

FORTUNE

股份代號 | 香港 Hong Kong 778
Stock Code | 新加坡 Singapore F25U

Annual Report **2011**年報

About Fortune REIT



Acquisition of Two New Properties

Has Been Completed on 17 February 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. Together with the two new properties acquired on 17 February 2012, namely Belvedere Square and Provident Square, Fortune REIT 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.





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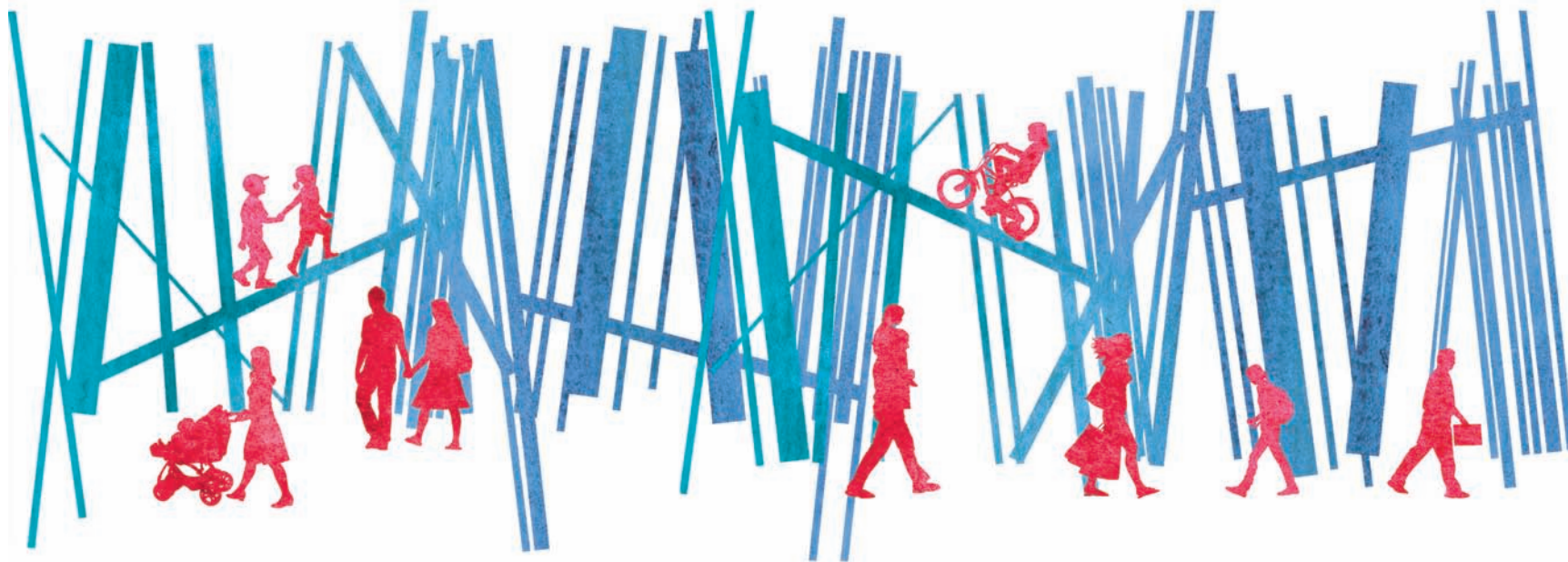


Driving Growth Momentum Through Accretive Acquisition



Fortune REIT acquired Belvedere Garden Property and Provident Centre Property (as defined in the circular dated on 28 December 2011) from subsidiaries of Cheung Kong (Holdings) Limited (“**Cheung Kong**”) and Hutchison Whampoa Limited (“**HWL**”) and an independent third party of Fortune REIT for a total consideration of HK\$1,900 million (subject to customary adjustments for the net current assets/liabilities of the property owning companies). Subsequent to obtaining an unanimous approval from the independent Unitholders present in person or by proxy and voting at the extraordinary general meeting held on 19 January 2012, completion of the acquisition has taken place on 17 February 2012. The two properties have since then be renamed to Belvedere Square and Provident Square respectively.

Started with 5 retail malls in 2003, Fortune REIT’s portfolio has now expanded to a total of 16 retail properties. The acquisition again demonstrates the Manager’s commitment to sustain the growth story over the years. The HK\$1,900 million acquisition was fully funded by debt, thus efficiently utilising Fortune REIT’s debt headroom, optimising the financing cost of the acquisition and bringing increased returns to the Unitholders. The new properties will provide Fortune REIT with an additional source of rental income, as well as a more diversified income base and tenant mix.



Belvedere Square – Enjoys a catchment of approximately 30,000 people.

Located in Tsuen Wan, Belvedere Square is the only retail mall of its scale within the area which comprises large residential population of approximately 30,000 people. The Manager sees asset enhancement opportunities in this mall by optimising the tenant mix and refreshing its image with a primary focus towards supporting the necessity shopping needs of the nearby population.

About Belvedere Square

Location	Tsuen Wan, Hong Kong
Gross Rentable Area (excluding car parking lots)	276,862 Sq.ft.
Number of car parking lots	329
Purchase Consideration	HK\$1,250 million
Valuation by Independent Valuers (as at 30 September 2011)	HK\$1,300 million ^{1,2} and HK\$1,340 million ^{1,3} respectively

Notes:

1. By valuation methodologies of income capitalisation and direct comparison
2. Valuation by Knight Frank Petty Limited
3. Valuation by Savills Valuation and Professional Services Limited



麗城薈

Belvedere Square



Provident Square – First foray into Hong Kong Island. As Fortune REIT's first property acquisition on the Hong Kong Island, Provident Square will not only diversify the portfolio geographically but also allows Fortune REIT to leverage on the growing spending power in the North Point neighborhood. The Manager is positive that the vibrant reshaping of the North Point area arising from the upcoming redevelopment on the Oil Street site as well as the Ex-North Point Estate site will bring growth prospect for this property over a longer term.

About Provident Square

Location	North Point, Hong Kong
Gross Rentable Area (excluding car parking lots)	180,238 Sq.ft.
Purchase Consideration	HK\$650 million
Valuation by Independent Valuers (as at 30 September 2011)	HK\$680 million ^{1,2} .

Notes:

1. By valuation methodologies of income capitalisation and direct comparison
2. Valuation by Knight Frank Petty Limited and Savills Valuation and Professional Services Limited



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Provident Square



Financial Highlights

Statement of comprehensive income for the financial year

	2011	2010	% change
Revenue (HK\$ million)	909.4	837.3	8.6%
Net property income (HK\$ million)	642.1	596.8	7.6%
Cost-to-revenue ratio	27.2%	26.5%	0.7%
Income available for distribution (HK\$ million)	442.3	406.5	8.8%
Distribution per unit ("DPU") (HK cents)	26.30	24.35	8.0%

Statement of financial position as at 31 December

	2011	2010	% change
Net asset value per unit (HK\$)	7.85	6.18	27.0%
Property valuation (HK\$ million)	16,388	13,300	23.2%
Gearing ratio/Aggregate leverage ¹	18.8%	21.0%	(2.2%)

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 2011, there was no deferred payment incurred for Fortune REIT.

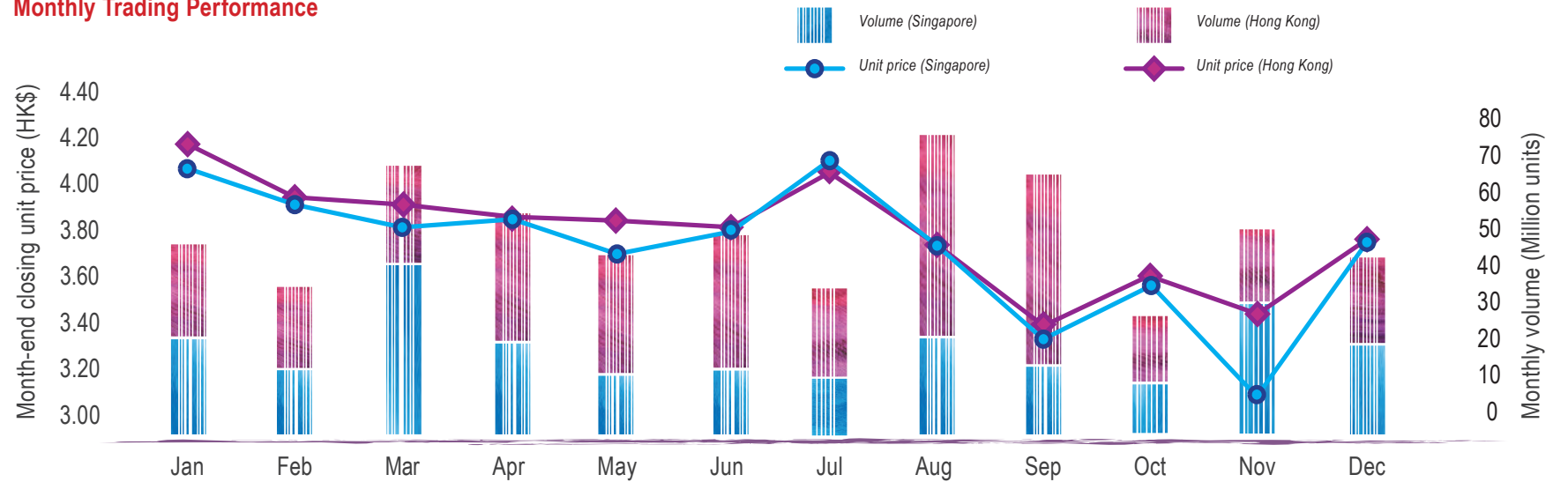


Unit Performance



	Singapore	Hong Kong
Opening unit price (3 January 2011)	HK\$4.00	HK\$4.03
Closing unit price (30 December 2011)	HK\$3.76	HK\$3.79
Intraday high	7 February 2011 — HK\$4.18	7 February 2011 — HK\$4.23
Intraday low	30 November 2011 — HK\$3.19	4 October 2011 — HK\$3.29
Total volume traded	221,227,000 units	300,638,679 units

Monthly Trading Performance





CHAIRMAN'S

REPORT

Chiu Kwok Hung, Justin
Chairman

Chairman's Report

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 2011 ("**FY2011**" or the "**Reporting Year**").

Another Year of Robust Performance

2011 marked the eighth consecutive year of profit growth since Fortune REIT's establishment. Following steady growth in total revenue, net property income and distributable income over the past seven years, we have recorded another set of strong results in FY2011. This is backed by a solid asset performance and a strong balance sheet.

For the Reporting Year, Fortune REIT's net property income grew by 7.6% to HK\$642.1 million. Correspondingly, income available for distribution achieved a record high of HK\$442.3 million, up 8.8% from last year. This translates into a DPU of 26.30 Hong Kong cents for FY2011, up 8.0% from the previous year.

Primed for the Next Phase of Growth

Anchored by a portfolio of resilient private housing estate retail properties, Fortune REIT's underlying performance remained robust. As at 31 December 2011, Fortune REIT's portfolio was valued at HK\$16,388 million, up 23.2% from a year ago.

Strong leasing momentum continued. Despite frictional vacancies caused by asset enhancement initiatives ("**AEIs**"), the occupancy rate was maintained at a high of 97.0% as at 31 December 2011. Rental reversion improved to 15.2% as passing rent climbed to an all-time high of HK\$32.2 per Sq.ft. The exceptional revenue growth from Fortune City One Plus ("**FCOP**") after its renovation completed in September 2010 was fully reflected in FY2011. This has contributed to the outstanding performance of our portfolio.

We have been diligently executing AEIs to our properties in order to maximise returns. During the Reporting Year, yield-enhancing AEIs have been undertaken at our two largest properties, namely Fortune City One ("**FCO**") and Ma On Shan Plaza ("**MOSP**"). The AEIs at FCO are considered the largest scale ever within our portfolio. The HK\$100 million AEI project, which commenced in October 2011, is scheduled to be completed in phases by the end of 2012 with a target return on investment ("**ROI**") of approximately 15%. Tenants remain operational and disruption has been subdued to the minimum during the renovation process. Over in MOSP, the subdivision work of a 50,000 Sq.ft. space has been completed and an impressive ROI of 73% has been achieved.

Prudent Capital Management Laid Foundation for Sustainable Growth

Prudent capital management has always been a strong foundation for Fortune REIT's sustainable growth. To build an even stronger capital structure that maintains growth momentum, we have proactively refinanced Fortune REIT's only loan well ahead of its maturity in October 2013 with more favourable terms.

In April 2011, we made use of a window in the credit market to complete an early refinancing with a new loan facility of HK\$3,800 million at a more favourable rate. The interest margin under the new facilities has substantially been lowered from 2.0% to 0.91% per annum over Hong Kong Interbank Offer Rate ("**HIBOR**"). Maturity of the loan was also extended to April 2016. Moreover, the enlarged revolving credit facility of up to HK\$970 million provides further funding flexibility for acquisition opportunities and other yield-enhancing AEIs. As a result of this refinancing exercise, effective interest cost has been lowered to 3.65% for FY2011.

New "Fortune Malls" Brand Demonstrates Commitment

As we celebrated the eighth anniversary of Fortune REIT, we introduced the new "Fortune Malls" asset brand to demonstrate our commitment to service excellence. This brand ushered in a more clearly defined brand identity and logo to complement our quality service. The new "Fortune Malls" brand further bolsters the REIT's prominence in the property market and among shoppers.

Chairman's Report *(Continued)*

The new positioning presents our malls as places where people feel a sense of belonging, and as venues where they would like to frequent for their daily shopping trips. Through this, we aim to attract a greater traffic flow and create a more favourable business environment for tenants of Fortune Malls.

Continuous Recognition in Corporate Governance

Further to my being conferred the "Directors of the Year Awards 2010" in the Non-executive Director category from The Hong Kong Institute of Directors last year, it was yet another distinct honour for the whole Board (as one of the two awardees within the Non Hang Seng Index Constituents category), to be granted the "Directors of the Year Awards 2011" for the second consecutive year. The award honored the Board's achievement in "enhancing director professionalism through board self-appraisal". Motivated by such recognition, the Board resolves to continue its adherence to the highest standards of corporate governance, business ethics, and corporate social responsibility, ensuring that solid leadership is in place to create long-term returns for stakeholders, including investors, tenants and customers of our shopping malls.

Outlook

Following exceptional economic expansion in Hong Kong in the first half of 2011, growth prospects have moderated amidst substantial deterioration in the external environment which began in the fourth quarter of 2011. Although consumer sentiment in Hong Kong presently remains healthy, we are cautious about Hong Kong's economic outlook as the Euro-zone debt problem and weakness in the recovery of the US economy weigh down the regional economy. Nevertheless, Fortune REIT's portfolio of necessity shopping malls has proven its resilience during the global financial crisis. Now with a strengthened capital structure, a much bigger and diversified portfolio, a well-defined brand identity and fresh growth drivers from AEs, Fortune REIT has emerged stronger and is in a much better position to weather any unfavourable economic situation.

On 28 December 2011, Fortune REIT announced the proposed acquisition of two retail properties in Hong Kong — Provident Centre Property and Belvedere Garden Property. This accretive acquisition has been welcomed by investors and was duly approved at the extraordinary general meeting on 19 January 2012. Upon completion of the acquisition, Fortune REIT's portfolio will be enlarged by more than 23%. As Provident Centre Property is Fortune REIT's first foray into Hong Kong Island, Fortune REIT's portfolio will become more geographically diversified.

Appreciation

I would once again like to express my sincere appreciation to my fellow board members for their efforts in upholding the highest standard of 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 to Fortune REIT.

Chiu Kwok Hung, Justin

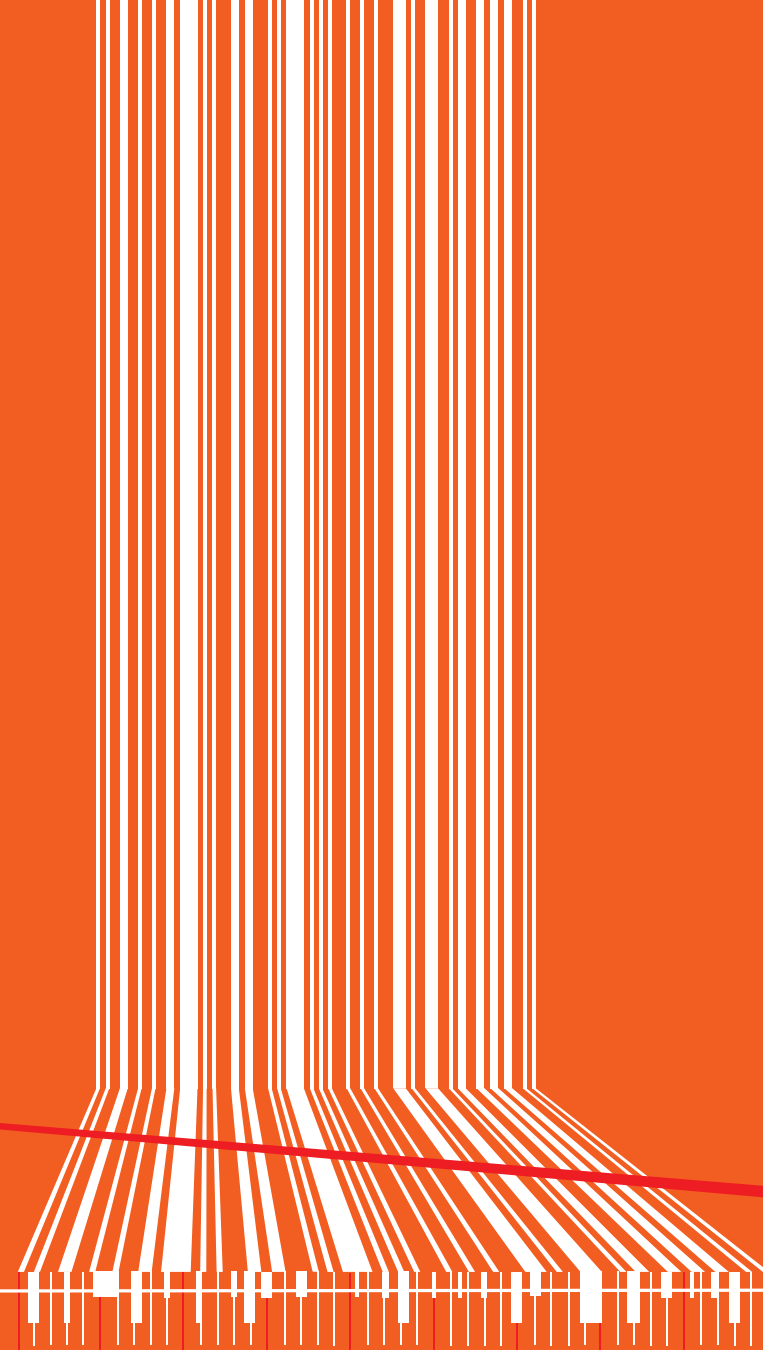
Chairman

ARA Asset Management (Fortune) Limited

As manager of Fortune REIT

30 January 2012





MANAGEMENT DISCUSSION
AND ANALYSIS



Management Discussion and Analysis

Financial Review

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

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

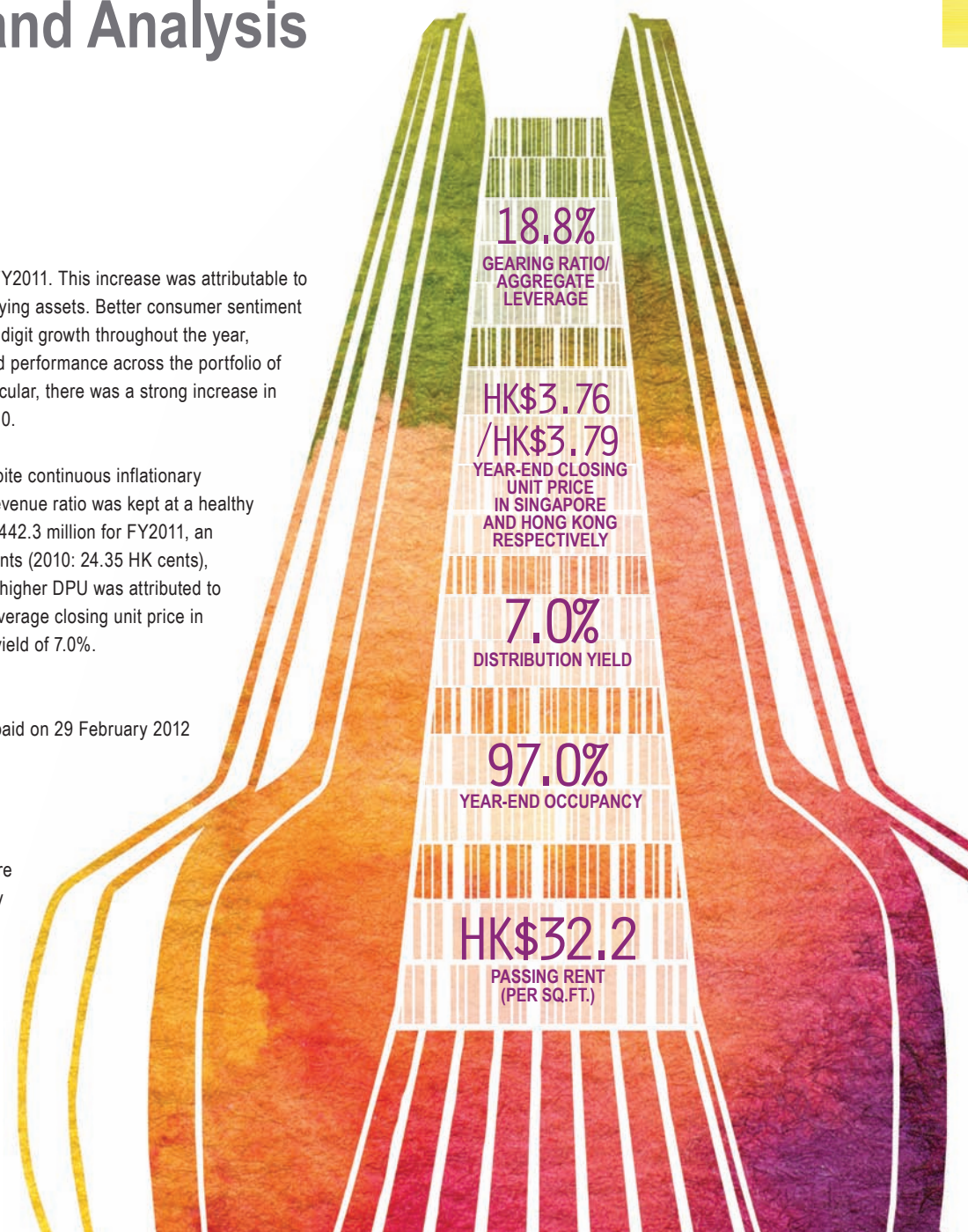
Final Distribution

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

Capital Management Initiatives

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

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



Management Discussion and Analysis *(Continued)*

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

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

Portfolio Valuation

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

Operation Review

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

As a result of the positive leasing momentum throughout the year as well as a number of well-executed repositioning strategies in the completed AEI works, Fortune REIT continued to deliver a robust set of operational performances for the Reporting Year. As at 31 December 2011, portfolio occupancy rate remained healthy at 97.0%, while passing rent has improved by more

than 12.2% from a year ago to a record high of HK\$32.2 per Sq.ft. A healthy rental reversion of 15.2% was also registered for lease renewals in FY2011.

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

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

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

Asset Enhancement Initiatives

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

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

Management Discussion and Analysis (Continued)



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

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

Outlook

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

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

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

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

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

Rebranding for Next Phase of Growth

Fortune in your everyday life

Fortune Malls believes everyone should have a place where they belong. To achieve this, we offer a warm, 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 has 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 are 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.

天天置富
Be you. Be at Fortune





Master Brand



Asset Brand



Flagship Malls



Portfolio Malls



2011 At A Glance



01/2011

Jan 25

Fortune REIT announced financial results for FY2010. Total revenue and distributable income rose 19.4% and 20.3% respectively over FY2009.

JANUARY

FEBRUARY

MARCH

03/2011

Mar 1

DPU of 12.08 Hong Kong cents was paid for 2H2010.

APRIL

04/2011

Apr 11
Refinancing

- Debt maturity extended to Apr 2016
- Interest margin substantially reduced to 0.91% per annum over HIBOR
- Revolving credit facilities enlarged to HK\$970 million

Apr 18

All 4 resolutions set out at the annual general meeting were duly passed.



MAY

05/2011

May 3

Fortune REIT announced financial results for 1Q2011. Total revenue and distributable income rose 4.6% and 6.2% respectively over 1Q2010.

JUNE

JULY

07/2011

Jul 13

Fortune REIT announced its face-lifting rebranding scheme with the introduction of "Fortune Malls" asset brand.

Jul 22

Fortune REIT announced financial results for 1H2011. Total revenue and distributable income rose 8.0% and 5.0% respectively over 1H2010.



08/2011

Aug 29

DPU of 12.80 Hong Kong cents was paid for 1H2011.

AUGUST

SEPTEMBER

OCTOBER

11/2011

Nov 11

Fortune REIT announced financial results for 3Q2011. Total revenue and distributable income rose 12.9% and 16.7% respectively over 3Q2010.

Nov 13

Fortune REIT received "CAPITAL Outstanding Green Excellence Awards 2011".

Nov 29

ARA Asset Management (Fortune) Limited's Board of Directors Received "Directors of the Year Awards 2011".



NOVEMBER

12/2011

Dec 28

Fortune REIT announced the proposed acquisition of Belvedere Square and Provident Square.

DECEMBER

Paving a Good Start for 2012



YEAR 2012

19 Jan

Obtained an unanimous approval for the proposed acquisition from the independent Unitholders at the extraordinary general meeting.



30 Jan

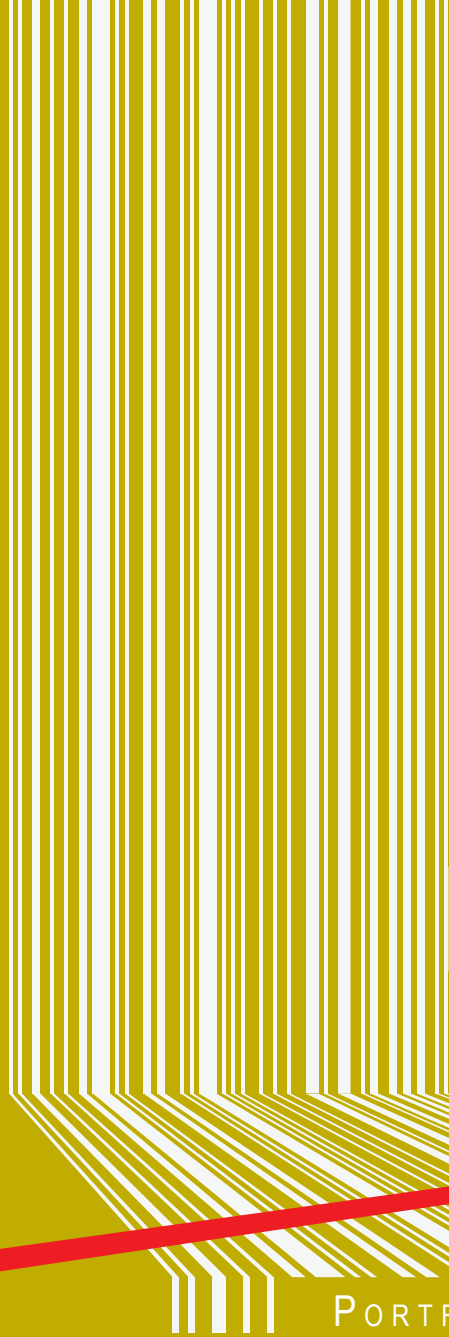
Fortune REIT announced financial results for FY2011. Total revenue and distributable income rose 8.6% and 8.8% respectively over FY2010.



17 Feb

Acquisition of Belvedere Square and Provident Square was completed.





PORTFOLIO | REVIEW

Portfolio Review

Portfolio Highlights in 2011



Before AEIs



Fortune City One

Riding on the achievement of a 22% ROI from the AEIs at FCOP in 2010, the Manager has embarked its HK\$100 million enhancement plan for the overall repositioning and renovation of FCO in the third quarter of 2011.

The first phase of the enhancement works covered an area of approximately 74,000 Sq.ft. spreading across three levels of FCO. The works involved redefining a new connecting corridor on the first floor to this zone, with new shops opening along both sides of the corridor. This has allowed for more retail offerings at FCO and enhanced the shopping experience for our shoppers. The two existing food and beverage anchor tenants have also refreshed their store design to match with the new positioning of FCO. Approximately 98% of the renovated spaces were pre-committed before the completion of works.

After AEIs



1.-3. First phase of the AEIs completed at FCO. The atrium and the new corridor has been brightened up, featuring LED lightings to give a refreshing look.



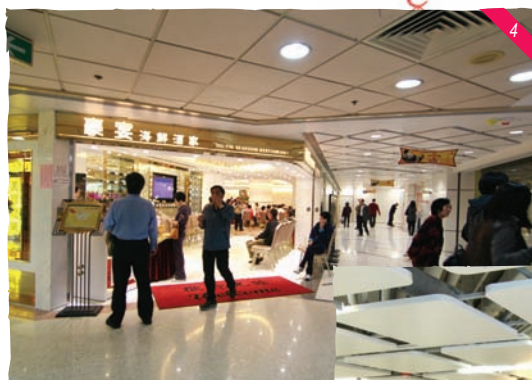
The remaining phases of the AEIs at FCO will be carried out in the coming year and is expected to complete in phases by the end of 2012. The target ROI for this project is approximately 15%.

Portfolio Review - Portfolio Highlights in 2011 *(Continued)*

Ma On Shan Plaza

Ma On Shan Plaza, the second largest property in the portfolio, has been consistently at full occupancy since the opening of the Ma On Shan rail line in 2004. In view of the overwhelming demand for space at this property, the Manager has conducted AEI works at the existing Chinese restaurant space of around 50,000 Sq.ft. The AEI works involved downsizing the Chinese restaurant space thus opening up a new corridor to allow for more retail and food and beverage offerings. The overall shopping experience has been enhanced with brighter ambiance, improved circulating passage ways and broader retail offerings.

The AEI works was completed within four months and the total capital expenditure spent was approximately HK\$12 million. Rental income for the renovated zone has been significantly uplifted with 100% of the renovated space pre-committed before the completion of the works, providing a promising ROI of 73% for this project.



4. & 5. Subdivision of the former Chinese restaurant space was completed at Ma On Shan Plaza. New retailers and more food and beverage offerings were introduced to the mall.



6. With the expanding catchment, heavy footfall has been recorded at Metro Town.



Metro Town

Metro Town continues to demonstrate excellent growth resulting from tenants repositioning opportunities arising from the expanding catchment nearby. In addition to its unbeatable advantage of situating directly above of the Tiu Keng Leng Mass Transit Railway ("MTR") station, two new covered footbridges were built directly connecting Metro Town to: 1) Hong Kong Design Institute (which commenced operations in second half of 2010 with more than 6,500 students); and 2) Shin Ming Estate (houses 2,000 flats) and the Caritas Bianchi College of Careers-Tiu Keng Leng Campus (which has around 900 students). Footfalls have significantly increased by five million over the previous year and heavy pedestrian traffic was recorded throughout the day.

In response to the additional young crowds visiting Metro Town, higher paying retail trades were introduced in the past two years. In particular, income contribution from the fashion and shoes sector has increased to 11.4% for Metro Town. The net property income of Metro Town for FY2011 has notably increased by 10.8% over the previous year.

Portfolio Review - Portfolio Highlights in 2011 (Continued)



7



8

- 7. New retail stores were created next to the food court at Fortune Metropolis.
- 8. The new coffee shop at atrium of Fortune Metropolis.

Fortune Metropolis

The Manager continued to enhance the trade mix of Fortune Metropolis during the Reporting Year. For the food and beverage sector, a chain coffee shop and a frozen yoghurt store have been introduced to Fortune Metropolis, providing new relaxing venues for the shoppers, students and residents nearby. In addition, during the Reporting Year, new general retail stores were created adjacent to "The Feast" to ride on the heavy footfall from the food court.

The Manager continued its efforts to attract Mainland shoppers to Fortune Metropolis by attracting retail trades such as jewelry stores, pharmacies, cosmetics and supermarket to the mall. Regular shopping tours were organised to bring Mainland shoppers to Fortune Metropolis. This was particularly successful during the Labour Day holidays in May and the golden week in October.

After AElS



9

Jubilee Square

At Jubilee Square, in view of the 50% lease expiries coming up in 2012, the Manager has renovated the main entrance of the mall in order to create a new refreshing outlook and to enhance the positioning of the mall. New light boxes were installed to generate additional income stream.

Together with the upgraded wet market in 2010, the Manager aims at capturing the critical mass of shoppers within the primary catchment and gradually transform Jubilee Square upon any opportunistic lease expiries over the next few years.



10

Before AElS

- 9. & 10. Main entrance of Jubilee Square was renovated to enhance positioning of the mall.

Portfolio Review

Portfolio Key Statistics

(As at 31 December 2011)



Portfolio top 10 tenants		Trade sector	% of total gross rental income ³	% of total gross rentable area
1	Park'N Shop	Supermarkets	7.6%	11.6%
2	Centaline Property Agency Limited	Banking & Real Estate Services	3.4%	0.6%
3	Bank of China (Hong Kong) Limited	Banking & Real Estate Services	3.1%	1.3%
4	Cheung Kong Property Development Limited	Banking & Real Estate Services	2.6%	3.9%
5	Ricacorp Properties Limited	Banking & Real Estate Services	2.4%	0.5%
6	Midland Realty	Banking & Real Estate Services	2.2%	0.5%
7	Century 21	Banking & Real Estate Services	1.6%	0.2%
8	Fairwood Fast Food	Food & Beverages	1.6%	1.2%
9	Watsons	Services & Education	1.3%	1.0%
10	The Bank of East Asia Limited	Banking & Real Estate Services	1.0%	0.5%
Total			26.8%	21.3%

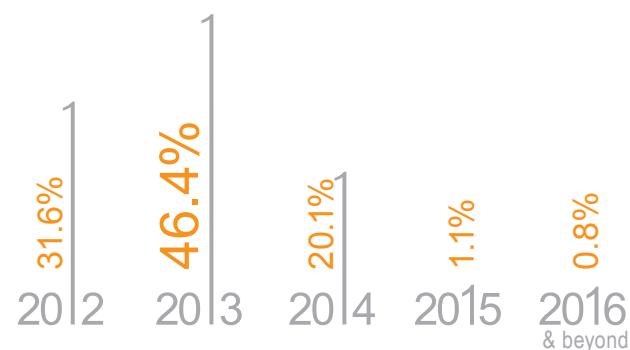
Notes:

1. Valued by Knight Frank as at 31 December 2011.
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 2011. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.

Portfolio Review - Portfolio Key Statistics (Continued)

(As at 31 December 2011)

Portfolio Lease Expiry Profile¹



Breakdown of Portfolio Property Operating Expenses²



Advertising and promotion	3.6%
Building management expenses	35.3%
Carpark operating expenses	3.8%
Government rent and rates	13.7%
Leasing commission and marketing services fee	6.1%
Manager's performance fee	7.5%
Property manager fee	7.9%
Utilities	13.2%
Others	8.9%

Portfolio Tenant Trade Mix Analysis¹

Banking & Real Estate Services	22.4%
Community Services	0.8%
Electronics & IT	2.0%
Fashion & Shoes	7.0%
Food & Beverages	24.1%
Gifts & Speciality, Hobbies, Toys, Jewellery	4.4%
Homewares & Home Furnishings	2.3%
Leisure & Entertainment, Sports & Fitness	0.9%
Services & Education	22.2%
Supermarkets	8.1%
Wet Markets	1.5%
Others	4.3%

Portfolio Analysis by Net Property Income²

Fortune City One	28.9%
Ma On Shan Plaza	20.8%
Metro Town	12.7%
Fortune Metropolis	10.4%
Waldorf Avenue	7.6%
Caribbean Square	4.1%
Smartland	3.0%
Jubilee Square	3.0%
Tsing Yi Square	2.9%
Nob Hill Square	2.2%
Centre de Laguna	1.3%
Hampton Loft	1.6%
Lido Avenue	0.9%
Rhine Avenue	0.6%

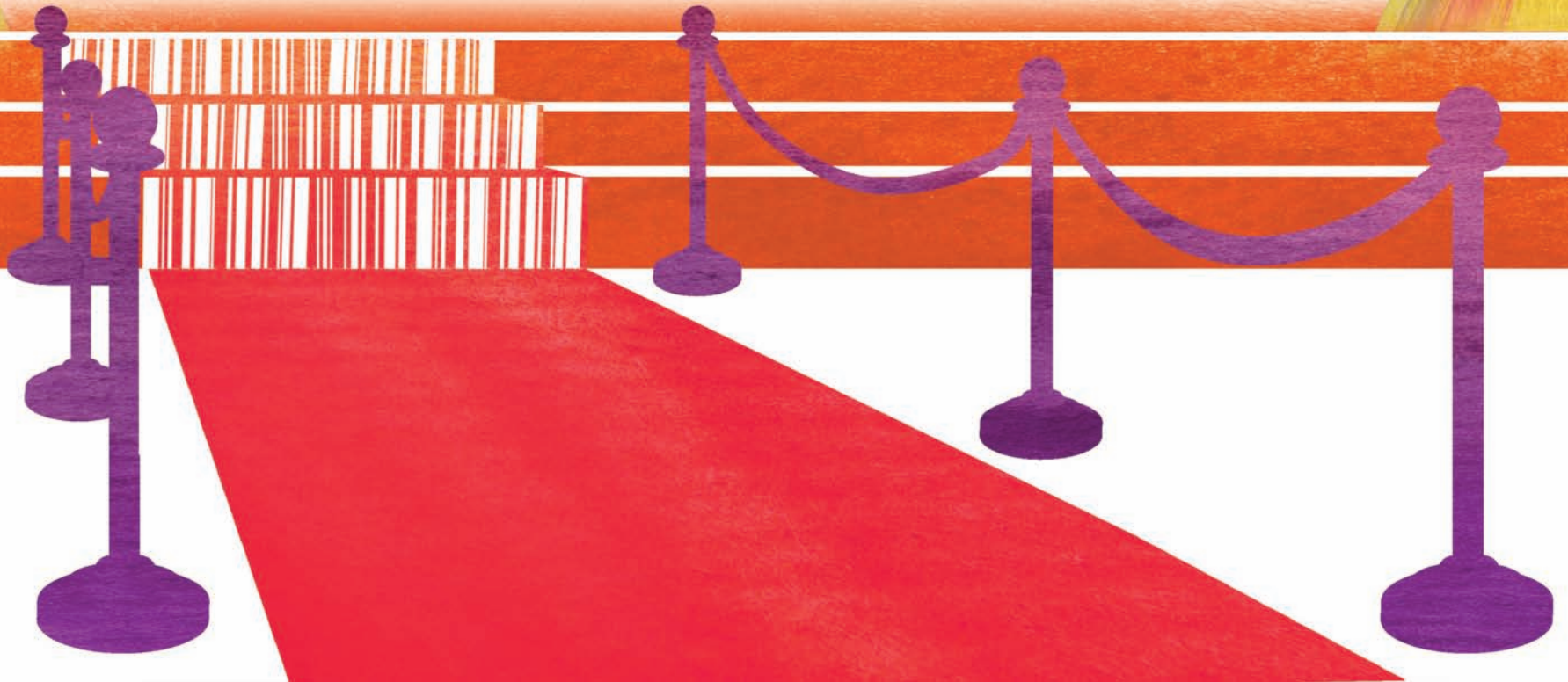
Notes:

1. Based on gross rental for the month of December 2011. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.

2. For the financial year ended 31 December 2011.

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

- The Board was named “Directors of the Year 2011” by The Hong Kong Institute of Directors which commended the Board’s excellence in upholding a well-defined and robust corporate governance structure, internal controls and risk management systems.

Corporate Social Responsibility

- “Caring Company” organised by the Hong Kong Council of Social Service to recognise the Manager’s efforts in caring for the community, employees and the environment.
- “CAPITAL Outstanding Green Award 2011” by CAPITAL Magazine to recognise Fortune REIT’s efforts in promoting environmental protection while practicing corporate social responsibility.

Customer Service and Branding

- First time participating in the Customer Relationship Excellence Awards 2011 organised by the Asia Pacific Customer Service Consortium, Fortune REIT won recognitions in two categories — Best use of Knowledge Management of the Year (Property Management) and Customer Service Centre of the Year — Merit.

Corporate Communication

- Fortune REIT’s 2010 Annual Report was recognised by the prestigious International Annual Report Competition Awards 2011. It was awarded a Gold Award in the category of ‘Overall Annual Report: REIT’ and a Bronze Award in the category of ‘Cover: Real Estate’.
- Fortune REIT’s 2011 Interim Report won a Bronze Award in the International Mercury Awards.
- Fortune REIT’s website won an Honour Award in iNOVA Awards 2011.

Fortune REIT Cares

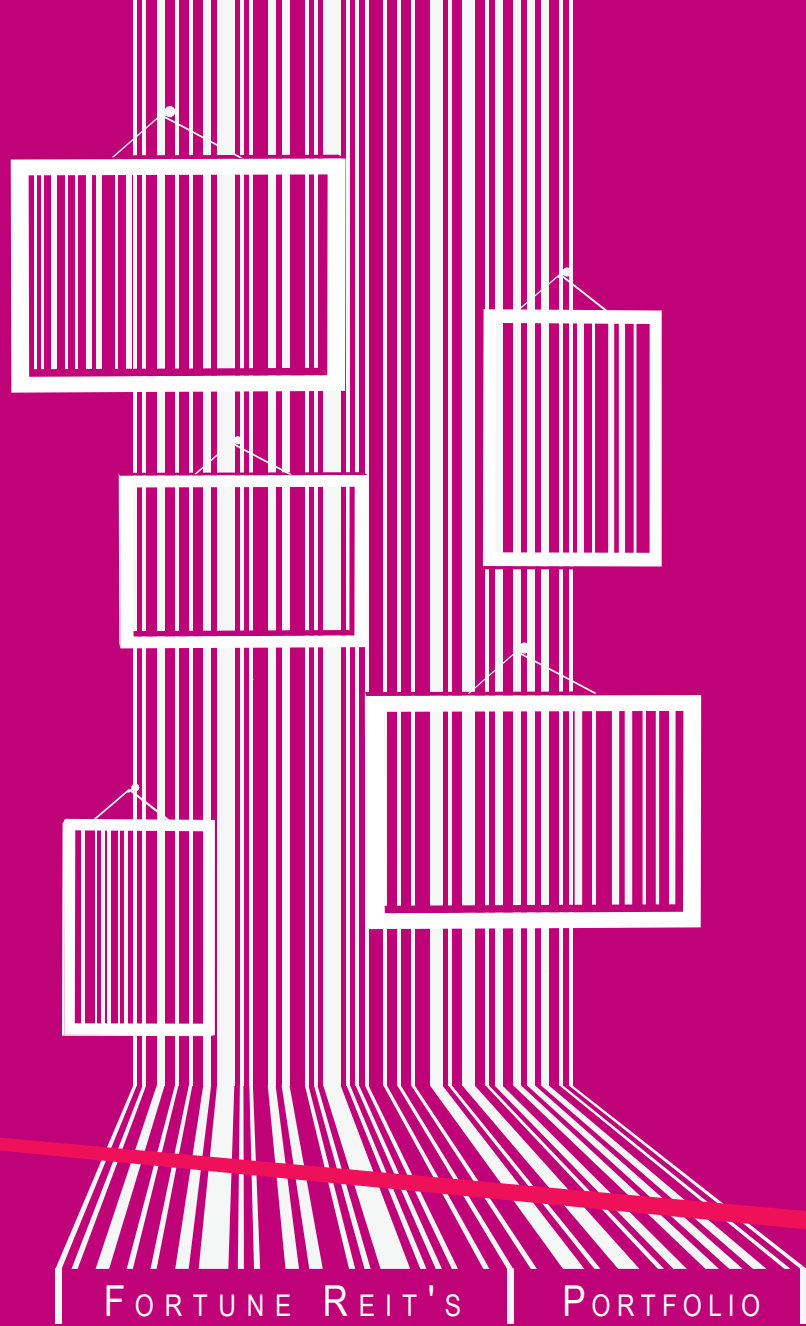
C
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S

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.



1. Food waste were recycled to produce compost for planting greeneries at the malls.
2. Fortune Malls encourages staffs to participate in community service activities. Picture of staffs participated in a charity walkathon organised by Fu Hong Society.
3. Red packet collection programme in Fortune Metropolis after Chinese New Year.
4. As a pilot scheme to promote responsible food waste management, Fortune Malls partner with some food and beverage tenants to adopt and test the food waste decomposers.
5. Fortune Malls promoting environmental conversation during festive Christmas time.





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.

Portfolio Map & Summary





PORTFOLIO
AT A GLANCE

Upon the completion of the acquisition of Belvedere Square and Provident Square on 17 February 2012, Fortune REIT's portfolio has been expanded by 23% to a total of 2.45 million Sq.ft.

(as at 31 December 2011)	Location	Gross rentable area (Sq.ft.)	Occupancy	Number of Car Parking Lots	Valuation (HK\$ million)	FY2011 Net property income (HK\$ million)
1. Fortune City One	Shatin	414,469	94.7%	658	4,895	186.1
2. Ma On Shan Plaza	Shatin	310,084	98.0%	290	3,302	133.8
3. Metro Town	Tseung Kwan O	180,822	99.4%	74	2,200	81.3
4. Fortune Metropolis	Hung Hom	332,168	92.0%	179	1,728	66.6
5. Waldorf Avenue	Tuen Mun	80,842	100.0%	73	1,164	48.6
6. Caribbean Square	Tung Chung	63,018	100.0%	117	680	26.6
7. Smartland	Tsuen Wan	123,544	99.3%	67	485	19.4
8. Jubilee Square	Shatin	170,616	98.0%	97	479	19.3
9. Tsing Yi Square	Tsing Yi	78,836	100.0%	27	439	18.4
10. Nob Hill Square	Kwai Chung	91,779	99.8%	43	359	14.2
11. Centre de Laguna	Kwun Tong	43,000	100.0%	N.A.	217	8.4
12. Hampton Loft	West Kowloon	74,734	100.0%	35	211	10.1
13. Lido Avenue	Tsuen Wan	9,836	100.0%	N.A.	133	5.6
14. Rhine Avenue	Tsuen Wan	14,604	100.0%	N.A.	96	3.7
Total/overall average		1,988,352	97.0%	1,660	16,388	642.1

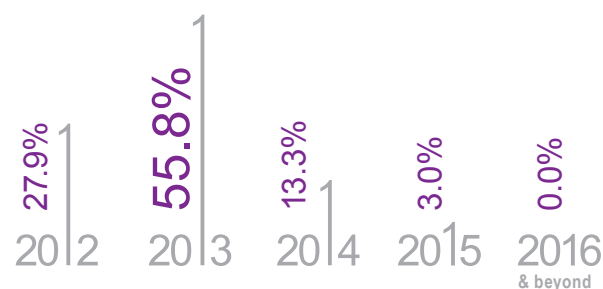


Fortune City One, located in Shatin, New Territories and south of the Shing Mun River, is the commercial constituent of the 10,642-unit City One Shatin residential development. The City One Shatin residential development was completed in the 1980's and is one of the largest residential developments in 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	5.2%
2	Bank of China (Hong Kong) Limited	Banking & Real Estate Services	4.8%
3	Fook Choi Seafood Restaurant	Food & Beverages	3.6%
4	Centaline Property Agency Limited	Banking & Real Estate Services	3.2%
5	Cambridge Nursing Home (City One) Limited	Services & Education	2.6%

Lease expiry profile³



Notes:

1. Valued by Knight Frank as at 31 December 2011.
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 2011. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.

Tenant trade mix analysis³

Banking & Real Estate Services	18.5%
Community Services	1.0%
Electronics & IT	3.0%
Fashion & Shoes	4.7%
Food & Beverages	25.6%
Gifts & Speciality, Hobbies, Toys, Jewellery	4.6%
Homeware & Home Furnishing	2.8%
Leisure & Entertainment, Sports & Fitness	0.3%
Services & Education	25.8%
Supermarkets	6.6%
Wet Markets	4.7%
Others	2.4%

Key Statistics (as at 31 December 2011)

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
Year of completion	1981-1989
Gross rentable area	414,469 Sq.ft.
Car park lots	658
Number of tenants	252
Purchase price	HK\$2,559 million
Market valuation ¹	HK\$4,895 million
Occupancy	94.7% (2010: 96.0%)
Gross revenue ²	HK\$258.3 million (2010: HK\$230.7 million)
Net property income	HK\$186.1 million



MA ON SHAN PLAZA

馬鞍山廣場 
Ma On Shan Plaza



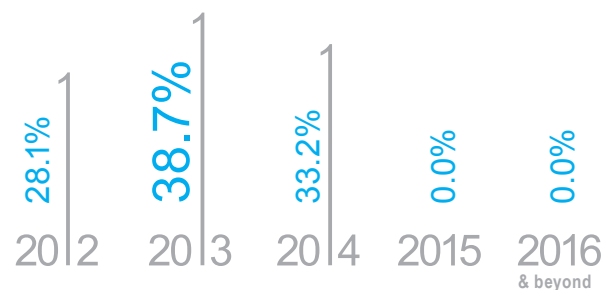
Ma On Shan Plaza is located in Ma On Shan, Shatin, New Territories, which is a well-established new town, and home to about 206,000 people. Ma On Shan Plaza is directly connected to Ma On Shan MTR Station and is easily accessible by public transportation with bus terminals, a public light bus terminal, 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.

Key Statistics (as at 31 December 2011)

Location	No 608 Sai Sha Road, Ma On Shan, Shatin, New Territories, Hong Kong
Land title	Government Leasehold until 30 June 2047
Year of completion	1994
Gross rentable area	310,084 Sq.ft.
Car park lots	290
Number of tenants	150
Purchase price	HK\$934 million
Market valuation ¹	HK\$3,302 million
Occupancy	98.0% (2010: 100.0%)
Gross revenue ²	HK\$182.5 million (2010: HK\$166.1 million)
Net property income	HK\$133.8 million

	Top 5 tenants	Trade sector	% of gross rental ³
1	Bank of China (Hong Kong) Limited	Banking & Real Estate Services	7.3%
2	Park'N Shop	Supermarkets	6.7%
3	Century 21	Banking & Real Estate Services	5.0%
4	Centaline Property Agency Limited	Banking & Real Estate Services	3.7%
5	Dah Sing Bank	Banking & Real Estate Services	3.5%

Lease expiry profile³



Tenant trade mix analysis³

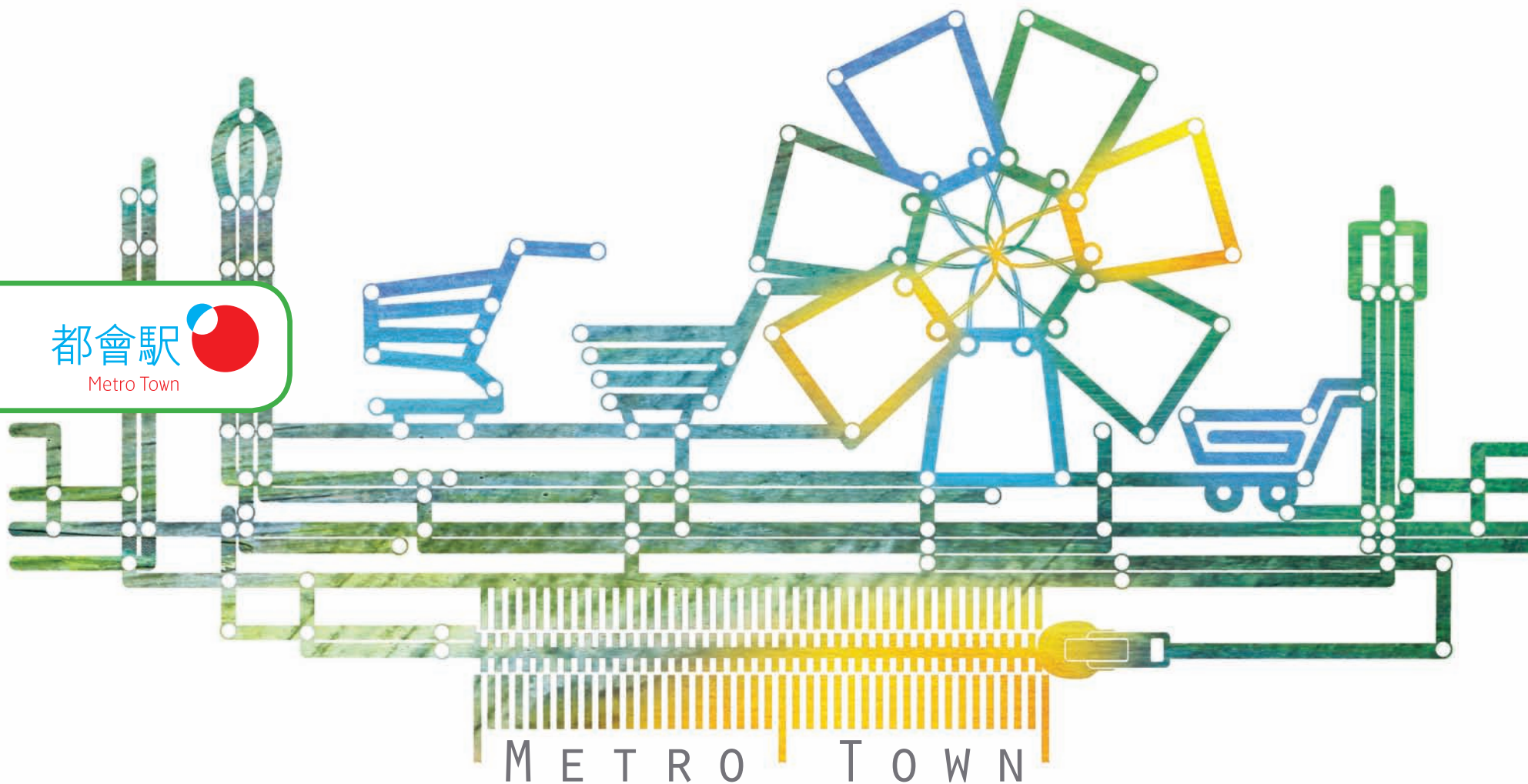
Banking & Real Estate Services	42.1%
Electronics & IT	2.3%
Fashion & Shoes	8.4%
Food & Beverages	15.1%
Gifts & Speciality, Hobbies, Toys, Jewellery	4.0%
Homeware & Home Furnishing	1.4%
Leisure & Entertainment, Sports & Fitness	1.7%
Services & Education	12.7%
Supermarkets	6.9%
Others	5.4%

Notes:

1. Valued by Knight Frank as at 31 December 2011.
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 2011. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.



都會駅
Metro Town



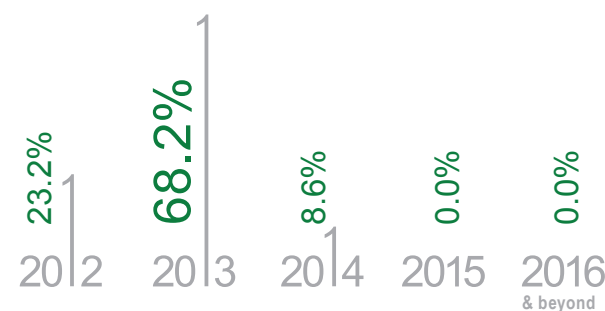
Metro Town is located on top of Tiu Keng Leng MTR Station which is an interchange for the Kwun Tong Line and the Tseung Kwan O Line. It is further connected via several pedestrian bridges to other large residential developments including Ocean Shore, Kin Ming Estate, Shin Ming Estate and Choi Ming Court, 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.

Key Statistics (as at 31 December 2011)

Location	No 8 King Ling Road, Tseung Kwan O, New Territories, Hong Kong
Land title	Government Leasehold until 10 February 2053
Year of completion	2006
Gross rentable area	180,822 Sq.ft.
Car park lots	74
Number of tenants	104
Purchase price	HK\$1,452 million
Market valuation ¹	HK\$2,200 million
Occupancy	99.4% (2010: 100.0%)
Gross revenue ²	HK\$108.4 million (2010: HK\$98.7 million)
Net property income	HK\$81.3 million

Top 5 tenants		Trade sector	% of gross rental ³
1	Park'N Shop	Supermarkets	9.9%
2	Ricacorp Properties	Banking & Real Estate Services	5.0%
3	Ho Yin Seafood Restaurant	Food & Beverages	4.8%
4	Centaline Property Agency Limited	Banking & Real Estate Services	4.2%
5	Fairwood Fast Food	Food & Beverages	4.1%

Lease expiry profile³



Tenant trade mix analysis³

Banking & Real Estate Services	18.8%
Electronics & IT	1.5%
Fashion & Shoes	11.4%
Food & Beverages	22.7%
Gifts & Speciality, Hobbies, Toys, Jewellery	4.1%
Homeware & Home Furnishing	2.3%
Leisure & Entertainment, Sports & Fitness	1.1%
Services & Education	23.9%
Supermarkets	9.9%
Others	4.3%

Notes:

1. Valued by Knight Frank as at 31 December 2011.
2. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
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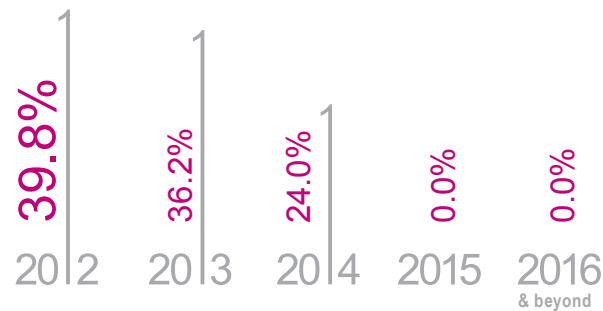
置富都會
Fortune Metropolis



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	25.4%
2	Choi Fook Royal Banquet	Food & Beverages	9.7%
3	Hong Kong College of Technology	Services & Education	6.4%
4	Pacific Energy Limited	Food & Beverages	3.8%
5	Canon	Services & Education	3.1%

Lease expiry profile³



Tenant trade mix analysis³

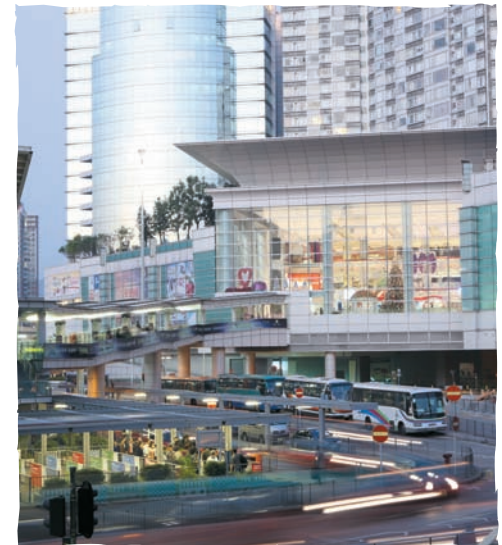
Banking & Real Estate Services	26.9%
Fashion & Shoes	2.3%
Food & Beverages	34.1%
Gifts & Speciality, Hobbies, Toys, Jewellery	6.1%
Homeware & Home Furnishing	0.9%
Services & Education	23.7%
Supermarkets	2.9%
Others	3.1%

Notes:

1. Valued by Knight Frank as at 31 December 2011.
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 2011. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.

Key Statistics (as at 31 December 2011)

Location	No 6–10 Metropolis Drive, The Metropolis, Kowloon, Hong Kong
Land title	Government Leasehold until 30 June 2047
Year of completion	2001
Gross rentable area	332,168 Sq.ft.
Car park lots	179
Number of tenants	125
Purchase price	HK\$1,464 million
Market valuation ¹	HK\$1,728 million
Occupancy	92.0% (2010: 98.4%)
Gross revenue ²	HK\$108.8 million (2010: HK\$106.4 million)
Net property income	HK\$66.6 million



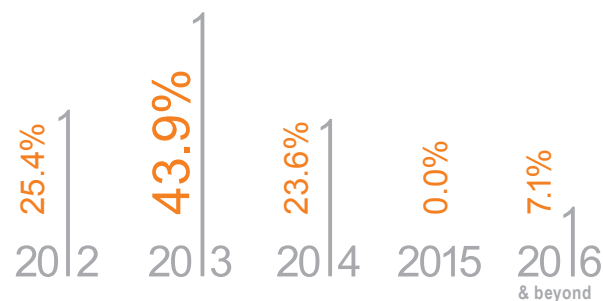
華都大道
Waldorf Avenue



Waldorf Avenue is located in the heart of Tuen Mun District. It is part of the Waldorf Garden residential development, consisting of five residential tower blocks above a commercial podium. Waldorf Avenue is connected to the adjacent Tuen Mun Town Plaza, one of the largest shopping malls in Northwest New Territories, via a covered footbridge. It is also located next to the Tuen Mun Highway, which connects it to different parts of the New Territories, Kowloon and Hong Kong Island via an extensive network of buses, light rail and taxis. In addition, Tuen Mun MTR Station has brought even more shopper traffic to Waldorf Avenue.

	Top 5 tenants	Trade sector	% of gross rental ³
1	Red Seasons Aroma Restaurant	Food & Beverages	9.2%
2	Pizza Hut	Food & Beverages	8.7%
3	Park'N Shop	Supermarkets	7.3%
4	Union Tracker Limited	Food & Beverages	4.8%
5	Daniel's Restaurant	Food & Beverages	3.9%

Lease expiry profile³



Notes:

1. Valued by Knight Frank as at 31 December 2011.
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 2011. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.

Key Statistics (as at 31 December 2011)

Location	No 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong
Land title	Government Leasehold until 30 June 2047
Year of completion	1982
Gross rentable area	80,842 Sq.ft.
Car park lots	73
Number of tenants	48
Purchase price	HK\$400 million
Market valuation ¹	HK\$1,164 million
Occupancy	100.0% (2010: 100.0%)
Gross revenue ²	HK\$63.5 million (2010: HK\$60.5 million)
Net property income	HK\$48.6 million

Tenant trade mix analysis³

Electronics & IT	4.3%
Fashion & Shoes	24.7%
Food & Beverages	41.5%
Gifts & Speciality, Hobbies, Toys, Jewellery	7.9%
Homeware & Home Furnishing	2.9%
Services & Education	8.8%
Supermarkets	7.3%
Others	2.6%





Key Statistics (as at 31 December 2011)

Location	No 1 Kin Tung Road, Tung Chung, New Territories, Hong Kong
Land title	Government Leasehold until 30 June 2047
Year of completion	2003
Gross rentable area	63,018 Sq.ft.
Car park lots	117
Number of tenants	42
Purchase price	HK\$428 million
Market valuation ¹	HK\$680 million
Occupancy	100.0% (2010: 100.0%)
Gross revenue ²	HK\$37.5 million (2010: HK\$33.8 million)
Net property Income	HK\$26.6 million



Key Statistics (as at 31 December 2011)

Location	No 16 Tsuen Wah Street, Tsuen Wan, New Territories, Hong Kong
Land title	Government Leasehold until 30 June 2047
Year of completion	1981
Gross rentable area	123,544 Sq.ft.
Car park lots	67
Number of tenants	99
Purchase price	HK\$258 million
Market valuation ¹	HK\$485 million
Occupancy	99.3% (2010: 99.5%)
Gross revenue ²	HK\$32.1 million (2010: HK\$29.9 million)
Net property income	HK\$19.4 million



Key Statistics (as at 31 December 2011)

Location	No 2-18 Lok King Street, Fo Tan, Shatin, New Territories, Hong Kong
Land title	Government Leasehold until 30 June 2047
Year of completion	1986
Gross rentable area	170,616 Sq.ft.
Car park lots	97
Number of tenants	51
Purchase price	HK\$218 million
Market valuation ¹	HK\$479 million
Occupancy	98.0% (2010: 100.0%)
Gross revenue ²	HK\$30.7 million (2010: HK\$27.0 million)
Net property income	HK\$19.3 million

Notes:

1. Valued by Knight Frank as at 31 December 2011.
2. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.

青怡薈

Tsing Yi Square



Key Statistics (as at 31 December 2011)

Location	No 7–19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong
Land title	Government Leasehold until 30 June 2047
Year of completion	1986
Gross rentable area	78,836 Sq.ft.
Car park lots	27
Number of tenants	62
Purchase price	HK\$230 million
Market valuation ¹	HK\$439 million
Occupancy	100.0% (2010: 98.4%)
Gross revenue ²	HK\$26.6 million (2010: HK\$25.7 million)
Net property income	HK\$18.4 million

盈暉薈

Nob Hill Square



Key Statistics (as at 31 December 2011)

Location	No 8 King Lai Path, Kwai Chung, New Territories, Hong Kong
Land title	Government Leasehold until 16 July 2048
Year of completion	2002
Gross rentable area	91,779 Sq.ft.
Car park lots	43
Number of tenants	60
Purchase price	HK\$233 million
Market valuation ¹	HK\$359 million
Occupancy	99.8% (2010: 96.8%)
Gross revenue ²	HK\$23.0 million (2010: HK\$22.2 million)
Net property income	HK\$14.2 million

城中薈

Centre de Laguna



Key Statistics (as at 31 December 2011)

Location	No 93 and 99 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong
Land title	Government Leasehold until 30 June 2047
Year of completion	1992
Gross rentable area	43,000 Sq.ft.
Car park lots	—
Number of tenants	21
Purchase price	HK\$135 million
Market valuation ¹	HK\$217 million
Occupancy	100.0% (2010: 99.5%)
Gross revenue ²	HK\$12.7 million (2010: HK\$12.0 million)
Net property income	HK\$8.4 million

Notes:

1. Valued by Knight Frank as at 31 December 2011.
2. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.

凱帆薈

Hampton Loft



Key Statistics (as at 31 December 2011)

Location	No 11 Hoi Fan Road, Kowloon, Hong Kong
Land title	Government Leasehold until 12 December 2049
Year of completion	2003
Gross rentable area	74,734 Sq.ft.
Car park lots	35
Number of tenants	3
Purchase price	HK\$159 million
Market valuation ¹	HK\$211 million
Occupancy	100.0% (2010: 100.0%)
Gross revenue ²	HK\$13.1 million (2010: HK\$12.8 million)
Net property income	HK\$10.1 million

麗都大道

Lido Avenue



Key Statistics (as at 31 December 2011)

Location	No 41–63 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong
Land title	Government Leasehold until 30 June 2047
Year of completion	1989
Gross rentable area	9,836 Sq.ft.
Car park lots	—
Number of tenants	10
Purchase price	HK\$75 million
Market valuation ¹	HK\$133 million
Occupancy	100.0% (2010: 100.0%)
Gross revenue ²	HK\$6.8 million (2010: HK\$6.3 million)
Net property income	HK\$5.6 million

海韻大道

Rhine Avenue

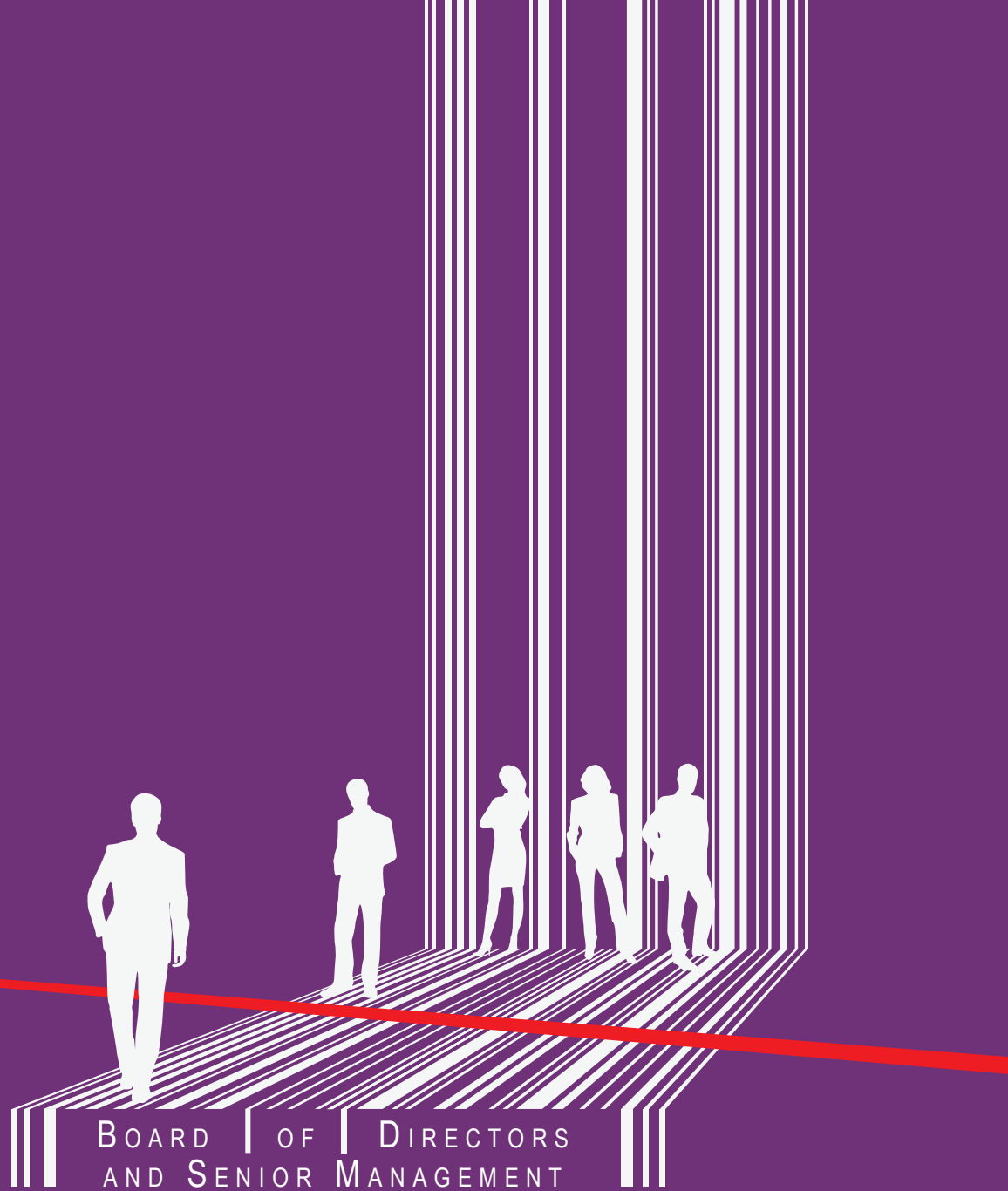


Key Statistics (as at 31 December 2011)

Location	No 38 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong
Land title	Government Leasehold until 30 June 2047
Year of completion	1992
Gross rentable area	14,604 Sq.ft.
Car park lots	—
Number of tenants	4
Purchase price	HK\$40 million
Market valuation ¹	HK\$96 million
Occupancy	100.0% (2010: 100.0%)
Gross revenue ²	HK\$5.4 million (2010: HK\$5.2 million)
Net property income	HK\$3.7 million

Notes:

1. Valued by Knight Frank as at 31 December 2011.
2. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.



BOARD | OF | DIRECTORS
AND SENIOR MANAGEMENT

Board of Directors and Senior Management



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

7 Lim Lee Meng

6 Chiu Yu, Justina

4 Yeung, Eirene

1 Chiu Kwok Hung, Justin

2 Lim Hwee Chiang

3 Ip Tak Chuen, Edmond

5 Ang Meng Huat, Anthony

9 Lan Hong Tsung, David

10 Ma Lai Chee, Gerald

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.

Board of Directors and Senior Management *(Continued)*

Board of Directors

1 Chiu Kwok Hung, Justin

Chairman and Non-Executive Director

Mr. Chiu, aged 61, 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**"). Mr. Chiu is also a Director of ARA Fund Management (Asia Dragon) Limited as the manager of the ARA Asia Dragon Fund. Mr. Chiu is a member of the 11th Shanghai Committee of the Chinese People's Political Consultative Conference of the People's Republic of China, 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.

Mr. 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. Mr. 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, Mr. 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.

Mr. Chiu holds Bachelor degrees in Sociology and Economics from Trent University in Ontario, Canada. Mr. Chiu is the father of Ms. Chiu Yu, Justina, a Director of the Manager.

2 Lim Hwee Chiang

Non-Executive Director

Mr. Lim, aged 55, has been a Director of the Manager since April 2003. He is also the Group Chief Executive Officer and an Executive Director of ARA. 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 the Vice President of the Hong Kong-Singapore Business Association, the Senior Vice President of the Asia Pacific Real Estate Association, a council member 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 real estate. Prior to the founding of ARA, from 1997 to 2002, he was an Executive Director of GRA (Singapore) Pte. Ltd., a wholly-owned subsidiary of Prudential (US) Real Estate Investors. From 1996 to 1997, he founded and was the Managing Director of The Land Managers (S) Pte. Ltd., a Singapore-based property and consulting firm specialising in feasibility studies, marketing and leasing management in Singapore, Hong Kong and China. He was the General Manager of the Singapore Labour Foundation Management Services Pte. Ltd. from 1991 to 1995, and was with DBS Land Limited (now part of CapitalLand Limited) from 1981 to 1990.

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.

Board of Directors and Senior Management *(Continued)*

3 Ip Tak Chuen, Edmond

Non-Executive Director

Mr. Ip, aged 59, 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 of CK Life Sciences Int'l., (Holdings) Inc. ("**CK Life Sciences**") since 2002. 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**"), Excel Technology International Holdings Limited ("**Excel**"), Real Nutraceutical Group Limited (formerly known as Ruinian International Limited) ("**Real Nutraceutical**") and Shougang Concord International Enterprises Company Limited ("**Shougang**"). Cheung Kong, CK Infrastructure, CK Life Sciences, TOM, AVIC, Real Nutraceutical and Shougang are listed on the Main Board of SEHK. Excel is listed on the Growth Enterprise Market (GEM) 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.

4 Yeung, Eirene

Non-Executive Director

Ms. Yeung, aged 51, 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 Alternate Director to Mr. Kam Hing Lam, the Group Managing Director of CK Infrastructure. She is also the Company Secretary of CK Infrastructure and CK Life Sciences. 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 Companies Ordinance Rewrite Advisory Group, a member of the Advisory Group on BBA-JD Programme of The Chinese University of Hong Kong ("**HKCU**") and a member of the Public Affairs Forum, Home Affairs Bureau of the HKSAR. 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 HKCU, and a Bachelor's degree in Laws from The University of Hong Kong.

Board of Directors and Senior Management *(Continued)*

5 Ang Meng Huat, Anthony

Executive Director and Chief Executive Officer

Mr. Ang, aged 56, 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), an Independent Non-executive Director of Armstrong Industrial Corporation Limited ("**Armstrong**"), a 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 organisation, 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 is also a fellow of the Chartered Management Institute (United Kingdom) and a council member of the Chartered Management Institute Singapore.

6 Chiu Yu, Justina

Executive Director and Deputy Chief Executive Officer

Ms. Chiu, aged 31, 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 12th Changzhou Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. Ms. Chiu is the daughter of Mr. Chiu Kwok Hung, Justin, Chairman of the Manager.

Board of Directors and Senior Management *(Continued)*

7 Lim Lee Meng

Independent Non-Executive Director

Mr. Lim, aged 55, 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, Datapulse Technology Limited (“**Datapulse**”), Tye Soon Ltd (“**Tye Soon**”) and ARA Trust Management (Suntec) Limited (the manager of Suntec REIT). Teckwah, Datapulse, Tye Soon and Suntec REIT are all listed on the Main Board of SGX-ST. He also serves as the Chairman of the Audit Committees of Teckwah and Datapulse. 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 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.

8 Sng Sow-Mei (alias Poon Sow Mei)

Independent Non-Executive Director

Mrs. Sng, aged 70, 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).

Board of Directors and Senior Management *(Continued)*

9 Lan Hong Tsung, David

Independent Non-Executive Director

Mr. Lan, aged 71, 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 (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).

10 Ma Lai Chee, Gerald

Alternate Director to Ip Tak Chuen, Edmond

Mr. Ma, aged 43, 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 member 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 22 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 and a member of the Finance Committee of the Scout Association of Hong Kong. He is also a member of the President’s Circle of the University of British Columbia, Canada (“UBC”) and a member of the Dean’s Advisory Board for the Faculty of Arts of 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 *(Continued)*

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.

Leung Wai Hung, Stanley

Finance Director

Mr. Leung joined the Manager in 2011. He heads the finance team and oversees the functions on all accounting, finance and treasury matters pertaining to Fortune REIT.

Mr. Leung has 22 years of working experience. Prior to joining the Manager, Mr. Leung was the Vice President and Chief Financial Officer with Fineland Real Estate Holdings Company Limited from 2006 to 2010. He was the Finance Manager with ARA Asset Management (Prosperity) Limited, the manager of Prosperity REIT, from 2005 to 2006. From 1994 to 2005, he was the Accountant with Cheung Kong (Holdings) Limited.

Mr. Leung holds a Bachelor Degree in Business Administration with major in Accounting and minor in Economics from The Chinese University of Hong Kong.

Hung Yuen Chun, Jenny

Senior Manager, Investment and Investor Relations

Ms. Hung joined the Manager in 2006. She is the Senior Investment and Investor Relations Manager 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, researching and evaluating potential acquisitions or divestments which are consistent with the Manager's investment strategy with a view to enhance Fortune REIT's returns to Unitholders. 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 (Holdings) Limited 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, where she was involved in asset valuation and development advisory works. Ms. Hung started her career in the Hong Kong SAR Government Lands Department in 1997 after obtaining 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 Asset Manager

Ms. Lau joined the Manager in 2009. She is the Senior Asset Manager 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 eight 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.

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.



Corporate Governance Policies *(Continued)*

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. The Manager is also subject to the applicable Singapore regulations and legislation as well as corporate governance practices and policies referred to in the Singapore Code of Corporate Governance 2005 ("**Singapore Code**") and the Manager confirms that it has adhered to the principles and guidelines set out in the Singapore Code, where applicable. As Fortune REIT is a listed real estate investment trust, not all principles and guidelines of the Singapore Code are applicable to Fortune REIT and the Manager. Explanations have been provided where the principles and guidelines have not been adhered to. The laws, rules and regulations in Hong Kong and Singapore applicable to Fortune REIT are referred to as the "Applicable Rules". 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 Fortune REIT.

On 12 January 2012, the Trust Deed was 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (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**").

Authorisation Structure

Fortune REIT is a collective investment scheme authorised by:

- (i) the Monetary Authority of Singapore ("**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 licenced 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 authorised 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 acquisition, 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 the 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 the Manager and Fortune REIT, including a system of internal control and a business risk management process.

Corporate Governance Policies *(Continued)*

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 Board also reviews the independence of INEDs annually based on the independence criteria set out in the Compliance Manual and the Applicable Rules. The Manager has received written annual confirmation from each INED of his/her independence pursuant to the "Criteria for Independence of INEDs" as set out in the Compliance Manual. The Board is of the view that all the INEDs are independent and no individual or small group of individuals dominates the Board's decision-making process.

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 Mr. 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.

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.

Corporate Governance Policies *(Continued)*

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. 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 authorised 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 2011 of Fortune REIT, the Manager received notifications regarding the following changes of Directors' information:

1. Mrs. Sng Sow-Mei (alias Poon Sow Mei) ceased to be an advisor of InfoWave Pte Ltd on 1 December 2011.
2. E3 Holdings Limited, of which Mr. Ang Meng Huat, Anthony is an independent non-executive director, was delisted from the SGX-ST on 31 May 2011.

Five Board meetings of the Manager were held in the year ended 31 December 2011 and the attendance record of the Board meetings is as follows:

Members of the Board		Attendance
<i>Chairman and Non-Executive Director</i>	Mr. Chiu Kwok Hung, Justin	5/5
<i>CEO and Executive Director</i>	Mr. Ang Meng Huat, Anthony	5/5
<i>Deputy CEO and Executive Director</i>	Ms. Chiu Yu, Justina	5/5
<i>Non-Executive Directors</i>	Mr. Lim Hwee Chiang	5/5
	Mr. Ip Tak Chuen, Edmond (Alternate — Mr. Ma Lai Chee, Gerald)	4/5
	Ms. Yeung, Eirene	4/5
<i>Independent Non-Executive Directors</i>	Mr. Lim Lee Meng	5/5
	Mrs. Sng Sow-Mei (alias Poon Sow Mei)	5/5
	Mr. Lan Hong Tsung, David	5/5

Corporate Governance Policies *(Continued)*

Audit Committee

The Board has established an Audit Committee with clear terms of reference to assist it in discharging its responsibilities. The role of the Audit Committee is to, among other things, safeguard the assets of Fortune REIT and the Manager, maintain adequate accounting records, develop and maintain effective systems of internal control, ensure the integrity of financial statements and investigate reports made pursuant to the Manager's whistle blowing programme. The Audit Committee meets with the external Auditors, and with the internal Auditors, without the presence of the management, at least once annually. Both the external Auditors and the internal Auditors have confirmed that for the Reporting Year, they had received the full cooperation 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 all non-audit services provided by the external Auditors during the Reporting Year and is satisfied that such services would not, in the Audit Committee's opinion, affect the independence of the external Auditors. The external Auditors has 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 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 (the "SPV") of the Trust.

The Audit Committee also assesses the independence of the independent non-executive INEDs annually. The Audit Committee has reviewed the independence of non-executive Directors for the Reporting Year and is satisfied that none of these Directors 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 independence judgments.

Five 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	5/5
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	5/5
Mr. Lan Hong Tsung, David	5/5

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 programme as recommended under the Singapore Code. Under this programme, the Audit Committee reviews arrangements, by which staff of the Manager may, in confidence, raise concerns about possible improprieties on matters of financial reporting or other matters. 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. There have been no whistle blowing incidents reported during the Reporting Year.

Corporate Governance Policies *(Continued)*

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.

Five 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	4/5
Ms. Chiu Yu, Justina	5/5
Mr. Lim Lee Meng	5/5

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 re-financing 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. The attendance record of the Designated Committee meeting is as follows:

Members of the Designated Committee	Attendance
Mr. Ip Tak Chuen, Edmond (Alternate — Mr. Ma Lai Chee, Gerald)	1/1
Ms. Chiu Yu, Justina	1/1
Mr. Lim Lee Meng	1/1

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.

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 of Fortune REIT's and the Manager's internal financial controls, operational and compliance controls and risk management policies and systems, including the adequacy of resources, qualifications and experience of the Manager's staff carrying out Fortune REIT's accounting and financial reporting functions, and their training programmes and budget.

Corporate Governance Policies *(Continued)*

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 Audit Committee is satisfied that the internal Auditor has met the standards set by internationally recognised professional bodies including the 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. Recognising 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 outlined 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 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. 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 lie with the respective business and corporate executive heads with stewardship residing with the Board.

In 2011, the Manager carried out an exercise to consolidate and review Fortune REIT's risk register which identifies the key risks facing Fortune REIT and the internal controls in place to manage those risks. Action plans to manage the risks are continually being monitored and refined by management and the Board. Internal Auditors conduct audits to test 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, the Board opines, with the concurrence of the Audit Committee, that there are adequate internal controls in place within the Group addressing material financial, operational and compliance risks.

Corporate Governance Policies *(Continued)*

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 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.

Corporate Governance Policies *(Continued)*

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 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 units pursuant to Rule 1207(19) of the Listing Manual 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) for 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 Monetary Authority of Singapore 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.

The Manager has also adopted procedures for monitoring the disclosure of interests by Directors, the chief executives 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.

Corporate Governance Policies *(Continued)*

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 SGX-ST and the Manager of their holdings in Fortune REIT. The Manager shall then send copies of such notifications received by it to the Trustee. 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 the Trustee and any Unitholder at 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 the Senior Investment and Investor Relations Manager, 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 releases 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 annual general meeting ("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. The Directors, Chairman of the Board and Chairmen of the respective Board committees and Auditors of the Manager would be in attendance at the AGM to answer questions from 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.

Corporate Governance Policies *(Continued)*

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 2011. 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 2011.

Review of Annual Report

The annual report of Fortune REIT for the year ended 31 December 2011 has been reviewed by the Audit Committee and the Disclosures Committee.

New Units Issued

As at 31 December 2011, the total number of issued units of Fortune REIT was 1,680,695,942. As compared with the position as at 31 December 2010, a total of 11,663,695 new units were issued during the Reporting Year in the following manner:

- On 5 January 2011, 2,567,653 new units were issued to the Manager at the price of HK\$3.9168 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's base fee of approximately HK\$10.1 million payable by Fortune REIT for the period from 1 October 2010 to 31 December 2010.

- On 4 April 2011, 2,582,245 new units were issued to the Manager at the price of HK\$3.8100 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's base fee of approximately HK\$9.8 million payable by Fortune REIT for the period from 1 January 2011 to 31 March 2011.
- On 5 July 2011, 3,115,131 new units were issued to the Manager at the price of HK\$3.7667 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's base fee of approximately HK\$11.7 million payable by Fortune REIT for the period from 1 April 2011 to 30 June 2011.
- On 3 October 2011, 3,398,666 new units were issued to the Manager at the price of HK\$3.4904 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's base fee of approximately HK\$11.9 million payable by Fortune REIT for the period from 1 July 2011 to 30 September 2011.

Repurchase, Sale or Redemption of Units

During the Reporting Year, other than the disposal of 8,265,000 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 are held in the hands of the public as at 31 December 2011.

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 2011 HK\$'000	Rental deposit received as at 31 December 2011 HK\$'000
AMTD Strategic Capital Limited	Subsidiary of a significant holder ¹	Leasing transactions	6,195	1,643
A.S. Watson Group (HK) Limited	Subsidiary of an associate of a significant holder ²	Leasing and licensing transactions	88,726	418
Big Sky Resources Limited	Subsidiary of a significant holder ¹	Licensing transactions	48	9
Cheung Kong Property Development Limited	Subsidiary of a significant holder ¹	Leasing and licensing transactions	22,932	—
Cheung Kong (Holdings) Limited ("Cheung Kong")	Significant holder	Leasing and licensing transactions	286	—
Citybase Property Management Limited	Subsidiary of a significant holder ¹	Leasing transactions	4,273	972
Hutchison Telephone Company Limited	Subsidiary of an associate of a significant holder ²	Licensing transactions	4,696	720
Perfect Idea Limited	Subsidiary of a significant holder ¹	Leasing transactions	2,563	—
Towerich Limited	Subsidiary of a significant holder ¹	Licensing transactions	85	23
Total			129,804	3,785

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.

Connected Party Transactions *(Continued)*

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 2011 HK\$'000
Cheung Kong	Significant holder	Back-office support service fee	571
Citybase Property Management Limited	Subsidiary of a significant holder ¹	Property management and operations	767
E-Park Parking Management Limited	Subsidiary of a significant holder ¹	Carpark lease agency fee	2,720
Goodwell-Fortune Property Services Limited	Subsidiary of a significant holder ¹	Property and lease management fee and marketing service fee	36,053
Goodwell Property Management Limited	Subsidiary of a significant holder ¹	Property management and operations	125
Metro Broadcast Corporation Limited	Associated company of a significant holder ¹	Advertising and promotion expenses	416
Total			40,652

Note:

¹ Significant holder being Cheung Kong.

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 2011 HK\$'000
ARA Asset Management (Fortune) Limited	Manager	Manager's fee	65,852
HSBC Institutional Trust Services (Singapore) Limited	Trustee	Trustee's fee	5,166
Knight Frank Petty Limited	Principal valuer	Valuation fee	453
Total			71,471

Connected Party Transactions *(Continued)*

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 2011 HK\$'000	Rental deposit received as at 31 December 2011 HK\$'000
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	Trustee Connected Persons	Leasing and licensing transactions	6,012	649
Hang Seng Bank Limited	Trustee Connected Persons	Leasing and licensing transactions	3,236	964
Total			9,248	1,613

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 *(Continued)*

Connected Party Transactions — Leasing/licensing transactions under which the annual income exceeds 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, Waldorf Avenue, Caribbean Square, Smartland, Jubilee Square, Tsing Yi Square, Nob Hill Square and Rhine Avenue	66,040
Cheung Kong Property Development Limited	Subsidiary of a significant holder ²	Tenancies at Fortune Metropolis	15,855
Citybase Property Management Limited	Subsidiary of a significant holder ²	Tenancy at Hampton Loft	2,712
Hutchison Telephone Company Limited	Subsidiary of an associate of a significant holder ³	Licence at Ma On Shan Plaza	1,540
Perfect Idea Limited	Subsidiary of a significant holder ²	Tenancy at Fortune Metropolis	1,883
HSBC	Trustee Connected Persons	Tenancies at Fortune City One	5,269
Hang Seng Bank Limited	Trustee Connected Persons	Tenancy at Fortune City One	2,664
Total			101,084

Notes:

- 1 The aggregate annual income stated herein refers to the aggregate base rental income/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.

Connected Party Transactions *(Continued)*

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 67 to 70 of the 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 2011 was 1,680,695,942 units.

Holdings of Significant Unitholders and Other Unitholders

As at 31 December 2011, 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	24.58%	—	—
Cheung Kong ¹	—	—	525,630,684	31.27%
Schroders Plc ²	—	—	175,116,000	10.42%

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 2011:

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	6.70%	—	—
HWL ¹	—	—	112,556,000	6.70%
DBS Bank Ltd. ⁴	90,356,000	5.38%	—	—
DBS Group Holdings Ltd ⁴	—	—	90,356,000	5.38%
The Real Return Group Limited ⁵	—	—	96,406,961	5.74%

Notes:

1 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.

2 Schroders Plc was deemed to be interested in 175,116,000 units of which:

- (a) 94,440,000 units were held by Schroder Investment Management Limited;
- (b) 54,643,000 units were held by Schroder Investment Management (Singapore) Limited;
- (c) 25,824,000 units were held by Schroder Investment Management (Hong Kong) Limited; and
- (d) 209,000 units were held by Schroders Channel Islands Limited.

3 A director of Ballston Profits Limited, Mr. Robin Cheng Khoong Sng is the spouse of Mrs. Sng Sow-Mei.

4 DBS Group Holdings Ltd was deemed to be interested in 90,356,000 units held by its wholly-owned subsidiary, DBS Bank Ltd.

5 The Real Return Group Limited was deemed to be interested in 96,406,961 units of which:

- (a) 94,979,961 units were held by Veritas Asset Management (UK) Ltd; and
- (b) 1,427,000 units were held by Veritas Asset Management AG.

Disclosure of Interests *(Continued)*

Interests of the Manager

As at 31 December 2011, the Manager held 3,399,646 units, or approximately 0.20% 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 in Fortune REIT as at 31 December 2011 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	—	—	5,499,646	0.33%
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 5,499,646 units of which:

- (a) 3,399,646 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 were 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 Hwee Chiang 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 2011.

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 a comparison of their respective beneficial interests as at 31 December 2011 and 31 December 2010:

- (a) Schrodgers Plc was beneficially interested in 175,116,000 units as at 31 December 2011 and 188,244,000 units as at 31 December 2010;
- (b) The Manager was beneficially interested in 3,399,646 units as at 31 December 2011 and 951 units as at 31 December 2010;
- (c) Mr. Lim Hwee Chiang, Director of the Manager, was beneficially interested in 5,499,646 units as at 31 December 2011 and 2,100,951 units as at 31 December 2010.

Valuation Report

14 January 2012

HSBC Institutional Trust Services (Singapore) Limited
(As Trustee of Fortune Real Estate Investment Trust)
21 Collyer Quay
#14-01 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

Dear Sirs

Market Valuation in respect of 14 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 2011 (referred to as the "Valuation Date") for accounting purposes.

1	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 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	Waldorf Avenue	Shops on Level 3 and Various Carparks, Waldorf Garden, 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong
6	Caribbean Square	Caribbean Square, Caribbean Coast, 1 Kin Tung Road, Tung Chung, Lantau Island, New Territories, Hong Kong
7	Smartland	Various Portions in Smartland, East Asia Gardens, 16 Tsuen Wah Street, Tsuen Wan, New Territories, Hong Kong
8	Jubilee Square	Jubilee Square, Jubilee Garden, 2–18 Lok King Street, Shatin, New Territories, Hong Kong
9	Tsing Yi Square	Various Portions in Tsing Yi Square, Tsing Yi Garden, 7–19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong
10	Nob Hill Square	Nob Hill Square, Nob Hill, 8 King Lai Path, Kwai Chung, New Territories, Hong Kong
11	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
12	Hampton Loft	Hampton Loft, Hampton Place, 11 Hoi Fan Road, Tai Kok Tsui, Kowloon, Hong Kong

Valuation Report *(Continued)*

13 Lido Avenue	Shops on Ground Floor, Lido Garden, 41–63 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong
14 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 REIT Code 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 Capitalisation and Direct Comparison approaches are adopted. Income Capitalisation 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 Capitalisation 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 capitalised 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 capitalised 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 capitalised value of the term income and the capitalised 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 certify the authenticity of the information provided to us and we have no reason to doubt the truth and accuracy of this

Valuation Report *(Continued)*

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 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 2011 to December 2011.

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 authorisation have been obtained, except only where otherwise stated.

Valuation Report *(Continued)*

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 2011
Fortune City One	414,469	658	HK\$4,895,000,000
Ma On Shan Plaza	310,084	290	HK\$3,302,000,000
Metro Town	180,822	74	HK\$2,200,000,000
Fortune Metropolis	332,168	179	HK\$1,728,000,000
Waldorf Avenue	80,842	73	HK\$1,164,000,000
Caribbean Square	63,018	117	HK\$680,000,000
Smartland	123,544	67	HK\$485,000,000
Jubilee Square	170,616	97	HK\$479,000,000
Tsing Yi Square	78,836	27	HK\$439,000,000
Nob Hill Square	91,779	43	HK\$359,000,000
Centre de Laguna	43,000	N/A	HK\$217,000,000
Hampton Loft	74,734	35	HK\$211,000,000
Lido Avenue	9,836	N/A	HK\$133,000,000
Rhine Avenue	14,604	N/A	HK\$96,000,000
Total	1,988,352	1,660	HK\$16,388,000,000

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 2011. 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

Alnick Chan

FRICS FHKIS RPS(GP)

Executive Director

Note: Alnick Chan, FRICS FHKIS RPS(GP), has been a qualified valuer with Knight Frank since 1997 and has 24 years' experience in the valuation of properties in Hong Kong.

Valuation Report *(Continued)*

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 tin, Sha Tin, New Territories, Hong Kong.

Description

City One Shatin is a comprehensive residential cum commercial development, completed by phases between 1981 and 1989.

The property comprises various commercial areas and parking lots within City One Shatin, which are set out below:-

- 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.

The total gross rentable area of the property (excluding parking lots) is approximately 38,505.11 sq.m. (414,469 sq.ft.).

Land Tenure

Sha Tin Town Lot No 1 is held under New Grant No ST11064 for a term of 99 years commencing from 1 July 1998 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 2011

Approximately HK\$18,540,000, exclusive of rates, government rent, management fees and air-conditioning charges.

Average Monthly Car Parking Net Income for January 2011 to December 2011

Approximately HK\$470,000

Market Value in Existing State as at 31 December 2011

HK\$4,895,000,000

Estimated Net Property Yield

4.7%

Valuation Report *(Continued)*

Ma On Shan Plaza

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

Description

Ma On Shan Plaza is the commercial portion of a private residential cum commercial development, known as Bayshore Towers, completed in 1994.

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.

The total gross rentable area of the property (excluding parking lots) is approximately 28,807.51 sq.m. (310,084 sq.ft.).

Land Tenure

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.

Monthly Rental and Other Incomes as at 31 December 2011

Approximately HK\$13,758,000, exclusive of rates, government rent, management fees and air-conditioning charges.

Average Monthly Car Parking Net Income for January 2011 to December 2011

Approximately HK\$383,000

Market Value in Existing State as at 31 December 2011

HK\$3,302,000,000

Estimated Net Property Yield

5.1%

Metro Town

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

Description

Metro Town is a private residential cum commercial development completed in two phases in 2006 and 2007.

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.

The total gross rentable area of the property (excluding parking lots) is approximately 16,798.77 sq.m. (180,822 sq.ft.).

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 2011

Approximately HK\$7,465,000, exclusive of rates, government rent, management fees and air-conditioning charges.

Average Monthly Car Parking Net Income for January 2011 to December 2011

Approximately HK\$169,000

Market Value in Existing State as at 31 December 2011

HK\$2,200,000,000

Estimated Net Property Yield

4.2%

Valuation Report *(Continued)*

Fortune Metropolis

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

Description

Fortune Metropolis is the commercial portion of a commercial/office/hotel/serviced apartment development, known as The Metropolis, completed in 2001.

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.

The total gross rentable area of the property (excluding parking lots) is approximately 30,859.16 sq.m. (332,168 sq.ft.).

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 2011

Approximately HK\$5,848,000, exclusive of rates, government rent, management fees and air-conditioning charges.

Average Monthly Car Parking Net Income for January 2011 to December 2011

Approximately HK\$409,000

Market Value in Existing State as at 31 December 2011

HK\$1,728,000,000

Estimated Net Property Yield

4.3%

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 2011

Approximately HK\$4,446,000, exclusive of rates, government rent, management fees and air-conditioning charges.

Average Monthly Car Parking Net Income for January 2011 to December 2011

Approximately HK\$160,000

Market Value in Existing State as at 31 December 2011

HK\$1,164,000,000

Estimated Net Property Yield

4.7%

Valuation Report *(Continued)*

Caribbean Square

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

Description

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.

The total gross rentable area of the property (excluding parking lots) is approximately 5,854.51 sq.m. (63,018 sq.ft.).

Land Tenure

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.

Monthly Rental and Other Incomes as at 31 December 2011

Approximately HK\$2,601,000, exclusive of rates, government rent, management fees and air-conditioning charges.

Average Monthly Car Parking Net Income for January 2011 to December 2011

Approximately HK\$65,000

Market Value in Existing State as at 31 December 2011

HK\$680,000,000

Estimated Net Property Yield

4.7%

Smartland

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

Description

Smartland is portion of the commercial portion of a residential cum commercial development, known as East Asia Gardens, completed in 1981.

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).

The total gross rentable area of the property (excluding parking lots) is approximately 11,477.52 sq.m. (123,544 sq.ft.).

Land Tenure

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.

Monthly Rental and Other Incomes as at 31 December 2011

Approximately HK\$1,844,000, exclusive of rates, government rent, management fees and air-conditioning charges.

Average Monthly Car Parking Net Income for January 2011 to December 2011

Approximately HK\$84,000

Market Value in Existing State as at 31 December 2011

HK\$485,000,000

Estimated Net Property Yield

4.8%

Valuation Report *(Continued)*

Jubilee Square

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

Description

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.

The total gross rentable area of the property (excluding parking lots) is approximately 15,850.61 sq.m. (170,616 sq.ft.).

Land Tenure

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.

Monthly Rental and Other Incomes as at 31 December 2011

Approximately HK\$1,766,000, exclusive of rates, government rent, management fees and air-conditioning charges.

Average Monthly Car Parking Net Income for January 2011 to December 2011

Approximately HK\$271,000

Market Value in Existing State as at 31 December 2011

HK\$479,000,000

Estimated Net Property Yield

5.1%

Tsing Yi Square

Various Portions in Tsing Yi Square, Tsing Yi Garden, 7–19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong.

Description

Tsing Yi Square is the commercial portion of a private residential cum commercial development, known as Tsing Yi Garden, completed in 1986.

The property comprises various retail shops on the Ground Floor and 1st Floor and 27 parking lots within the development.

The total gross rentable area of the property (excluding parking lots) is approximately 7,324.04 sq.m. (78,836 sq.ft.).

Land Tenure

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.

Monthly Rental and Other Incomes as at 31 December 2011

Approximately HK\$1,771,000, exclusive of rates, government rent, management fees and air-conditioning charges.

Average Monthly Car Parking Net Income for January 2011 to December 2011

Approximately HK\$26,000

Market Value in Existing State as at 31 December 2011

HK\$439,000,000

Estimated Net Property Yield

4.9%

Valuation Report *(Continued)*

Nob Hill Square

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

Description

Nob Hill Square is the commercial portion of a private residential cum commercial development, known as Nob Hill, completed in 2002.

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.

The total gross rentable area of the property (excluding parking lots) is approximately 8,526.48 sq.m. (91,779 sq.ft.).

Land Tenure

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.

Monthly Rental and Other Incomes as at 31 December 2011

Approximately HK\$1,392,000, exclusive of rates, government rent, management fees and air-conditioning charges.

Average Monthly Car Parking Net Income for January 2011 to December 2011

Approximately HK\$69,000

Market Value in Existing State as at 31 December 2011

HK\$359,000,000

Estimated Net Property Yield

4.9%

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

Centre de Laguna is the commercial development within a private residential cum commercial development, known as Laguna City, completed in 1992.

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.

The total gross rentable area of the property is approximately 3,994.80 sq.m. (43,000 sq.ft.).

Land Tenure

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.

Monthly Rental and Other Incomes as at 31 December 2011

Approximately HK\$870,000, exclusive of rates, government rent, management fees and air-conditioning charges.

Market Value in Existing State as at 31 December 2011

HK\$217,000,000

Estimated Net Property Yield

4.8%

Valuation Report *(Continued)*

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 2011

Approximately HK\$791,000, exclusive of rates, government rent, management fees and air-conditioning charges.

Average Monthly Car Parking Net Income for January 2011 to December 2011

Approximately HK\$62,000

Market Value in Existing State as at 31 December 2011

HK\$211,000,000

Estimated Net Property Yield

4.9%

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 2011

Approximately HK\$583,000, exclusive of rates, government rent, management fees and air-conditioning charges.

Market Value in Existing State as at 31 December 2011

HK\$133,000,000

Estimated Net Property Yield

5.3%

Valuation Report *(Continued)*

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 2011

Approximately HK\$374,000, exclusive of rates, government rent, management fees and air-conditioning charges.

Market Value in Existing State as at 31 December 2011

HK\$96,000,000

Estimated Net Property Yield

4.7%

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 2011.

For and on behalf of the Trustee,

Antony Wade Lewis

Director

Singapore

30 January 2012

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 91 to 151, which comprise the consolidated and Fortune REIT’s statements of financial position as at 31 December 2011, 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 deposition of the assets and liabilities of the Group and of Fortune REIT as at 31 December 2011 and of their results and cash flows for the year 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 91 to 151 were approved and authorised for issue by the Manager on 30 January 2012.

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

Ang Meng Huat, Anthony
Director

30 January 2012

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 91 to 151, which comprise the consolidated and Fortune REIT's statements of financial position as at 31 December 2011, 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.

Independent Auditors' Report *(Continued)*

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 2011 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
30 January 2012

Deloitte & Touche LLP
Public Accountants and Certified Public Accountants
Singapore
30 January 2012

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Statements of Comprehensive Income

For the year ended 31 December 2011

	Notes	Group		Fortune REIT	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Revenue	6	909,425	837,263	443,775	409,198
Property operating expenses	7	(267,299)	(240,439)		
Net property income		642,126	596,824		
Manager's base fee		(45,827)	(37,246)	(45,827)	(37,246)
Foreign currency exchange gain		52	190	52	190
Interest income		8,446	923	3,110	923
Trust expenses	8	(22,025)	(37,507)	(84,308)	(59,669)
Change in fair value of investment properties		3,043,804	1,760,977	—	—
Change in fair value of derivative financial instruments		3,038	(54,879)	—	—
Borrowing costs	9	(174,110)	(131,912)	—	—
Profit before taxation and transactions with unitholders	10	3,455,504	2,097,370	316,802	313,396
Income tax expense	11	(92,403)	(78,071)	(528)	(156)
Profit for the year, before transactions with unitholders		3,363,101	2,019,299	316,274	313,240
Distributions to unitholders		(442,283)	(406,487)	(442,283)	(406,487)
Profit/(loss) for the year, after transactions with unitholders		2,920,818	1,612,812	(126,009)	(93,247)
Other comprehensive income					
Change in fair value of derivative financial instruments under cash flow hedge		(72,563)	27,097	—	—
Total comprehensive income for the year		2,848,255	1,639,909	(126,009)	(93,247)
Income available for distribution to unitholders		442,283	406,487		
Basic earnings per unit (HK cents)	12	200.42	121.13		

Distribution Statement

For the year ended 31 December 2011

	Notes	Group	
		2011 HK\$'000	2010 HK\$'000
Profit for the year, before transactions with unitholders		3,363,101	2,019,299
Adjustments:			
Manager's base fee		45,827	37,246
Change in fair value of investment properties		(3,043,804)	(1,760,977)
Change in fair value of derivative financial instruments		(3,038)	54,879
Front end fees		62,283	22,162
Foreign currency exchange gain		(52)	(190)
Other non-tax deductible trust expenses		17,966	34,068
Income available for distribution	(i)	442,283	406,487
Distributions to unitholders			
12.80 HK cents (2010: 12.27 HK cents) per unit for the six months ended 30 June	(ii)	214,805	204,571
13.50 HK cents (2010: 12.08 HK cents) per unit for the six months ended 31 December	(iii)	227,478	201,916
		442,283	406,487
Distribution per unit (HK cents)		26.30	24.35

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 2011 is HK\$442.3 million (year ended 31 December 2010: HK\$406.5 million) and HK\$417.8 million (year ended 31 December 2010: HK\$379.5 million), respectively. Accordingly, the income available for distribution, based on the Net Tax-Exempt Income, of HK\$442.3 million (year ended 31 December 2010: HK\$406.5 million) would be distributed to unitholders for the year ended 31 December 2011.

- (ii) The distribution per unit of 12.80 HK cents for the six months ended 30 June 2011 (six months ended 30 June 2010: 12.27 HK cents) is calculated based on the Group's income available for distribution for the period of HK\$214.8 million (six months ended 30 June 2010: HK\$204.6 million) over 1,677,297,276 units (30 June 2010: 1,666,597,743 units), representing issued units as at 30 June 2011 of 1,674,182,145 units (30 June 2010: 1,663,952,387 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 2011 of 3,115,131 units (second quarter of 2010: 2,645,356 units). The distribution amounting to HK\$214.8 million (six months ended 30 June 2010: HK\$204.6 million) was paid on 29 August 2011 (six months ended 30 June 2010: 27 August 2010).
- (iii) The distribution per unit of 13.50 HK cents for the six months ended 31 December 2011 (six months ended 31 December 2010: 12.08 HK cents) is calculated based on the Group's income available for distribution for the period of HK\$227.5 million (six months ended 31 December 2010: HK\$201.9 million) over 1,684,017,665 units (31 December 2010: 1,671,599,900 units), representing issued units as at 31 December 2011 of 1,680,695,942 units (31 December 2010: 1,669,032,247 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 2011 of 3,321,723 units (fourth quarter of 2010: 2,567,653 units). The distribution for the six months ended 31 December 2011 amounting to HK\$227.5 million (six months ended 31 December 2010: HK\$201.9 million) will be paid on 29 February 2012 (six months ended 31 December 2010: 1 March 2011).

Statements of Financial Position

As at 31 December 2011

	Notes	Group		Fortune REIT	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
ASSETS AND LIABILITIES					
Non-current assets					
Investments in subsidiaries	13	—	—	5,470,134	5,470,134
Investment properties	14	16,388,000	13,300,000	—	—
Total non-current assets		16,388,000	13,300,000	5,470,134	5,470,134
Current assets					
Trade and other receivables	15	49,809	63,241	39,615	58,419
Bank balances and cash	16	881,721	506,073	434,237	457,756
Total current assets		931,530	569,314	473,852	516,175
Total assets		17,319,530	13,869,314	5,943,986	5,986,309
Non-current liabilities					
Derivative financial instruments	17	124,819	55,294	—	—
Borrowings	18	2,794,231	2,772,448	—	—
Deferred tax liabilities	19	170,067	148,165	—	—
Total non-current liabilities		3,089,117	2,975,907	—	—

	Notes	Group		Fortune REIT	
		2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Current liabilities					
Trade and other payables	20	347,940	269,747	18,055	5,907
Borrowings	18	420,000	79,000	—	—
Distribution payable		227,478	201,995	227,478	201,995
Provision for taxation		7,225	8,977	1,472	1,244
Total current liabilities		1,002,643	559,719	247,005	209,146
Total liabilities, excluding net assets attributable to unitholders		4,091,760	3,535,626	247,005	209,146
Net assets attributable to unitholders		13,227,770	10,333,688	5,696,981	5,777,163
Units in issue and to be issued ('000)	21	1,684,018	1,671,600		
Net asset value per unit (HK\$) attributable to unitholders	22	7.85	6.18		

Statements of Changes in Net Assets Attributable to Unitholders

For the year ended 31 December 2011

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
Unitholders' funds as at 1 January 2010	6,308,340	(271,593)	(27,512)	2,823,427	8,832,662
OPERATIONS					
Profit for the year, before transactions with unitholders	—	—	—	2,019,299	2,019,299
Distribution paid and payable of 12.27 HK cents per unit for the six months ended 30 June 2010 (note (ii))	—	—	—	(204,571)	(204,571)
Distribution payable of 12.08 HK cents per unit for the six months ended 31 December 2010 (note (ii))	—	—	—	(201,916)	(201,916)
Change in fair value of derivative financial instruments under cash flow hedge	—	—	27,097	—	27,097
Total comprehensive income for the year	—	—	27,097	1,612,812	1,639,909
UNITHOLDERS' TRANSACTIONS					
Creation of units					
— Manager's base fee paid/payable in units	37,246	—	—	—	37,246
Distribution paid to unitholders as owners of 10.60 HK cents per unit for the six months ended 31 December 2009 (note (i))	—	—	—	(176,129)	(176,129)
Increase/(decrease) in net assets resulting from unitholders' transactions	37,246	—	—	(176,129)	(138,883)
Net assets attributable to unitholders as at 31 December 2010	6,345,586	(271,593)	(415)	4,260,110	10,333,688

	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
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 (note (ii))	—	—	—	(214,805)	(214,805)
Distribution payable of 13.50 HK cents per unit for the six months ended 31 December 2011 (note (ii))	—	—	—	(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

Statements of Changes in Net Assets Attributable to Unitholders *(Continued)*

For the year ended 31 December 2011

Fortune REIT

	Units in issue and to be issued HK\$'000	Unit issue costs HK\$'000	Retained profits HK\$'000	Total HK\$'000
Unitholders' funds as at 1 January 2010	6,308,340	(271,593)	(27,454)	6,009,293
OPERATIONS				
Profit for the year, before transactions with unitholders	—	—	313,240	313,240
Distribution paid and payable of 12.27 HK cents per unit for the six months ended 30 June 2010 (note (ii))	—	—	(204,571)	(204,571)
Distribution payable of 12.08 HK cents per unit for the six months ended 31 December 2010 (note (ii))	—	—	(201,916)	(201,916)
Total comprehensive loss for the year	—	—	(93,247)	(93,247)
UNITHOLDERS' TRANSACTIONS				
Creation of units				
— Manager's base fee paid/payable in units	37,246	—	—	37,246
Distribution paid to unitholders as owners of 10.60 HK cents per unit for the six months ended 31 December 2009 (note (i))	—	—	(176,129)	(176,129)
Increase/(decrease) in net assets resulting from unitholders' transactions	37,246	—	(176,129)	(138,883)
Net assets attributable to unitholders as at 31 December 2010	6,345,586	(271,593)	(296,830)	5,777,163

	Units in issue and to be issued HK\$'000	Unit issue costs HK\$'000	Retained profits HK\$'000	Total HK\$'000
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 (note (ii))	—	—	(214,805)	(214,805)
Distribution payable of 13.50 HK cents per unit for the six months ended 31 December 2011 (note (ii))	—	—	(227,478)	(227,478)
Total comprehensive loss 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

Notes:

- (i) Before the amendment of Trust Deed on 26 March 2010, Fortune Real Estate Investment Trust ("Fortune REIT") has no contractual obligation to pay or declare distribution, 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 International Accounting Standards 32 "Financial Instruments: Presentation" ("IAS 32").
- (ii) Subsequent to the dual primary listing on The Stock Exchange of Hong Kong Limited, Fortune REIT has to comply with the distribution requirements set out in the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong. Accordingly, the Trust Deed was amended and in accordance with the amended Trust Deed, the unitholders have the rights to receive distribution, and Fortune REIT has an obligation to distribute to unitholders, at the higher of Net Tax-Exempt income or 90% of consolidated Net Profit After Tax. Accordingly, the issued units as at 31 December 2010 and 2011 are no longer classified as equity instruments in accordance with IAS 32.

Statements of Cash Flows

For the year ended 31 December 2011

	Group		Fortune REIT	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Operating activities				
Profit before taxation and transactions with unitholders	3,455,504	2,097,370	316,802	313,396
Adjustments for:				
Allowance for doubtful debts	—	3	—	—
Manager's base fee	45,827	37,246	45,827	37,246
Change in fair value of investment properties	(3,043,804)	(1,760,977)	—	—
Change in fair value of derivative financial instruments	(3,038)	54,879	—	—
Depreciation of plant and equipment	—	44	—	—
Interest income	(8,446)	(923)	(3,110)	(923)
Interest expense	111,827	109,750	—	—
Front end fees	62,283	22,162	62,283	22,162
Operating cash flows before movement in working capital	620,153	559,554	421,802	371,881
Decrease/(increase) in trade and other receivables	16,516	(15,625)	(42,030)	5,140
Increase/(decrease) in trade and other payables	77,286	(6,727)	11,971	(11,039)
Cash generated from operations	713,955	537,202	391,743	365,982
Income tax paid	(72,253)	(60,999)	(300)	(1,761)
Net cash from operating activities	641,702	476,203	391,443	364,221

	Group		Fortune REIT	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Investing activities				
Placement of fixed deposits	(150,000)	(80,000)	(150,000)	(80,000)
Withdrawal of fixed deposits	80,000	—	80,000	—
Upgrading of investment properties	(44,196)	(39,023)	—	—
Interest received	5,362	923	1,661	923
Net cash used in investing activities	(108,834)	(118,100)	(68,339)	(79,077)
Financing activities				
Repayment of borrowings	(479,000)	(51,000)	—	—
Drawdown of borrowings	821,300	94,000	—	—
Distribution paid	(416,623)	(380,621)	(416,623)	(380,621)
Interest paid	(111,097)	(109,750)	—	—
Payment of front end fees	(41,800)	—	—	—
Net cash used in financing activities	(227,220)	(447,371)	(416,623)	(380,621)
Net increase/(decrease) in cash and cash equivalents	305,648	(89,268)	(93,519)	(95,477)
Cash and cash equivalents at beginning of the year	426,073	515,341	377,556	473,233
Cash and cash equivalents at end of the year	731,721	426,073	284,237	377,756
Represented:				
Cash at bank and in hand	103,721	307,073	6,237	277,756
Fixed deposits with original maturity date less than 3 months	628,000	119,000	278,000	100,000
	731,721	426,073	284,237	377,756

Notes to the Financial Statements

For the year ended 31 December 2011

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 #14-01, 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 91 to 151 were authorised for issue by the Manager on 30 January 2012.

1 General *(Continued)*

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 one of the largest unitholders (note 29(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.

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

Marketing services

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 0.03% per annum (subject to a minimum of HK\$50,000 per month) before and on 19 April 2010 and increased to 0.035% per annum (subject to a minimum of HK\$50,000 per month) with effect from 20 April 2010 on the value of the real estate properties and are accrued daily and paid monthly in arrears in accordance with the Trust Deed.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2011

1 General *(Continued)*

(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 cash/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 cash/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.

2 Application of New and Revised International Financial Reporting Standards

The Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“**New and Revised IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”), which are effective for the Group’s financial year beginning on 1 January 2011.

IFRSs (Amendments)	Improvements to IFRSs 2010
IAS 24 (Revised 2009)	Related Party Disclosures
IAS 32 (Amendments)	Classification of Rights Issues
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the New and Revised IFRSs had no material effect on the results or financial position of Fortune REIT and the Group for the current or prior accounting periods. Accordingly, no prior period adjustments have been recognised.

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

IFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets ¹
IFRS 7 (Amendments)	Disclosures — offsetting Financial Assets and Financial Liabilities ²
IFRS 9	Financial Instruments ²
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures ³
IFRS 10	Consolidated Financial Statements ²
IFRS 11	Joint Arrangements ²
IFRS 12	Disclosure of Interests in Other Entities ²
IFRS 13	Fair Value Measurement ²
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ⁴
IAS 19 (Revised 2011)	Employee Benefits ²
IAS 27 (Revised 2011)	Separate Financial Statements ²
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ²
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ⁵
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2015

⁴ Effective for annual periods beginning on or after 1 July 2012

⁵ Effective for annual period beginning on or after 1 January 2014

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2011

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

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 Manager does not anticipate that these amendments to IFRS 7 will have a significant effect on the Group's disclosures for the current year. However, if the Group enters into transfers of financial assets in the future, disclosures regarding those transfers may be affected.

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 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.

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

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.

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was 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.

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.

These standards 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 application of these standards may not have significant impact on amounts reported in the consolidated financial statements.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2011

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

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 and Fortune REIT's separate 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, present 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.

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 2011. 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. The results 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.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2011

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.

3 Significant Accounting Policies *(Continued)*

(e) Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

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.

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.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2011

3 Significant Accounting Policies *(Continued)*

(e) Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

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.

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.

3 Significant Accounting Policies *(Continued)*

(e) Financial instruments *(Continued)*

Derivative financial instruments and hedging *(Continued)*

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.

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.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2011

3 Significant Accounting Policies *(Continued)*

(g) Revenue recognition *(Continued)*

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 licencees, 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.

(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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

3 Significant Accounting Policies *(Continued)*

(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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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.

(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 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.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2011

3 Significant Accounting Policies *(Continued)*

(k) Taxation *(Continued)*

Deferred tax is recognised on the 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 and deferred tax assets are recognised 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.

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. Current and deferred tax is charged or credited to profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also dealt with in other comprehensive income or directly in equity.

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:

4 Key Sources of Estimation Uncertainty *(Continued)*

(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 14 (2010: 14) properties as at 31 December 2011 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 29. For the year ended 31 December 2011, the Group's revenue from rental income and charge-out collections generated from the subsidiaries of HWL amounted to HK\$93 million (2010: HK\$87 million) in aggregate.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2011

6 Revenue

	Group		Fortune REIT	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Dividend income	—	—	443,775	409,198
Base rental	652,818	593,128	—	—
Charge-out collections	173,420	160,806	—	—
Short term rental	82,210	81,702	—	—
Other income	977	1,627	—	—
	909,425	837,263	443,775	409,198

The short term rental include contingent rents of HK\$3.7 million (2010: HK\$3.3 million), licence fees of HK\$35.6 million (2010: HK\$36.3 million) and car park revenue of HK\$36.0 million (2010: HK\$33.8 million).

7 Property Operating Expenses

	Group	
	2011 HK\$'000	2010 HK\$'000
Building management expenses	94,339	79,046
Utilities	35,377	34,038
Government rents and rates	36,659	31,390
Manager's performance fee	20,025	18,458
Property manager fee	21,152	19,265
Carpark operating expenses	10,252	9,868
Advertising and promotion	9,745	8,089
Legal and other professional fees	8,200	5,586
Leasing commission and marketing services fee	16,202	20,284
Others	15,348	14,415
	267,299	240,439

8 Trust Expenses

	Group		Fortune REIT	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Trustee's fee	5,166	4,068	5,166	4,068
Listing expenses for dual primary listing in Hong Kong (note (i))	—	30,000	—	30,000
Front end fees (note (ii))	—	—	62,283	22,162
Expenses for acquisition (note (i)) (Note 30)	10,000	—	10,000	—
Other charges	6,859	3,439	6,859	3,439
	22,025	37,507	84,308	59,669

Notes:

- (i) The amount for the year ended 31 December 2011 included HK\$0.8 million (2010: HK\$1.0 million) for non-audit services fee paid to reporting accountants.
(ii) Front end fees incurred by Fortune REIT in respect of its subsidiaries' bank borrowings are not recharged to the subsidiaries.

9 Borrowing Costs

	Group	
	2011 HK\$'000	2010 HK\$'000
Interest expense on		
— term loans	42,308	46,540
— revolving loan	2,869	59
Equalisation of interest expense through cash flow hedge	50,890	55,081
Commitment fee	15,760	8,070
Front end fees		
— amortisation	11,665	22,162
— written off upon early redemption of term loans	50,618	—
	174,110	131,912

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2011

10 Profit Before Taxation and Transactions with Unitholders

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

	Group		Fortune REIT	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Audit fees to external auditors in respect of				
— Current year	1,635	1,276	673	636
— Prior year	208	—	—	—
Non-audit services fee to external auditors	487	490	37	40
Fees to internal auditor	330	400	—	—
Valuation fees (paid to principal valuer)	419	312	—	—
Allowance for doubtful debts	—	3	—	—
Depreciation of plant and equipment	—	44	—	—
Bank charges	389	447	—	—
Public relation and non-deal roadshow expenses	1,365	460	464	2

11 Income Tax Expense

	Group		Fortune REIT	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Current tax:				
— Hong Kong	70,347	62,747	—	—
— Singapore	528	156	528	156
— Over provision in prior years	(374)	(6)	—	—
	70,501	62,897	528	156
Deferred taxation (Note 19)	21,902	15,174	—	—
	92,403	78,071	528	156

11 Income Tax Expense *(Continued)*

Fortune REIT's subsidiaries in Hong Kong are subject to Hong Kong profits tax at 16.5% (2010: 16.5%).

Fortune REIT, which is established in Singapore, is subject to Singapore income tax at 17% (2010: 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.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2011

11 Income Tax Expense *(Continued)*

(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.

The income tax expenses varied from the amount of income tax determined by applying the Hong Kong profits tax rate of 16.5% (2010: 16.5%) to the profit before taxation and transactions with unitholders as a result of the following differences:

	Group		Fortune REIT	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Profit before taxation and transactions with unitholders	3,455,504	2,097,370	316,802	313,396
Tax at the applicable income tax rate	570,158	346,066	52,272	51,710
Tax effect of expenses not deductible for tax purpose	26,763	26,109	21,463	15,990
Tax effect of income not taxable for tax purpose	(504,160)	(294,103)	(73,223)	(67,549)
Effect of different tax rates of overseas operations	16	5	16	5
Over provision in prior years	(374)	(6)	—	—
Taxation for the year	92,403	78,071	528	156

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

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	
	2011 HK\$'000	2010 HK\$'000
Profit for the year, before transactions with unitholders	3,363,101	2,019,299
Weighted average number of units outstanding during the year Number of units ('000)	1,678,044	1,666,986
Basic earnings per unit (HK cents)	200.42	121.13

The weighted average number of units outstanding during the year takes into account the 3,321,723 (2010: 2,567,653) units issuable as Manager's base fee for the period from 1 October 2011 to 31 December 2011 (2010: 1 October 2010 to 31 December 2010), which were issued to the Manager on 4 January 2012 (2010: 5 January 2011).

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	
	2011 HK\$'000	2010 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

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2011

13 Investments in Subsidiaries *(Continued)*

Saved as disclosed in note (iv) below, the following companies are subsidiaries of Fortune REIT as at 31 December 2011 and 2010:

Name of company	Country/Place of incorporation	Effective equity interest held by Fortune REIT		Nominal value of issued and fully paid capital			Principal activities
		2011	2010	Ordinary shares	Redeemable preference shares	Non-voting deferred shares	
		%	%	HK\$	HK\$	HK\$	
Direct subsidiaries							
Mightypattern Limited	Hong Kong	100	100	800	—	—	Investment holding
Marvel Point Investments Limited	British Virgin Islands	100	100	78	—	—	Investment holding
Poko Shine Limited	Hong Kong	100	100	2	336,000	—	Property investment in Ma On Shan Plaza
Vision Million Limited	British Virgin Islands	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
Genuine Joy Limited	British Virgin Islands	100	100	8	328,000	—	Property investment in Caribbean Square
Quick Switch Limited	British Virgin Islands	100	100	8	79,000	—	Property investment in Smartland
Yee Pang Realty Limited	Hong Kong	100	100	10,000	8,000	—	Property investment in Jubilee Square
Team Challenge Limited	British Virgin Islands	100	100	8	95,620	—	Property investment in Tsing Yi Square
Art Full Resources Limited	Hong Kong	100	100	2	60,000	—	Property investment in Nob Hill Square
Ace Courage Limited	British Virgin Islands	100	100	8	56,059	—	Property investment in Centre de Laguna
Full Belief Limited	British Virgin Islands	100	100	8	109,000	—	Property investment in Hampton Loft
Partner Now Limited	British Virgin Islands	100	100	8	30,810	—	Property investment in Lido Avenue
Proven Effort Limited	British Virgin Islands	100	100	8	17,495	—	Property investment in Rhine Avenue
Indirect subsidiaries							
Pinelink Investment Limited	British Virgin Islands	100	100	8	—	—	Investment holding
Million Nice Development Limited	Hong Kong	100	100	2	—	—	Property investment in Fortune City One
Prostar Resources Limited (note (iv))	British Virgin Islands	—	100	8	—	—	Dissolved
Mega Gain Resources Limited	Hong Kong	100	100	1	436,400	—	Property investment in Metro Town

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:

- (a) They do not carry any right to dividend;
- (b) 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);
- (c) They do not have any voting rights at general meetings of the subsidiary;
- (d) 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
- (e) 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:

- (a) They do not carry any right to dividend;
- (b) They do not have any voting rights at general meetings of the subsidiary; and
- (c) 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\$100,000,000,000.00 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) Prostar Resources Limited was dissolved during the year 2011.

(v) Except for the interests in Marvel Point Investments Limited, Genuine Joy Limited, Full Belief 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.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2011

14 Investment Properties

	Group	
	2011 HK\$'000	2010 HK\$'000
FAIR VALUE		
At beginning of year	13,300,000	11,500,000
During the year:		
Capital expenditure incurred	44,196	39,023
Change in fair value of investment properties	3,043,804	1,760,977
At end of year	16,388,000	13,300,000

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	
					2011 HK\$'000	2010 HK\$'000
Fortune City One	Leasehold	99 years	35.5 years	No. 1 & 2 Ngan Shing Street, 6 Lok Shing Street, Shatin, New Territories, Hong Kong	4,895,000	4,146,000
Ma On Shan Plaza	Leasehold	55.5 years	35.5 years	No. 608 Sai Sha Road, Ma On Shan, Shatin, New Territories, Hong Kong	3,302,000	2,376,000
Metro Town	Leasehold	50 years	41 years	No. 8 King Ling Road, Tseung Kwan O, Hong Kong	2,200,000	1,775,000
Fortune Metropolis	Leasehold	50.5 years	35.5 years	No. 6–10 Metropolis Drive, Kowloon, Hong Kong	1,728,000	1,589,000
Waldorf Avenue	Leasehold	99 years	35.5 years	No. 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong	1,164,000	925,000

14 Investment Properties *(Continued)*

Description of property	Tenure of land	Terms of leases	Remaining term of lease	Location	Valuation	
					2011 HK\$'000	2010 HK\$'000
Caribbean Square	Leasehold	50 years	35.5 years	No. 1 Kin Tung Road, Tung Chung, New Territories, Hong Kong	680,000	511,000
Smartland	Leasehold	149 years	35.5 years	No. 16 Tsuen Wah Street, Tsuen Wan, New Territories, Hong Kong	485,000	411,000
Jubilee Square	Leasehold	149 years	35.5 years	No. 2–18 Lok King Street, Fo Tan, Shatin, New Territories, Hong Kong	479,000	355,000
Tsing Yi Square	Leasehold	99 years	35.5 years	No. 7–19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong	439,000	364,000
Nob Hill Square	Leasehold	50 years	36.5 years	No. 8 King Lai Path, Kwai Chung, New Territories, Hong Kong	359,000	302,000
Centre de Laguna	Leasehold	58 years	35.5 years	93/99 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong	217,000	185,000
Hampton Loft	Leasehold	50 years	38 years	No. 11 Hoi Fan Road, Kowloon, Hong Kong	211,000	177,000
Lido Avenue	Leasehold	149 years	35.5 years	No. 41–63 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong	133,000	111,000
Rhine Avenue	Leasehold	57 years	35.5 years	No. 38 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong	96,000	73,000
					16,388,000	13,300,000

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2011

14 Investment Properties *(Continued)*

- (i) On 31 December 2011 and 2010, independent valuations were undertaken by Knight Frank Petty Limited (“**Knight Frank**”) and Savills Valuation and Professional Services Limited (“**Savills**”), respectively. The respective firms are independent qualified professional valuers not connected to the Group and have 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 valuers’ knowledge of the market expectation from property investors.
- (ii) All of the Group’s property interests in properties located in Hong Kong are held under medium-term leases 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.
- (iii) Certain properties with total fair value of HK\$11,654.0 million (2010: HK\$9,557.0 million) as at 31 December 2011 have been mortgaged as collaterals for credit facilities granted by the banks.

15 Trade and Other Receivables

	Group		Fortune REIT	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
(a) Trade receivables				
Outside parties	25,337	27,794	—	—
Less: allowance for doubtful debts	—	(3)	—	—
	25,337	27,791	—	—

15 Trade and Other Receivables *(Continued)*

	Group		Fortune REIT	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
(b) Other receivables and prepayments				
Security deposits	17,456	17,404	—	—
Other receivables	6,114	2,089	3,691	2,082
Prepayments	902	15,957	35,924	56,337
	24,472	35,450	39,615	58,419
	49,809	63,241	39,615	58,419

Aging analysis of the Group's trade receivables (net of allowance for doubtful debts) presented based on the invoice date at the end of the reporting period is as follows:

	Group	
	2011 HK\$'000	2010 HK\$'000
1 – 30 days	25,251	27,772
31 – 90 days	43	5
Over 90 days	43	14
	25,337	27,791

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.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2011

15 Trade and Other Receivables *(Continued)*

Included in the Group's trade receivable balance are debtors with a carrying amount of HK\$25.3 million (2010: HK\$ 27.8 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.

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.

Included in the allowance for doubtful debts were specific trade receivables with a total balance of HK\$0.003 million as at 31 December 2010.

Movement in the allowance for doubtful debts:

	Group	
	2011 HK\$'000	2010 HK\$'000
At beginning of year	3	4,216
Amounts written off during the year	(3)	(4,216)
Increase in allowance recognised in profit or loss	—	3
At end of year	—	3

Fortune REIT's prepayments included front end fees of HK\$35.8 million (2010: HK\$56.3 million) as at 31 December 2011 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	
	2011 HK\$'000	2010 HK\$'000
Denominated in:		
Singapore dollars	1,400	—

16 Bank Balances and Cash

	Group		Fortune REIT	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Cash at bank and in hand	103,721	307,073	6,237	277,756
Fixed deposits with original maturity date less than 3 months	628,000	119,000	278,000	100,000
Cash and cash equivalents	731,721	426,073	284,237	377,756
Fixed deposits with original maturity date more than 3 months	150,000	80,000	150,000	80,000
	881,721	506,073	434,237	457,756
Effective interest rate per annum	1.73%	0.68%	1.31%	0.68%

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	
	2011 HK\$'000	2010 HK\$'000
Denominated in:		
Singapore dollars	1,006	1,481

Notes to the Financial Statements (Continued)

For the year ended 31 December 2011

17 Derivative Financial Instruments

	Group	
	2011 HK\$'000	2010 HK\$'000
Cash flow hedges — interest rate swaps	124,819	55,294

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.

Contracts with notional amount of HK\$614.5 million (2010: HK\$614.5 million), HK\$800.5 million (2010: HK\$800.5 million) and HK\$1,415.0 million (2010: Nil) as at 31 December 2011 will mature in March 2014, December 2014 and April 2016, respectively. These contracts have fixed interest payments at rates ranging from 2.00% to 2.91% (2010: 2.44% to 2.91%) per annum for the year ended 31 December 2011 and have floating interest receipts at three months Hong Kong Inter-bank Offered Rate (“HIBOR”) repricing every three months. The ineffective portion of the change in fair value of the derivative financial instruments, amounting to a gain of HK\$3.0 million (2010: loss of HK\$54.9 million), is recognised in the consolidated statement of comprehensive income for the year ended 31 December 2011. The effective portion of the change in fair value of the derivative financial instruments, amounting to a loss of HK\$72.6 million (2010: gain of HK\$27.1 million), is recognised in other comprehensive income for the year ended 31 December 2011. The net fair value of derivative financial instruments represented 0.9% (2010: 0.5%) of the net assets of Fortune REIT as at 31 December 2011.

The fair value of 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	
	2011 HK\$'000	2010 HK\$'000
Secured term loans	2,830,000	2,828,700
Secured revolving loans	420,000	79,000
Less: unamortised front end fees	(35,769)	(56,252)
	3,214,231	2,851,448
Carrying amount repayable:		
On demand or within one year	420,000	79,000
More than two years, but not more than five years	2,794,231	2,772,448
	3,214,231	2,851,448
Less: Amount due within one year shown under current liabilities	(420,000)	(79,000)
	2,794,231	2,772,448

- (i) In relation to the term loan of HK\$2,830.0 million and revolving credit facility of HK\$270.0 million under the facility agreement dated 15 October 2009 for a term of four years (the “**2009 Facilities**”), the amounts outstanding under the 2009 Facilities drawn down by certain subsidiaries as at 31 December 2010 was HK\$2,907.7 million. The 2009 Facilities were 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 2009 Facilities. The 2009 Facilities bore interest at HIBOR plus a margin of 2.0% per annum. During the year ended 31 December 2011, the drawn down amount of the 2009 Facilities has been fully refinanced by new loan facilities set out in note (ii) below.
- (ii) 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 2011 was HK\$3,250 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. The term loan of 2011 Facilities is used to refinance the term loan of 2009 Facilities.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2011

18 Borrowings *(Continued)*

- (iii) The Group has paid front end fees of HK\$41.8 million (31 December 2010: HK\$80.6 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	
	2011 HK\$'000	2010 HK\$'000
At beginning of year	80,600	100,725
Addition	41,800	—
Reversal/matured during the year	(80,600)	(20,125)
At end of year	41,800	80,600
Movement in accumulated amortisation:		
At beginning of year	(24,348)	(22,311)
Reversal/matured during the year	29,982	20,125
Amortised during the year	(11,665)	(22,162)
At end of year	(6,031)	(24,348)
Net book values	35,769	56,252

18 Borrowings (Continued)

(iv) The effective interest rates and repricing analysis:

	Weighted average effective interest rate		Carrying value		Repricing within 3 months	
	2011 %	2010 %	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Interest bearing borrowing — Group						
Term loan — fixed rate *	2.31*	3.96*	2,830,000	1,415,000	2,830,000	1,415,000
Term loan — variable rate	—	3.67	—	1,413,700	—	1,413,700
Revolving loan	1.20	2.41	420,000	79,000	420,000	79,000
			3,250,000	2,907,700	3,250,000	2,907,700

* 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	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Group						
At beginning of year	151,532	138,260	(3,367)	(5,269)	148,165	132,991
Charge to profit or loss for the year	21,902	13,272	—	1,902	21,902	15,174
At end of year	173,434	151,532	(3,367)	(3,367)	170,067	148,165

The Manager expects to recover the carrying amount of investment properties through sale. Hence, no deferred tax is recognised in respect of the cumulative fair value gains on investment properties as they are not subject to tax upon disposal.

Notes to the Financial Statements (Continued)

For the year ended 31 December 2011

20 Trade and Other Payables

	Group		Fortune REIT	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
(a) Trade payables				
Tenants' deposits				
— Outside parties	229,797	189,909	—	—
— Related parties (Note 29)	5,398	6,616	—	—
Rental received in advance				
— Outside parties	12,435	7,572	—	—
	247,630	204,097	—	—
(b) Other payables				
Trustee's fee	938	753	938	753
Other expenses				
— Outside parties	44,204	35,889	2,280	1,864
— Related parties (Note 29)	35,147	21,164	—	—
— Manager (Note 29)	3,365	3,188	—	—
Interest payable	1,818	1,089	—	—
Others	14,838	3,567	14,837	3,290
	100,310	65,650	18,055	5,907
Total	347,940	269,747	18,055	5,907

20 Trade and Other Payables *(Continued)*

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\$145.3 million (2010: HK\$122.3 million) as at 31 December 2011.

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

	Group and Fortune REIT	
	2011 HK\$'000	2010 HK\$'000
Denominated in:		
Singapore dollars	1,326	1,125

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 2010 and 2011 are compound instruments in accordance with IAS 32. The Manager considers the equity component of the issued units to be insignificant and hence the net assets attributable to unitholders presented on the statements of financial position as at 31 December 2010 and 2011 mainly represents financial liabilities.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2011

21 Units in Issue and to be Issued *(Continued)*

	Fortune REIT			
	2011 Number of units '000	2010 Number of units '000	2011 HK\$'000	2010 HK\$'000
At beginning of year	1,671,600	1,661,595	6,345,586	6,308,340
Issue of new units during the year:				
As payment of Manager's base fee	9,096	7,437	33,435	27,189
Balance in issue	1,680,696	1,669,032	6,379,021	6,335,529
New units to be issued:				
As payment of Manager's base fee for the period from 1 October to 31 December 2011 (2010: 1 October to 31 December 2010)	3,322	2,568	12,392	10,057
At end of year	1,684,018	1,671,600	6,391,413	6,345,586

Note:

Manager's base fee paid to the Manager is in the form of units. 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. On 5 January 2011, Fortune REIT issued 2,567,653 units at an issue price of HK\$3.9168 per unit to the Manager as base fee for the period from 1 October to 31 December 2010.

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\$13,227.8 million (2010: HK\$10,333.7 million) and the total number of 1,684,017,665 (2010: 1,671,599,900) units in issue or to be issued, including the new units to be issued as payment of Manager's base fee.

23 Net Current Liabilities/Assets

As at 31 December 2011, the Group's net current liabilities, defined as current assets less current liabilities, amounted to HK\$71.1 million (2010: net current assets of HK\$9.6 million).

24 Total Assets Less Current Liabilities

As at 31 December 2011, the Group's total assets less current liabilities amounted to HK\$16,316.9 million (2010: HK\$13,309.6 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\$3,250.0 million as at 31 December 2011 (2010: HK\$2,907.7 million), not exceeding 35% (2010: 35%) and 45% (2010: 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 2011.

26 Financial Instruments

(a) Categories of financial instruments

	Group		Fortune REIT	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Financial assets				
<i>Loans and receivables</i>				
Trade and other receivables	48,907	47,284	3,691	2,082
Bank balances and cash	881,721	506,073	434,237	457,756
	930,628	553,357	437,928	459,838
Financial liabilities				
<i>Amortised cost</i>				
Other payables	58,971	38,120	7,875	5,732
Distribution payable	227,478	201,995	227,478	201,995
Borrowings	3,214,231	2,851,448	—	—
	3,500,680	3,091,563	235,353	207,727
<i>Fair value</i>				
Derivative financial instruments	124,819	55,294	—	—

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2011

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 derivative and 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.

26 Financial Instruments *(Continued)*

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

Interest rate risk *(Continued)*

Interest rate sensitivity analysis (Continued)

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	
	2011 HK\$'000	2010 HK\$'000
25 basis points	—	3,534
50 basis points	—	7,069
75 basis points	—	10,603

As the interest rate of time deposit and revolving loan as at 31 December 2011 is fixed and the term loan is hedged through interest rate swap in current year, no interest rate sensitivity analysis in relation to interest bearing financial assets and liabilities of the Group and Fortune REIT are presented in current year since the Manager considers that the impact of interest rate risk on profit or loss for the year is insignificant.

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.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2011

26 Financial Instruments *(Continued)*

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

Credit risk *(Continued)*

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 S\$0.2 million (2010: S\$0.2 million) as at 31 December 2011. 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% (2010: 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	
	2011 HK\$’000	2010 HK\$’000
5%	54	74
10%	108	148
15%	162	222

26 Financial Instruments *(Continued)*

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

Foreign currency risk *(Continued)*

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.

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 2011, the Group has a bank loan facility of HK\$3,800,000,000, comprising a HK\$2,830,000,000 term loan and a HK\$970,000,000 revolving credit facility. The term loan facility was fully drawn on 15 April 2011 and revolving credit facility of HK\$420,000,000 was drawn as at 31 December 2011. The term loan is repayable five years from 11 April 2011. 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\$11,654,000,000 have been pledged to secure banking facilities granted to the Group. Taking into a cash balance of HK\$881,721,000 and available unutilised revolving credit facility of approximately HK\$550,000,000 as at 31 December 2011, the Group has sufficient financial resources to satisfy its commitments and working capital requirements although the Group's net current liabilities amounted to HK\$71.1 million as at 31 December 2011, (2010: net current assets of HK\$9.6 million).

Liquidity risk analysis

The Group's derivative financial instruments are interest rate swaps with notional amount totaling HK\$2,830.0 million (2010: HK\$ 1,415.0 million) as at 31 December 2011 with contracted net cash flows due within five years from inception date.

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.

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2011

26 Financial Instruments *(Continued)*

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

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 2011 HK\$'000
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

26 Financial Instruments *(Continued)*

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

	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 2010 HK\$'000
2010							
Non-derivative financial liabilities							
Tenants' deposits	—	21,753	52,427	66,290	56,055	196,525	196,525
Other payables	—	38,120	—	—	—	38,120	38,120
Bank borrowings — variable rate	2.32	95,640	50,461	66,976	2,881,547	3,094,624	2,851,448
Distribution payable	—	201,995	—	—	—	201,995	201,995
Cash outflow		357,508	102,888	133,266	2,937,602	3,531,264	3,288,088
Derivative — net settlement							
Derivative financial instruments, cash outflow		8,236	23,022	27,233	15,443	73,934	55,294

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2011

26 Financial Instruments *(Continued)*

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

Fortune REIT

	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 2011 HK\$'000
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
	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 2010 HK\$'000
2010						
Non-derivative financial liabilities						
Other payables	5,732	—	—	—	5,732	5,732
Distribution payable	201,995	—	—	—	201,995	201,995
	207,727	—	—	—	207,727	207,727

26 Financial Instruments *(Continued)*

(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	
	2011 HK\$'000	2010 HK\$'000
Minimum lease income under operating leases included in revenue	652,818	593,128

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	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Within one year	520,212	465,586	85,107	89,186	605,319	554,772
In the second to fifth year inclusive	402,683	374,917	52,120	96,434	454,803	471,351
Over five years	7,459	7,361	—	—	7,459	7,361
	930,354	847,864	137,227	185,620	1,067,581	1,033,484

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2011

27 Operating Lease Arrangements *(Continued)*

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 ranging from 4% to 15%.

28 Major Non Cash Transaction

During the year, the existing bank loans of HK\$2,828.7 million from the 2009 Facilities were refinanced with the new 2011 Facilities as stated in Note 18. The refinancing does not involve the settlement of cash by the Group as the existing bank loans were settled by the respective banks directly. In addition, Manager's base fee for the year ended 31 December 2011 of HK\$45,827,000 was settled and will be settled by the issuance of 12,417,765 units.

In prior year, the existing bank loans of HK\$2,348.7 million were refinanced with the 2009 Facilities. The refinancing did not involve the settlement of cash by the Group as the existing bank loans were settled by the respectively banks directly. In addition, Manager's base fee for the year ended 31 December 2010 of HK\$37,246,000 was settled by the issuance of 10,004,633 units.

29 Connected and Related Party Transactions

During the year, the Group entered into the following transactions with connected and related parties

	Notes	2011 HK\$'000	2010 HK\$'000
Rent and rental related income from			
AMTD Strategic Capital Limited	(a)	6,195	5,946
A.S. Watson Group (HK) Limited	(b)	88,726	81,641
Big Sky Resources Limited	(a)	48	48
Cheung Kong Property Development Limited	(a)	22,932	18,502
Cheung Kong (Holdings) Limited ("Cheung Kong")	(c)	286	—
Citybase Property Management Limited	(a)	4,273	3,950
Hang Seng Bank Limited	(d)	3,236	2,732
Hutchison Telephone Company Limited	(b)	4,696	5,086
Hutchison Telecommunications Services Limited	(b)	—	44
Perfect Idea Limited	(a)	2,563	4,467
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	(d)	6,012	2,982
Towerich Limited	(a)	85	85

29 Connected and Related Party Transactions *(Continued)*

	Notes	2011 HK\$'000	2010 HK\$'000
Carpark lease agency fee for the operations of the Group's carpark			
E-Park Parking Management Limited	(a)	2,720	2,228
Property management fee			
Citybase Property Management Limited	(a)	767	733
Goodwell-Fortune Property Services Limited	(a)	20,116	18,183
Goodwell Property Management Limited	(a)	125	122
Guardian Property Management Limited	(h)	—	1,261
Marketing services fee			
Goodwell-Fortune Property Services Limited	(a)	15,937	19,773
Advertising and promotion expenses			
Metro Broadcast Corporation Limited	(e)	416	1,010
Trustee's fee			
HSBC Institutional Trust Services (Singapore) Limited		5,166	4,068
Manager's base fee			
ARA Asset Management (Fortune) Limited	(g)	45,827	37,246
Manager's performance fee			
ARA Asset Management (Fortune) Limited	(g)	20,025	18,458
Back-office support service fee			
Cheung Kong	(c)	571	521

Notes to the Financial Statements *(Continued)*

For the year ended 31 December 2011

29 Connected and Related Party Transactions *(Continued)*

	Notes	2011 HK\$'000	2010 HK\$'000
Valuation and other fees			
Knight Frank	(f)	453	—
Savills	(f)	—	1,026
Balances with connected and related companies are as follows:			
Group			
ARA Asset Management (Fortune) Limited	(g)	3,365	3,188
Citybase Property Management Limited	(a)	9,485	10,603
Citytruth Property Management Limited	(a)	1,171	—
E-Park Parking Management Limited	(a)	465	212
Goodwell-Fortune Property Services Limited	(a)	8,514	3,532
Goodwell Property Management Limited	(a)	15,512	6,657
Metro Broadcast Corporation Limited	(e)	—	160
		38,512	24,352
Deposits placed with the Group for the lease of the Group's properties			
AMTD Strategic Capital Limited	(a)	1,643	1,592
A.S. Watson Group (HK) Limited	(b)	418	679
Big Sky Resources Limited	(a)	9	8
Citybase Property Management Limited	(a)	972	839
Hang Seng Bank Limited	(d)	964	711
HSBC	(d)	649	935
Hutchison Telephone Company Limited	(b)	720	675
Perfect Idea Limited	(a)	—	1,154
Towerich Limited	(a)	23	23
		5,398	6,616

29 Connected and Related Party Transactions *(Continued)*

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 period.*
- (d) *These companies are the fellow subsidiaries of the Trustee.*
- (e) *The company is an associate of Cheung Kong.*
- (f) *Knight Frank and Savills are the principal valuers of investment properties for the year ended 31 December 2011 and 31 December 2010, respectively.*
- (g) *The company is the Manager of Fortune REIT.*
- (h) *The company is a subsidiary of Savills.*

In addition, the Trustee (in its capacity as trustee of Fortune REIT) has provided a guarantee for the 2011 Facilities and 2009 Facilities.

30 Subsequent Event

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

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

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
Goodwell-Fortune Property Services Limited	Property Management	49.6	17.7%
Goodwell Property Management Limited	Building Management	48.6	17.3%
Citybase Property Management Limited	Building Management	38.2	13.7%
Paramatta Estate Management Limited	Building Management	18.1	6.4%
Ka Shun Contractors Limited	Projects and maintenance	15.0	5.4%
Total		169.5	60.5%

Performance Table

	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007
Net assets attributable to Unitholders (HK\$'000)	13,227,770	10,333,688	8,832,662	6,156,364	7,306,249
Net asset value per unit (HK\$)	7.85	6.18	5.32	7.50	8.99
The highest traded price during the year (HK\$)	4.23	4.15	4.20	5.65	6.80
The highest premium of the traded price to net asset value ¹	N.A.	N.A.	N.A.	N.A.	N.A.
The lowest traded price during the year (HK\$)	3.19	2.92	2.02	1.58	5.00
The highest discount of the traded price to net asset value	59.36%	52.75%	62.03%	78.93%	44.38%
The net yield per unit ²	6.97%	6.08%	9.65%	18.65%	6.74%

Notes:

- 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.*
- 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 16 February 2012

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

Date	Event	No of Units	Amount (HK\$)	Price (HK\$)
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
	Total Units outstanding	1,684,017,665		

Notes:

1. After volume discount.
2. Out of the net proceeds from the rights issue, approximately HK\$20.0 million have been used for the asset enhancement works at Fortune City One during the year ended 31 December 2011. The remaining balance of the net proceeds from the right issue is HK\$51.1 million.

There were 1,684,017,665 units (voting rights: one vote per unit) outstanding as at 16 February 2012. There is only one class of Units in Fortune REIT.

Unitholders' Statistics *(Continued)*

Top 20 Unitholders

As at 16 February 2012

No.	Name	No. of Shares	%
1	HKSCC NOMINEES LIMITED	758,069,579	45.02
2	FOCUS EAGLE INVESTMENTS LIMITED	230,774,684	13.70
3	DBS NOMINEES PTE LTD	137,980,273	8.19
4	HSBC (SINGAPORE) NOMINEES PTE LTD	133,711,623	7.94
5	DBSN SERVICES PTE LTD	112,364,257	6.67
6	CITIBANK NOMINEES SINGAPORE PTE LTD	72,154,899	4.28
7	UNITED OVERSEAS BANK NOMINEES PTE LTD	56,180,000	3.34
8	BANK OF SINGAPORE NOMINEES PTE LTD	10,007,000	0.59
9	MAYBANK KIM ENG SECURITIES PTE LTD	6,963,000	0.41
10	RAFFLES NOMINEES (PTE) LTD	5,529,737	0.33
11	DBS VICKERS SECURITIES (S) PTE LTD	5,051,345	0.30
12	OCBC SECURITIES PRIVATE LTD	4,814,120	0.29
13	BNP PARIBAS SECURITIES SERVICES SINGAPORE	4,075,000	0.24
14	DB NOMINEES (S) PTE LTD	3,712,453	0.22
15	ABN AMRO CLEARING BANK N.V.	3,017,000	0.18
16	MERRILL LYNCH (SINGAPORE) PTE LTD	2,789,159	0.17
17	PHILLIP SECURITIES PTE LTD	2,063,070	0.12
18	MIGAN SDN BHD	2,001,100	0.12
19	TAN CHEE JIN	2,000,000	0.12
20	BANK OF EAST ASIA NOMINEES PTE LTD	1,971,000	0.12
		1,555,229,299	92.35

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

Substantial Unitholders

As at 16 February 2012¹

	No. of Units	
	Direct interest	Deemed interest
1 Focus Eagle Investments Limited	413,074,684	—
2 Ballston Profits Limited	112,556,000	—
3 DBS Bank Ltd	90,356,000	—
4 Schroder Plc	—	175,116,000 ²
5 Cheung Kong (Holdings) Limited (“Cheung Kong”)	—	525,630,684 ³
6 Hutchison Whampoa Limited	—	112,556,000 ⁴
7 The Real Return Group Limited	—	96,406,961 ⁵
8 DBS Group Holdings Ltd	—	90,356,000 ⁶
9 Temasek Holdings (Private) Limited	—	90,356,000 ⁷

Notes:

- The unitholding interests set out in this section were based on the confirmation of the relevant persons as at 31 December 2011 and any sequent notifications of changes of interest received by the Manager on or before 16 February 2012.
- Schroder Plc is deemed to be interested in 175,116,000 units of which:
 - 94,440,000 units are held by Schroder Investment Management Limited;
 - 56,643,000 units are held by Schroder Investment Management (Singapore) Limited;
 - 25,824,000 units are held by Schroder Investment Management (Hong Kong) Limited; and
 - 209,000 units are held by Schroders Channel Islands Limited.
- Cheung Kong is deemed to be interested in 525,630,684 units, of which:
 - 413,074,684 units are held by Focus Eagle Investments Limited (a wholly-owned subsidiary of Cheung Kong); and
 - 112,556,000 units are 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.
- The Real Return Group Limited was deemed to be interested in 96,406,961 units of which:
 - 94,979,961 units were held by Veritas Asset Management (UK) Ltd; and
 - 1,427,000 units were held by Veritas Asset Management AG.
- DBS Group Holdings Ltd is deemed to be interested in 90,356,000 units held by its wholly-owned subsidiary, DBS Bank Ltd.
- Temasek Holdings (Private) Limited is deemed to be interested in 90,356,000 units held indirectly by DBS Group Holdings Limited (Temasek Holdings (Private) Limited holds directly and indirectly approximately 28% of total issued share capital of DBS Group Holdings Limited).

Unitholders' Statistics *(Continued)*

Size of Holdings

As at 16 February 2012

Size of Unitholdings	No. of Unitholders	Percentage of Unitholders	No. of Units	Percentage of Units
1 – 999	97	3.73	4,426	0.00
1,000 – 10,000	1,045	40.22	5,493,719	0.33
10,001 – 1,000,000	1,426	54.89	109,947,221	6.53
1,000,001 and above	30	1.16	1,568,572,299	93.14
Total	2,598	100.00	1,684,017,665	100.00

Directors' Unitholdings

As shown in the Register of Directors' unitholdings as at 21 January 2012

		No. of Units	
		Direct interest	Deemed interest
1	Lim Hwee Chiang	—	8,821,369
2	Sng Sow-Mei (alias Poon Sow Mei)	220,000	—

Note:

1. Mr. Lim Hwee Chiang is deemed to be interested in 8,821,369 units, of which:
 - (i) 6,721,369 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 of shareholding interest in a chain of corporation including ARA;
 - (ii) 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 Hwee Chiang is the settler of JL Charitable Settlement.

Free Float

Based on information made available to the Manager as at 16 February 2012, approximately 46.8% 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\$604,820 equivalent)¹ each) HK\$' million
Base rent and charge-out collections	
A.S. Watson Group (HK) Limited	46.4
Cheung Kong Property Development Limited	36.0
Hutchison Telephone Company Limited	1.6
Perfect Idea Limited	1.4
Total	85.4

Saved as disclosed above, there was no additional related party transactions (excluding transactions of less than S\$100,000 (HK\$604,820 equivalent)¹ each) entered during the year ended 31 December 2011.

Note:

1. Exchange rate as at 3 January 2011.

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 Mr. 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

Computershare Hong Kong Investor Services Limited
Rooms 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Singapore Unit Registrar

Boardroom Corporate & Advisory Services Pte. Limited
50 Raffles Place, #32-01
Singapore Land Tower
Singapore 048623

Auditors

Deloitte Touche Tohmatsu
Partner-in-charge — Lam Wai Ming
Appointed on 30 December 2011

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

Stock Codes

Hong Kong: 778
Singapore: F25U

Websites and Email

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Manager



ARA Asset Management (Fortune) Limited

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