in the consolidated statement of comprehensive income for the year ended 31 December 2012.

Derivatives not under hedge accounting:

In addition to the above-mentioned contract with notional amount of HK\$480.0 million, contracts not under hedge accounting with notional amount of HK\$614.5 million (2011: HK\$614.5 million), HK\$320.5 million (2011: HK\$320.5 million), HK\$614.5 million (2011: Nil), HK\$800.5 million (2011: Nil) and HK\$800.0 million (2011: Nil) as at 31 December 2012 will mature in March 2014, December 2014, April 2018, April 2018 and August 2019, respectively. These contracts have fixed interest payments at rates ranging from 1.08% to 2.91% (2011: 2.44% to 2.91%) per annum and have floating interest receipts at three months HIBOR repricing every three months. The interest payments/receipts for contracts with notional amounts of HK\$614.5 million and HK\$800.5 million will commence from March 2014 and January 2015 respectively.

The change in fair value of the derivative financial instruments, including the derivative financial instrument which was no longer highly effective hedge during the year, amounting to a loss of HK\$4.6 million (2011: gain of HK\$3.0 million), is recognised in the consolidated statement of comprehensive income for the year ended 31 December 2012.

The fair value of derivative financial instruments represented 1.0% (2011: 0.9%) of the net assets of Fortune REIT as at 31 December 2012.

The derivative financial instruments are measured at fair value at the end of the reporting period. Their fair values are determined based on the discounted future cash flows using the applicable yield curve for the duration of the instruments.

The fair value of derivative financial liabilities falls under Level 2 of the fair value hierarchy and is measured based on inputs other than quoted prices that are observable either directly or indirectly.

18 Borrowings

	Group	
	2012 HK\$'000	2011 HK\$'000
Secured term loans	3,930,000	2,830,000
Secured revolving loans	940,000	420,000
Less: unamortised front end fees	(51,185)	(35,769)
	4,818,815	3,214,231
Carrying amount repayable:		
On demand or within one year	940,000	420,000
More than two years, but not more than five years	3,878,815	2,794,231
	4,818,815	3,214,231
Less: Amount due within one year shown under current liabilities	(940,000)	(420,000)
	3,878,815	2,794,231

- (i) In relation to the term loan of HK\$2,830.0 million and revolving credit facility of HK\$970.0 million under the facility agreement dated 11 April 2011 for a term of five years (the "2011 Facilities"), the amounts outstanding under the 2011 Facilities drawn down by certain subsidiaries as at 31 December 2012 was HK\$3,770.0 million (31 December 2011: HK\$3,250.0 million). The 2011 Facilities are secured by, inter alia, a mortgage over certain investment properties and the Trustee (in its capacity as Trustee of Fortune REIT) has provided a guarantee for the 2011 Facilities. The 2011 Facilities bear interest at HIBOR plus a margin of 0.91% per annum.
- (ii) In relation to the term loan of HK\$1,100.0 million and revolving credit facility of HK\$300.0 million under the facility agreement dated 14 February 2012 for a term of three years (the "2012 Facilities"), the amounts outstanding under the 2012 Facilities drawn down by a subsidiary as at 31 December 2012 was HK\$1,100.0 million. The 2012 Facilities are secured by, inter alia, a mortgage over certain investment properties and the Trustee (in its capacity as Trustee of Fortune REIT) has provided a guarantee for the 2012 Facilities. The 2012 Facilities bear interest at HIBOR plus a margin of 2.00% per annum. The term loan of the 2012 Facilities was used to finance the acquisition of investment properties and subsidiaries as disclosed in Note 14.
- (iii) During the year, the Group has paid front end fees of HK\$33.6 million (31 December 2011: HK\$41.8 million) to the banks to secure the loan facilities. The front end fees are amortised over the respective loan periods. The movements in the front end fees and accumulated amortisation are as follow:

	Group	
	2012 HK\$'000	2011 HK\$'000
At beginning of year	41,800	80,600
Addition	33,600	41,800
Reversal during the year	–	(80,600)
At end of year	75,400	41,800
Movement in accumulated amortisation:		
At beginning of year	(6,031)	(24,348)
Reversal during the year	–	29,982
Amortised during the year	(18,184)	(11,665)
At end of year	(24,215)	(6,031)
Net book values	51,185	35,769

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For the year ended 31 December 2012

18 Borrowings (Continued)

The effective interest rates and repricing analysis:

	Weighted average effective interest rate		Carrying value		Repricing within 3 months	
	2012 %	2011 %	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Interest bearing borrowing – Group						
Fixed rate*	2.95*	2.31*	3,630,000	2,830,000	3,630,000	2,830,000
Variable rate	2.26	1.20	1,240,000	420,000	1,240,000	420,000
			4,870,000	3,250,000	4,870,000	3,250,000

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

19 Deferred Tax Liabilities

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

The followings are the major component of deferred tax liabilities/(assets) recognised and movements therein during the year:

	Accelerated tax depreciation		Tax losses		Total	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Group						
At beginning of year	173,434	151,532	(3,367)	(3,367)	170,067	148,165
Charge to profit or loss for the year	22,415	21,902	–	–	22,415	21,902
Under provision in prior year	404	–	–	–	404	–
At end of year	196,253	173,434	(3,367)	(3,367)	192,886	170,067

The Manager expects to recover the carrying amount of investment properties through sale. Hence, deferred tax is determined by reference to tax consequence following disposal of the properties.

20 Trade and Other Payables

	Group		Fortune REIT	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
(a) Trade payables				
Tenants' deposits				
– Outside parties	287,244	229,797	–	–
– Related parties (Note 30)	7,416	5,398	–	–
Rental received in advance				
– Outside parties	14,762	12,435	–	–
	309,422	247,630	–	–
(b) Other payables				
Trustee's fee	1,728	938	1,728	938
Other expenses				
– Outside parties	45,680	44,204	2,494	2,280
– Related parties (Note 30)	40,084	35,147	–	–
– Manager (Note 30)	4,328	3,365	–	–
Interest payable	5,901	1,818	–	–
Others	3,684	14,838	3,684	14,837
	101,405	100,310	7,906	18,055
Total	410,827	347,940	7,906	18,055

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

The tenants' deposits to be settled after twelve months from the reporting period based on lease term amounted to HK\$181.4 million (2011: HK\$145.3 million) as at 31 December 2012.

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

	Group and Fortune REIT	
	2012 HK\$'000	2011 HK\$'000
Denominated in:		
Singapore dollars	1,907	1,326

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21 Units in Issue and to be Issued

Before the amendment of Trust Deed on 26 March 2010, Fortune REIT has no contractual obligation to pay or declare distribution of which is entirely at the discretion of the Manager pursuant to the Trust Deed. Accordingly, the issued units are classified as equity in accordance with IAS 32 "Financial Instruments: Presentation ("IAS 32")

As a consequence of the dual primary listing on the SEHK, Fortune REIT has to comply with the distribution requirements set in the REIT Code issued by the SFC. In accordance with the amended Trust Deed, Fortune REIT's current distribution policy provides the unitholders with a right to receive distribution which Fortune REIT has a contractual obligation to distribute to unitholders at the higher of Net Tax-Exempt Income or 90% of consolidated Net Profit After Tax (defined in Note (i) to the distribution statement).

Accordingly, the issued units as at 31 December 2011 and 2012 are compound instruments in accordance with IAS 32 "Financial Instruments: Presentation". The Manager considers the equity component of the issued units to be insignificant and that the net assets attributable to unitholders presented on the statements of financial position as at 31 December 2011 and 2012 mainly represents financial liabilities.

	Number of units	
	'000	HK\$'000
Balance as at 1 January 2011	1,671,600	6,345,586
Issue of new units during the year:		
As payment of Manager's base fee for the period from 1 January to 30 September 2011	9,096	33,435
Balance in issue as at 31 December 2011	1,680,696	6,379,021
New units to be issued:		
As payment of Manager's base fee for the period from 1 October to 31 December 2011 (Note (i))	3,322	12,392
Balance as at 1 January 2012	1,684,018	6,391,413
Issue of new units during the year:		
As payment of acquisition fee for the acquisition of Belvedere Square and Provident Square (Note (ii))	4,809	19,000
As payment of Manager's base fee for the period from 1 January to 30 September 2012	8,999	42,667
Balance in issue as at 31 December 2012	1,697,826	6,453,080
New units to be issued:		
As payment of Manager's base fee for the period from 1 October to 31 December 2012 (Note (i))	2,399	15,280
Balance as at 31 December 2012	1,700,225	6,468,360

Notes:

- (i) Manager's base fee paid to the Manager is in the form of units. On 3 January 2013, Fortune REIT issued 2,399,436 units at an issue price of HK\$6.3684 per unit to the Manager as base fee for the period from 1 October to 31 December 2012. On 4 January 2012, Fortune REIT issued 3,321,723 units at an issue price of HK\$3.7306 per unit to the Manager as base fee for the period from 1 October to 31 December 2011.
- (ii) On 17 February 2012, Fortune REIT issued 4,809,152 units to the Manager at HK\$3.9508 per unit as acquisition fee for the acquisition of investment properties and subsidiaries as disclosed in Note 14. The acquisition fee was calculated at 1.0% of the consideration paid for the acquired properties of HK\$1,900 million and were paid by way of units.

22 Net Asset Value Per Unit Attributable to Unitholders

Net asset value per unit is calculated based on the net assets attributable to unitholders of the Group of HK\$14,977.7 million (2011: HK\$13,227.8 million) and the total number of 1,700,225,414 (2011: 1,684,017,665) units in issue and to be issued, including the new units to be issued as payment of Manager's base fee.

23 Net Current Liabilities

As at 31 December 2012, the Group's net current liabilities, defined as current assets less current liabilities, amounted to HK\$1,013.2 million (2011: HK\$71.1 million).

24 Total Assets Less Current Liabilities

As at 31 December 2012, the Group's total assets less current liabilities amounted to HK\$19,194.8 million (2011: HK\$16,316.9 million).

25 Capital Risk Management Policies and Objectives

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

The capital structure of the Group consists of debts, which includes borrowings, cash and cash equivalents and net assets attributable to unitholders comprising issued and issuable units, reserves and retained profits. Fortune REIT and the Group are required to maintain the aggregate borrowings, which amounted to HK\$4,870 million as at 31 December 2012 (2011: HK\$3,250.0 million), not exceeding 35% (2011: 35%) and 45% (2011: 45%) of the gross asset value of the Group in accordance with the CIS Code issued by MAS and the REIT Code issued by SFC, respectively.

The management's strategy remains unchanged from prior year. Fortune REIT and the Group is in compliance with externally imposed capital requirements for the year ended 31 December 2012.

26 Financial Instruments

(a) Categories of financial instruments

	Group		Fortune REIT	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Financial assets				
<i>Loans and receivables</i>				
Trade and other receivables	54,162	48,907	2,061	3,691
Bank balances and cash	578,022	881,721	438,309	434,237
	632,184	930,628	440,370	437,928
Financial liabilities				
<i>Amortised cost</i>				
Other payables	62,001	58,971	4,042	7,875
Distribution payable	281,135	227,478	281,135	227,478
Borrowings	4,818,815	3,214,231	–	–
	5,161,951	3,500,680	285,177	235,353
<i>Fair value</i>				
Derivative financial instruments				
– In designated hedge accounting relationships	70,697	80,735	–	–
– Not under designated hedge accounting	74,660	44,084	–	–
	145,357	124,819	–	–

Notes to the Financial Statements

For the year ended 31 December 2012

26 Financial Instruments (Continued)

(b) Financial risk management objectives and policies

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

The policies on how to mitigate these risks are set out below. The Manager manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

Fortune REIT's and the Group's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Manager on an ongoing basis with primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

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

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the Group's exposure to interest rates for non-derivative instruments at the end of last reporting period and assumed the stipulated changes taking place at the beginning of last financial year and held constant throughout last financial period in the case of financial instruments that bear interest at floating rates. A range of 25 to 75 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the effect from reasonably possible change in interest rates.

If the interest rates have been higher or lower and all other variables were held constant, the Group's profit for the year would decrease or increase accordingly. This is mainly attributable to the Group's exposure to interest rates on its floating rate borrowings which is not hedged. The following analysis shows the Group's sensitivity to interest rates exposure:

Increase in interest rates basis points by:

	Decrease in the Group's results	
	2012 HK\$'000	2011 HK\$'000
25 basis points	2,850	–
50 basis points	5,700	–
75 basis points	8,550	–

No interest rate sensitivity analysis in relation to time deposit and revolving loan of the Group and Fortune REIT was presented in last year since the Manager considered that the impact of interest rate risk on profit or loss for the year was insignificant.

26 Financial Instruments (Continued)

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

Credit risk

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

Trade receivable consists of rental revenue receivables from tenant or counterparty. The Manager monitors their balances on an ongoing basis. Credit evaluations are performed by the Property Manager on behalf of the Manager before lease agreements are entered into with tenants.

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

The credit risk on liquid funds is limited because cash and fixed deposits are placed with reputable bank with high credit ratings assigned by international credit-rating agencies.

The credit risk on derivative financial instrument is limited because the counterparties are bank with high credit ratings assigned by international credit-rating agencies.

The maximum exposure to credit risk of Fortune REIT and the Group is represented by the carrying value of each financial asset on its statement of financial position and the consolidated statement of financial position, respectively.

Foreign currency risk

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

The net carrying amounts of monetary assets denominated in currencies other than their functional currency arise from Singapore dollars ("S\$") denominated bank balances and deposits, other receivables and other payables amounting to HK\$3.4 million (2011: HK\$1.1 million) as at 31 December 2012. The foreign currency risk is managed by the Manager on an ongoing basis as well as to minimising the bank balance in Singapore dollars.

If HK\$ were to strengthen against S\$ by 5%, 10% and 15% (2011: 5%, 10% and 15%), Fortune REIT's and the Group's profit for the year would decrease by:

	Decrease in the Fortune REIT's and the Group's results	
	2012 HK\$'000	2011 HK\$'000
5%	172	54
10%	344	108
15%	516	162

Conversely, if the HK\$ were to weaken against S\$, there would be an equal and opposite effect on Fortune REIT's and the Group's profit for the year.

Notes to the Financial Statements

For the year ended 31 December 2012

26 Financial Instruments (Continued)

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

Liquidity risk

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

As at 31 December 2012, the Group has bank loan facilities of HK\$5,200.0 million comprising a HK\$3,930.0 million term loan and a HK\$1,270.0 million revolving credit facilities. The term loan facilities were fully drawn and revolving credit facilities of HK\$940.0 million were drawn as at 31 December 2012. 2011 Facilities and 2012 Facilities are repayable five years from 11 April 2011 and three years from 14 February 2012, respectively. The revolving credit facility will be repaid on each maturity date and can be redrawn upon maturity. Investment properties with aggregate carrying value of HK\$16,009.0 million have been pledged to secure banking facilities granted to the Group. Taking into a cash balance of HK\$578.0 million and available unutilised revolving credit facility of HK\$330.0 million as at 31 December 2012, the Group has sufficient financial resources to satisfy its commitments and working capital requirements although the Group's net current liabilities amounted to HK\$1,013.2 million as at 31 December 2012 (2011: net current liabilities of HK\$71.1million).

Liquidity risk analysis

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

For derivative instruments settled on a net basis, undiscounted net cash outflows are presented. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date. The liquidity analysis for derivative financial instruments is prepared based on the contractual maturities as the management considers the contractual maturities are essential for an understanding of the timing of the cash flows of the derivatives.

26 Financial Instruments (Continued)

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

Liquidity risk (Continued)

Liquidity risk analysis (Continued)

The Group's derivative financial instruments are interest rate swaps with notional amount totaling HK\$5,045.0 million (2011: HK\$ 2,830.0 million) as at 31 December 2012 with contracted net cash flows due within seven years (2011: five years) from inception date.

Group

	Weighted average interest rate %	On demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 2 years HK\$'000	Over 2 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount as at 31 December HK\$'000
2012							
Non-derivative financial liabilities							
Tenants' deposits	–	29,663	83,581	100,635	80,781	294,660	294,660
Other payables	–	62,001	–	–	–	62,001	62,001
Bank borrowings – variable rate	1.39	118,834	57,375	76,152	4,835,198	5,087,559	4,818,815
Distribution payable	–	281,135	–	–	–	281,135	281,135
Cash outflow		491,633	140,956	176,787	4,915,979	5,725,355	5,456,611
Derivative – net settlement							
Derivative financial instruments, cash outflow		14,926	45,408	53,357	71,751	185,442	145,357
2011							
Non-derivative financial liabilities							
Tenants' deposits	–	37,231	52,695	95,817	49,452	235,195	235,195
Other payables	–	58,971	–	–	–	58,971	58,971
Bank borrowings – variable rate	1.28	429,753	28,888	38,447	2,917,638	3,414,726	3,214,231
Distribution payable	–	227,478	–	–	–	227,478	227,478
Cash outflow		753,433	81,583	134,264	2,967,090	3,936,370	3,735,875
Derivative – net settlement							
Derivative financial instruments, cash outflow		13,641	43,634	57,796	75,645	190,716	124,819

Notes to the Financial Statements

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26 Financial Instruments (Continued)

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

Liquidity risk (Continued)

Liquidity risk analysis (Continued)

Fortune REIT

	On demand or less than 3 months	3 months to 1 year	1 year to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount as at 31 December
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2012						
Non-derivative financial liabilities						
Other payables	4,042	–	–	–	4,042	4,042
Distribution payable	281,135	–	–	–	281,135	281,135
	285,177	–	–	–	285,177	285,177
2011						
Non-derivative financial liabilities						
Other payables	7,875	–	–	–	7,875	7,875
Distribution payable	227,478	–	–	–	227,478	227,478
	235,353	–	–	–	235,353	235,353

(c) Fair value

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

The fair value of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally acceptable pricing models based on discounted cash flow analysis.

The fair value of derivative instruments is determined based on the discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

27 Operating Lease Arrangements

	Group	
	2012	2011
	HK\$'000	HK\$'000
Minimum lease income under operating leases included in revenue	808,339	652,818

27 Operating Lease Arrangements (Continued)

As at the end of the reporting period, the future minimum lease receipts under the committed rental of shopping mall premises were as follows:

	Outside parties		Related parties		Total	
	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000	2012 HK\$'000	2011 HK\$'000
Within one year	621,071	520,212	96,241	85,107	717,312	605,319
In the second to fifth year inclusive	453,235	402,683	70,431	52,120	523,666	454,803
Over five years	9,876	7,459	264	–	10,140	7,459
	1,084,182	930,354	166,936	137,227	1,251,118	1,067,581

The Group rents out its investment properties in Hong Kong under operating leases. Operating lease income represents rentals receivable by the Group for its investment properties. Leases are negotiated for term ranging primarily from one to three years with monthly fixed rental, except for certain leases of which contingent rents are charged based on the percentage of sales mainly ranging from 2% to 18%.

28 Capital Commitment

As at 31 December 2012, the Group had capital commitments in respect of investment properties which were authorised but not contracted for HK\$116.7 million (2011: HK\$49.0 million) and contracted but not provided for HK\$33.2 million (2011: HK\$102.9 million).

29 Major Non Cash Transactions

During the year, Manager's base fee and acquisition fee for the year ended 31 December 2012 of HK\$57.9 million and HK\$19.0 million were and will be settled by the issuance of 11,398,597 units and 4,809,152 units, respectively.

In prior year, previous bank loans of HK\$2,828.7 million were refinanced by the 2011 Facilities. The refinancing did not involve the settlement of cash by the Group as the previous bank loans were settled by the respective banks of the 2011 Facilities directly. In addition, Manager's base fee for the year ended 31 December 2011 of HK\$45,827,000 was settled by the issuance of 12,417,765 units.

30 Connected and Related Party Transactions

During the year, in addition to the acquisition of investment properties and subsidiaries as disclosed in Note 14(i), the Group entered into the following transactions with connected and related parties

	Notes	2012 HK\$'000	2011 HK\$'000
Rent and rental related income from			
AMTD Strategic Capital Limited	(a)	6,195	6,195
ARA Asset Management (Fortune) Limited	(f)	220	–
A.S. Watson Group (HK) Limited	(b)	115,848	88,726
BIGBOXX.com Limited	(b)	1,642	–
Big Sky Resources Limited	(a)	24	48
Cheung Kong Property Development Limited	(a)	29,126	22,932
Cheung Kong	(c)	513	286
Citybase Property Management Limited	(a)	3,423	4,273

Notes to the Financial Statements

For the year ended 31 December 2012

30 Connected and Related Party Transactions (Continued)

	Notes	2012 HK\$'000	2011 HK\$'000
Hang Seng Bank Limited	(d)	5,114	3,236
Hutchison Global Communications Limited	(b)	994	–
Hutchison International Limited	(b)	1,977	–
Hutchison Telephone Company Limited	(b)	6,079	4,696
Hutchison Telecommunications Services Limited	(b)	174	–
Metro Radio Broadcast Corporation Limited	(e)	15	–
Perfect Idea Limited	(a)	–	2,563
The Hongkong and Shanghai Banking Corporation Limited (“HSBC”)	(d)	5,879	6,012
Towerich Limited	(a)	71	85
Carpark lease agency fee for the operations of the Group’s carpark			
Cayley Property Management Limited	(b)	133	–
E-Park Parking Management Limited	(a)	3,692	2,720
Property management fee			
Cayley Property Management Limited	(b)	440	–
Citybase Property Management Limited	(a)	810	767
Goodwell-Fortune Property Services Limited	(a)	23,616	20,116
Goodwell Property Management Limited	(a)	129	125
Whampoa Property Management Limited	(b)	575	–
Marketing services fee			
Goodwell-Fortune Property Services Limited	(a)	17,937	15,937
Advertising and promotion expenses			
Metro Broadcast Corporation Limited	(e)	736	416
Trustee’s fee			
HSBC Institutional Trust Services (Singapore) Limited		6,592	5,166
Manager’s acquisition fee			
ARA Asset Management (Fortune) Limited	(f)	19,000	–
Manager’s base fee			
ARA Asset Management (Fortune) Limited	(f)	57,947	45,827
Manager’s performance fee			
ARA Asset Management (Fortune) Limited	(f)	24,468	20,025
Back-office support service fee			
Cheung Kong	(c)	605	571
Valuation and other fees			
Knight Frank	(g)	303	453

30 Connected and Related Party Transactions (Continued)

	Notes	2012 HK\$'000	2011 HK\$'000
Trade receivables with connected and related companies are as follows:			
A.S Watson Group (HK) Limited	(b)	37	–
Cheung Kong Property Development Limited	(a)	1,735	–
Hutchison Telephone Company Limited	(b)	43	–
		1,815	–
Other payables with connected and related companies are as follows:			
ARA Asset Management (Fortune) Limited	(f)	4,328	3,365
Cayley Property Management Limited	(b)	3,976	–
Citybase Property Management Limited	(a)	8,645	9,485
Citytruth Property Management Limited	(a)	685	1,171
E-Park Parking Management Limited	(a)	730	465
Goodwell-Fortune Property Services Limited	(a)	7,812	8,514
Goodwell Property Management Limited	(a)	14,565	15,512
Whampoa Property Management Limited	(b)	3,371	–
Metro Broadcast Corporation Limited	(e)	300	–
		44,412	38,512
Deposits placed with the Group for the lease of the Group's properties			
AMTD Strategic Capital Limited	(a)	1,643	1,643
ARA Asset Management (Fortune) Limited	(f)	147	–
A.S. Watson Group (HK) Limited	(b)	435	418
Big Sky Resources Limited	(a)	–	9
Citybase Property Management Limited	(a)	972	972
Hang Seng Bank Limited	(d)	2,670	964
HSBC	(d)	629	649
Hutchison Telephone Company Limited	(b)	907	720
Towerich Limited	(a)	13	23
		7,416	5,398

Notes:

- (a) These companies are the subsidiaries of Cheung Kong (see Note (c)).
- (b) These companies are the subsidiaries of HWL, an associate of Cheung Kong and a unitholder of Fortune REIT.
- (c) The company is the largest unitholder with approximately 31% holding of the outstanding units of Fortune REIT at the end of the reporting year.
- (d) These companies are the fellow subsidiaries of the Trustee.
- (e) The company is an associate of Cheung Kong.
- (f) The company is the Manager of Fortune REIT.
- (g) Knight Frank is the principal valuer of investment properties for the year ended 31 December 2012 and 31 December 2011.

In addition, the Trustee (in its capacity as trustee of Fortune REIT) has provided guarantees for the 2012 Facilities and 2011 Facilities.

Major Estate Agents and Contractors

Top Five Estate Agents and Contractors

The top five estate agents and contractors and their respective value of service were as follows:

Contractors	Nature of services	Value of contract HK\$ million	Percentage
Ka Shun Contractors Limited	Projects and maintenance	80.4	24.6%
Goodwell-Fortune Property Services Limited	Property Management	56.3	17.2%
Goodwell Property Management Limited	Building Management	52.8	16.2%
Citybase Property Management Limited	Building Management	48.9	15.0%
Paramatta Estate Management Limited	Building Management	19.9	6.1%
Total		258.3	79.1%

Performance Table

	Year ended 31 December 2012	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008
Net assets attributable to unitholders (HK\$'000)	14,977,709	13,227,770	10,333,688	8,832,662	6,156,364
Net asset value per unit (HK\$)	8.81	7.85	6.18	5.32	7.50
The highest traded price during the year (HK\$)	6.96	4.23	4.15	4.20	5.65
The highest premium of the trade price to net asset value ¹	N.A.	N.A.	N.A.	N.A.	N.A.
The lowest traded price during the year (HK\$)	3.70	3.19	2.92	2.02	1.58
The highest discount of the trade price to net asset value	58.00%	59.36%	52.75%	62.03%	78.93%
The net yield per unit ²	5.07%	6.97%	6.08%	9.65%	18.65%

Notes:

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

Unitholders' Statistics

Issued and Fully Paid-up Units

as at 18 February 2013

Date	Event	No of Units	Amount (HK\$)	Price (HK\$)
12 August 2003	Initial public offering	473,000,000	2,234,045,650 ¹	4.7500
16 October 2003	Manager's base fee	285,275	1,318,969	4.6235
13 January 2004	Manager's base fee	508,329	2,562,639	5.0413
1 April 2004	Manager's base fee	491,656	2,534,746	5.1556
2 July 2004	Manager's base fee	471,649	2,534,783	5.3743
1 October 2004	Manager's base fee	411,900	2,562,636	6.2215
12 January 2005	Manager's base fee	501,966	3,163,791	6.3028
6 April 2005	Manager's base fee	460,047	3,095,012	6.7276
28 June 2005	Equity fund raising	318,796,148	1,986,100,002	6.2300
18 July 2005	Acquisition fee	5,520,064	34,389,999	6.2300
18 July 2005	Manager's base fee	496,797	3,189,039	6.4192
3 October 2005	Manager's base fee	977,811	5,907,152	6.0412
16 January 2006	Manager's base fee	1,124,236	6,496,960	5.7790
6 April 2006	Manager's base fee	995,742	6,355,722	6.3829
5 July 2006	Manager's base fee	1,088,288	6,426,341	5.9050
3 October 2006	Manager's base fee	1,087,740	6,496,962	5.9729
16 January 2007	Manager's base fee	1,168,830	6,983,175	5.9745
9 April 2007	Manager's base fee	1,173,532	6,831,364	5.8212
4 July 2007	Manager's base fee	1,081,039	6,907,947	6.3901
5 October 2007	Manager's base fee	1,212,602	6,983,860	5.7594
15 January 2008	Manager's base fee	1,412,396	7,345,307	5.2006
10 April 2008	Manager's base fee	1,424,193	7,185,628	5.0454
7 July 2008	Manager's base fee	1,611,601	7,264,617	4.5077
8 October 2008	Manager's base fee	2,441,418	7,344,274	3.0082
9 January 2009	Manager's base fee	3,075,716	6,504,526	2.1148
6 April 2009	Manager's base fee	2,299,231	6,363,123	2.7675
10 July 2009	Manager's base fee	1,761,221	6,656,712	3.7796
8 October 2009	Manager's base fee	2,634,306	6,729,863	2.5547
15 October 2009	Rights issue ²	824,879,427	1,888,973,888	2.2900
16 October 2009	Acquisition fee	6,371,875	20,390,000	3.2000
7 January 2010	Manager's base fee	2,830,232	8,695,890	3.0725
12 April 2010	Manager's base fee	2,357,120	8,506,849	3.6090
8 July 2010	Manager's base fee	2,645,356	9,290,227	3.5119
7 October 2010	Manager's base fee	2,434,504	9,392,318	3.8580
5 January 2011	Manager's base fee	2,567,653	10,056,986	3.9168
4 April 2011	Manager's base fee	2,582,245	9,838,356	3.8100
5 July 2011	Manager's base fee	3,115,131	11,733,764	3.7667
3 October 2011	Manager's base fee	3,398,666	11,862,707	3.4904
4 January 2012	Manager's base fee	3,321,723	12,392,022	3.7306
17 February 2012	Acquisition fee	4,809,152	19,000,000	3.9508
2 April 2012	Manager's base fee	3,360,308	13,685,527	4.0727
4 July 2012	Manager's base fee	3,150,378	14,411,408	4.5745
4 October 2012	Manager's base fee	2,488,475	14,569,775	5.8549
3 January 2013	Manager's base fee	2,399,436	15,280,570	6.3684
	Total units outstanding	1,700,225,414		

Issued and Fully Paid-up Units (Continued)

Notes:

1. After volume discount
2. The balance of the net proceeds from the rights issue of HK\$51.1 million has been fully used up for the asset enhancement works at Fortune City One during the year ended 31 December 2012. The use of proceeds of the rights issue is in accordance with the stated use in the offer information statement dated 17 September 2009.

There were 1,700,225,414 units (voting rights: one vote per unit) outstanding as at 18 February 2013. There is only one class of units in Fortune REIT.

Top 20 Unitholders

as at 18 February 2013

No.	Name	No. of Shares	%
1	HKSCC NOMINEES LIMITED	942,458,593	55.43
2	FOCUS EAGLE INVESTMENTS LIMITED	230,774,684	13.57
3	DBSN SERVICES PTE LTD	112,483,040	6.62
4	CITIBANK NOMINEES SINGAPORE PTE LTD	82,349,469	4.84
5	HSBC (SINGAPORE) NOMINEES PTE LTD	72,832,484	4.28
6	DBS NOMINEES PTE LTD	71,151,588	4.18
7	MEREN PTE LTD	17,500,000	1.03
8	UNITED OVERSEAS BANK NOMINEES PTE LTD	7,518,000	0.44
9	MAYBANK KIM ENG SECURITIES PTE LTD	6,210,434	0.37
10	RAFFLES NOMINEES (PTE) LTD	5,766,294	0.34
11	BNP PARIBAS SECURITIES SERVICES SINGAPORE	4,824,000	0.28
12	DBS VICKERS SECURITIES (S) PTE LTD	4,391,345	0.26
13	DB NOMINEES (S) PTE LTD	3,533,400	0.21
14	MERRILL LYNCH (SINGAPORE) PTE LTD	3,262,170	0.19
15	PHILLIP SECURITIES PTE LTD	2,969,070	0.17
16	OCBC SECURITIES PRIVATE LTD	2,954,120	0.17
17	ABN AMRO CLEARING BANK N.V.	2,799,000	0.16
18	TO CHING WAI	2,490,000	0.15
19	BANK OF SINGAPORE NOMINEESS PTE LTD	2,436,000	0.14
20	MIGAN SDN BHD	2,001,100	0.12
		1,580,704,791	92.95

* Focus Eagle Investments Limited held 182,300,000 units through HKSCC Nominees Limited.

Substantial Unitholders

as at 18 February 2013

	No. of Units	
	Direct Interest	Deemed interest
1 Focus Eagle Investments Limited	413,074,684	–
2 Ballston Profits Limited	112,556,000	–
3 Schroders Plc.	–	171,549,000 ²
4 Cheung Kong (Holdings) Limited (“Cheung Kong”)	–	525,630,684 ³
5 Hutchison Whampoa Limited	–	112,556,000 ⁴

Unitholders' Statistics

Substantial Unitholders (Continued)

Notes:

- The unitholding interests set out in this section were based on the confirmation of the relevant persons as at 31 December 2012 and any subsequent notifications of changes of interest received by the Manager on or before 18 February 2013.
- Schroders Plc was deemed to be interested in 171,549,000 units of which:
 - 96,858,000 units were held by Schroder Investment Management Limited;
 - 17,507,000 units were held by Schroder Investment Management (Singapore) Limited;
 - 57,168,000 units were held by Schroder Investment Management (Hong Kong) Limited; and
 - 16,000 units were held by Schroder Investment Management North America Limited.
- Cheung Kong is deemed to be interested in 525,630,684 units of which:
 - 413,074,684 units were held by Focus Eagle Investments Limited (a wholly-owned subsidiary of Cheung Kong); and
 - 112,556,000 units were held by Ballston Profits Limited (a wholly-owned subsidiary of Hutchison Whampoa Limited, which in turn is 49.9% owned by Cheung Kong).
- Hutchison Whampoa Limited is deemed to be interested in 112,556,000 units held by its wholly-owned subsidiary company, Ballston Profits Limited.

Size of Holdings

as at 18 February 2013

Size of Unitholdings	No. of Unitholders	Percentage of Unitholders	No. of Units	Percentage of Units
1 – 999	100	4.15	4,002	0.00
1,000 – 10,000	1,031	42.74	5,329,119	0.31
10,001 – 1,000,000	1,246	51.66	92,364,833	5.43
1,000,001 and above	35	1.45	1,602,527,460	94.26
Total	2,412	100.00	1,700,225,414	100.00

Directors' Unitholdings

As shown in the Register of Directors' holdings as at 21 January 2013

	No. of Units	
	Direct Interest	Deemed interest
1 Lim Hwee Chiang	–	9,309,118
2 Sng Sow-Mei (alias Poon Sow Mei)	220,000	–

Notes:

- Mr. Lim Hwee Chiang is deemed to be interested in 9,309,118 units, of which:
 - 7,290,118 units are held by the Manager (a wholly-owned subsidiary of ARA). Mr. Lim was deemed to be interested in these units by virtue of his direct and indirect holding of one third or more shareholding interest in a chain of corporation including ARA;
 - 2,100,000 units are held by Citibank Nominees Singapore Pte. Ltd. (as nominee for JL Philanthropy Ltd is JL Charitable Settlement and Mr. Lim is the settler of JL Charitable Settlement.

Free Float

Based on information made available to the Manager as at 18 February 2013, approximately 58.4% of the units in Fortune REIT are held in public hands. Under Rules 723 of the Listing Manual of the SGX-ST, a listed issuer must ensure that at least 10% of its listed securities are at all times held by the public.

Related Party Transactions

The transactions entered into during the financial year with an “interested person” or an “interested party” which fall under the Listing Manual of the SGX-ST and Property Funds Appendix respectively are as follows:

Name of Related Party	Aggregate value of all related party transactions entered during the financial period under review (excluding transactions of less than S\$100,000 (HK\$598,780 equivalent) ¹ each)
	HK\$ million
Base rent and charge-out collections	
ARA Asset Management (Fortune) Limited	1.1
A.S. Watson Group (HK) Limited	77.6
Cheung Kong Property Development Limited	26.1
Citybase Property Management Limited	20.5
Hutchison Telephone Company Limited	2.4
Total	127.7

Saved as disclosed above, there was no additional related party transactions (excluding transactions of less than S\$100,000 (HK\$598,780 equivalent)¹ each) entered during the year ended 31 December 2012.

Note:

1. Exchange rate as at 2 January 2012.

Corporate Information

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Directors of the Manager

CHIU Kwok Hung, Justin, *Chairman and Non-Executive Director*

LIM Hwee Chiang, *Non-Executive Director*

IP Tak Chuen, Edmond, *Non-Executive Director*

YEUNG, Eirene, *Non-Executive Director*

ANG Meng Huat, Anthony, *Executive Director and Chief Executive Officer*

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

LIM Lee Meng, *Independent Non-Executive Director*

SNG Sow-Mei (alias POON Sow Mei), *Independent Non-Executive Director*

LAN Hong Tsung, David, *Independent Non-Executive Director*

MA Lai Chee, Gerald, *Alternate Director to IP Tak Chuen, Edmond*

Company Secretaries of the Manager

CHOO Yvonne
KOHSIKAPORN Busarakham

Trustee

HSBC Institutional Trust Services (Singapore) Limited

Legal Adviser as to Hong Kong Law

Baker & McKenzie

Legal Adviser as to Singapore Law

Allen & Gledhill LLP

Hong Kong Unit Registrar

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Singapore Unit Registrar

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50 Raffles Place, #32-01
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Auditors

Deloitte Touche Tohmatsu
Partner-in-charge: Tan Wei Ming
Appointed on 18 December 2012

Deloitte & Touche LLP
Partner-in-charge: Toh Yew Kuan, Jeremy
Appointed on 16 August 2008

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Manager



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