



FORTUNE
置富產業信託 **REIT**



Annual Report 2010

Stock | Hong Kong 778
Code | Singapore F25U

About Fortune REIT

About Fortune REIT

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

Listed on 12 August 2003 on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) with a dual primary listing on The Stock Exchange of Hong Kong Limited (the “**SEHK**”) on 20 April 2010, Fortune REIT was Asia’s first cross-border REIT and also the first REIT to hold assets in Hong Kong. It currently holds a portfolio of 14 private housing estate retail properties in Hong Kong. As at 31 December 2010, the gross rentable area of the portfolio is approximately 2.0 million square feet (“**Sq.ft.**”) of retail space with 1,660 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 public 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.

Manager

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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⁽¹⁾, *Executive Director and Chief Executive Officer*
CHIU Yu, Justina⁽¹⁾, *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⁽²⁾, *Independent Non-Executive Director*
MA Lai Chee, Gerald, *Alternate Director to Mr. IP Tak Chuen, Edmond*
Dr. Cheng Mo Chi, Moses was one of the Independent Non-Executive Directors during the period from 1 January 2010 to 31 August 2010 before he resigned on 1 September 2010.

(1) Appointed on 30 March 2010

(2) Appointed on 29 July 2010

Company Secretaries of the Manager

CHOO Yvonne
KOHSIKAPORN Busarakham⁽³⁾
Ms. Lim Siew Choo, Sharon was one of Joint Company Secretaries during the period from 1 January 2010 to 30 November 2010 before she resigned on 1 December 2010

(3) Appointed on 1 December 2010

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
Singapore Land Tower, #32-01
Singapore 048623

Auditors

Deloitte Touche Tohmatsu
Partner-in-charge — LI Ping Chi
Appointed on 4 October 2010

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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www.fortunereitmalls.com
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Fortune REIT's Success Story



Listed on 12 August 2003 in Singapore, Fortune REIT was the first cross-border REIT in Asia. It marked a watershed in the evolution of Asian's real estate market.



2003

Asset size of

HK\$3,389 million

1.0 million Sq.ft. gross rentable area ("GRA")

*Ma On Shan Plaza
The Metropolis Mall
Smartland
Jubilee Court Shopping Centre
The Household Center*

2004

Asset size of

HK\$4,184 million

1.0 million Sq.ft. GRA



Fortune REIT made its maiden acquisition in June 2005, doubling its asset size by adding six Hong Kong retail properties into its portfolio. The acquisition was financed through a combination of equity fund raising and debt totaling approximately HK\$3.6 billion.



2005

Asset size of

HK\$8,592 million

1.7 million Sq.ft. GRA

*Ma On Shan Plaza
The Metropolis Mall
Smartland
Jubilee Court Shopping Centre
The Household Center
City One Shatin Property
Waldorf Garden Property
Tsing Yi Square Property
Centre de Laguna Property
Lido Garden Property
Rhine Garden Property*

2006

Asset size of

HK\$9,235 million

1.7 million Sq.ft. GRA



Fortune REIT completed its first major asset enhancement project at Waldorf Garden Property. Total project cost was HK\$12 million with a payback period of less than 1 year.



2007

Asset size of

HK\$9,713 million

1.7 million Sq.ft. GRA

2008

Asset size of

HK\$8,602 million

1.7 million Sq.ft. GRA



2009 marked another fruitful year for Fortune REIT. The private housing estate retail portfolio was expanded by some 20% through the acquisition of Metro Town, Caribbean Bazaar and Hampton Loft in Hong Kong. In the same year, Fortune REIT successfully refinanced its HK\$2.4 billion debt, extending the maturity of the loan to 2013. Our balance sheet was also strengthened through a HK\$1.9 billion rights issue recapitalisation exercise.



2009

Asset size of

HK\$11,500 million

2.0 million Sq.ft. GRA

*Ma On Shan Plaza
The Metropolis Mall
Smartland
Jubilee Court Shopping Centre
The Household Center
City One Shatin Property
Waldorf Garden Property
Tsing Yi Square Property
Centre de Laguna Property
Lido Garden Property
Rhine Garden Property
Metro Town
Caribbean Bazaar
Hampton Loft*



A New Chapter

Fortune REIT was successfully listed on the SEHK on 20 April 2010 as a dual primary listing.



2010

Asset size of

HK\$13,300 million

2.0 million Sq.ft GRA

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Financial Highlights

Statement of comprehensive income for the financial year	2010	2009	% change
Revenue (HK\$ million)	837.3	701.4	19.4%
Net property income (HK\$ million)	596.8	494.7	20.7%
Cost-to-revenue ratio	26.5%	27.2%	(0.7%)
Income available for distribution (HK\$ million)	406.5	337.8	20.3%
Distribution per unit ("DPU") (HK cents)	24.35	30.20	(19.4%)

Statement of financial position as at 31 December	2010	2009	% change
Net asset value per unit (HK\$)	6.18	5.32	16.2%
Property valuation (HK\$ million)	13,300	11,500	15.7%
Gearing ratio/Aggregate leverage ¹	21.0%	23.7%	(2.7%)

Note:

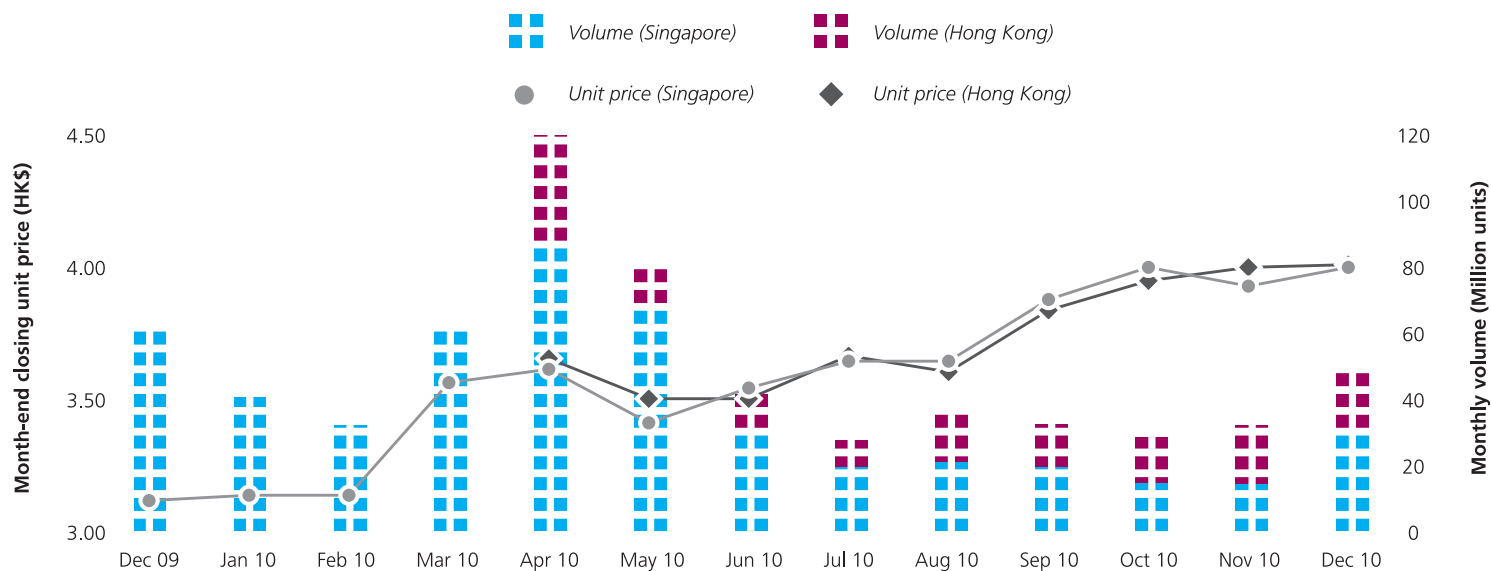
¹ Gearing ratio is defined as total borrowings as a percentage of gross assets. Aggregate leverage is defined as the value of total borrowings and deferred payments as a percentage of gross assets. As at 31 December 2010, there was no deferred payment incurred for Fortune REIT.

Unit Performance

	Singapore	Hong Kong
Opening unit price (1 January 2010)	HK\$3.13	20 April 2010 — HK\$3.84
Closing unit price (31 December 2010)	HK\$4.00	HK\$4.01
Intraday high	20 April 2010 — HK\$4.14	20 April 2010 — HK\$4.15
Intraday low	4 February 2010 — HK\$2.92	7 June 2010 — HK\$3.36
Total volume traded	426,903,000 units	144,422,440 units

Note: Fortune REIT was dual listed on the SEHK on 20 April 2010. The unit performance in Hong Kong was for the period from 20 April 2010 to 31 December 2010.

Monthly Trading Performance



Chairman's Report



The central park at City One Shatin Property

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 2010 (“**FY2010**” or the “**Reporting Year**”).

We delivered on our promise

2010 was a pivotal year for Fortune REIT, a year that highlighted our strategic transformation. After more than six prosperous years of being listed on the SGX-ST, Fortune REIT was successfully listed on the SEHK as a dual primary listing by way of introduction on 20 April 2010. We are very proud of delivering on our promise — bringing Fortune REIT back to its natural home.

On 12 August 2003, we took the pioneering step of listing Fortune REIT on the SGX-ST, the first REIT to own Hong Kong assets and the first cross-border REIT in Asia. Not only did we achieve stable and sustainable organic growth over the years, we also made two tranches of prominent acquisitions which significantly bolstered Fortune REIT's asset size from HK\$3,389 million to HK\$13,300 million and Fortune REIT's market capitalisation from HK\$2,234 million to HK\$6,684 million. No matter how big a challenge, we have always believed in persevering to realise worthwhile objectives.

One of these objectives was to deliver on our promise to investors to list in Hong Kong. As the only dual-listed REIT in Hong Kong and Singapore, Fortune REIT enjoys the unique privilege of accessing both the vibrant Singapore REIT market as well as the more liquid Hong Kong equity market. We see this as a very significant step towards the growth and long-term development of Fortune REIT.

Investors have welcomed our move of listing Fortune REIT in Hong Kong, as evidenced from the improvement in the unit price during FY2010. Fortune REIT's unit price rose by 27.8% over the year, outperforming both the Hang Seng Index and the Straits Times Index over the same period. Trading liquidity also witnessed a solid improvement, increasing by more than 20% over the previous year to a total turnover of 571 million units.

Staggering performance

In 2010, the global market rebounded strongly due to the unprecedented joint efforts of the fiscal policies and stimulus incentives employed by the world's major economies. The recovery in Mainland China and other Asian countries was particularly strong. Benefiting from a return in consumer confidence, Hong Kong retail sales increased substantially throughout 2010.

Against this backdrop, along with the income contributions from three new assets acquired in 2009, Fortune REIT achieved another staggering full-year performance in FY2010. Net property income reached HK\$596.8 million, representing a year-on-year growth of 20.7%. Correspondingly, income available for distribution for the year achieved a record high of HK\$406.5 million, a 20.3% increase over last year. DPU for FY2010 was 24.35 Hong Kong cents as compared with 30.20 Hong Kong cents for the previous year; the reduction in DPU was caused by dilution following the rights issue in the second half of 2009.

Fortune REIT's underlying portfolio performance remained robust throughout the year, anchored by a portfolio comprising a number of resilient private housing estate retail properties. Strong leasing momentum continued as the occupancy rate climbed to an all-time high of 98.7%, with 8 out of the 14 properties fully occupied. Rental reversion improved to 10.8%.

During the year, Fortune REIT also successfully completed the renovation of the ground floor of Ngan Shing Commercial Centre ("NSCC") at City One Shatin Property. Costing approximately HK\$30 million, the enhancement work unlocked NSCC's latent potential, achieving a 22% return on investment.

Well-positioned for growth

We maintained a very strong balance sheet at the end of 2010. Fortune REIT's portfolio was valued at HK\$13,300 million as at 31 December 2010, up by 15.7% year-on-year. All 14 properties recorded revaluation surpluses, reflecting the recovery of the retail property market in Hong Kong as well as the improvement in Fortune REIT's asset performance. As a result of the increase in portfolio valuation, Fortune REIT's gearing ratio further declined and stood at 21.0% as at 31 December 2010. With a strong balance sheet and low gearing, Fortune REIT has the capacity to take advantage of any investment opportunities that may arise.

Ongoing elevation of corporate governance

It was my distinct honour to have received the "Director of the Year Award" from The Hong Kong Institute of Directors in November 2010. As a result of Fortune REIT's dual-listing in Singapore and Hong Kong, great emphasis has been placed on corporate governance to ensure compliance with the listing regulations enforced by the two bourses. Our continued improvements in corporate governance are aimed at enhancing Fortune REIT's competitiveness, and I am highly gratified that our efforts have been recognised by such a distinguished Institute. We will continue to uphold a high standard of corporate governance, thereby sustaining the long-term benefits for all of our stakeholders, including investors and tenants of our shopping malls as well as their customers.

Outlook

The Hong Kong economy continued to show a broad-based recovery, benefiting mainly from robust growth momentum in Mainland China. However, ongoing asset inflation resulting from the continued influx of hot money from Western economies may pose uncertainties to Hong Kong's economy. Nevertheless, we expect the local retail market to continue to prosper in the year ahead. Barring any unforeseen circumstances, Fortune REIT is expected to perform satisfactorily in 2011.

Appreciation

On behalf of the Board, I would like to extend my warmest welcome to Mr. Anthony Ang, who has joined as Chief Executive Officer of the Manager and Executive Director of the Board; Ms. Justina Chiu, who was re-designated as Deputy Chief Executive Officer and joined the Board as Executive Director; and Mr. David Lan, who joined the Board as an Independent Non-Executive Director and a member of the Audit Committee during the year. I would also like to express my gratitude to Dr. Cheng Mo Chi, Moses, who ceased to be an Independent Non-Executive Director on 1 September 2010, for his invaluable contributions in enhancing Fortune REIT's corporate governance and risk management. Last but not least, I wish to thank my fellow board members, our staff, trustee, investors, tenants, shoppers and business partners for supporting and sharing in our vision for success.

Chiu Kwok Hung, Justin

Chairman

ARA Asset Management (Fortune) Limited
As manager of Fortune REIT

25 January 2011

Management Discussion and Analysis

Financial Review

Fortune REIT's total revenue increased by 19.4% year-on-year to HK\$837.3 million for FY2010. Property operating expenses for the year amounted to HK\$240.4 million, giving rise to a net property income of HK\$596.8 million, a rise of 20.7% from HK\$494.7 million recorded in the previous year. Cost-to-revenue ratio was well managed at 26.5%. In spite of the short-term impact of renovation work at City One Shatin Property, Fortune REIT realised broad-based improvement from its portfolio compared to a year ago. The improved in financial performance was mainly attributed to income contributions from three new properties acquired in October 2009, as well as an overall increase in occupancy and rental rates for the 11 existing properties.

Fortune REIT has income available for distribution amounting to HK\$406.5 million for FY2010, an increase of 20.3% from a year earlier. The DPU for the Reporting Year was 24.35 HK cents (2009: 30.20 HK cents), which comprised of an interim DPU of 12.27 HK cents and a final DPU of 12.08 HK cents. The lower DPU was attributed to an enlarged unit base as a result of the rights issue in October 2009. Based on HK\$4.01, the average closing unit price in Singapore and Hong Kong as of 31 December 2010, the DPU for FY2010 represents a yield of 6.1%.

Final Distribution

The Final DPU of 12.08 HK cents for the six months ended 31 December 2010 will be paid on 1 March 2011 to Unitholders registered in the registers of Unitholders of Fortune REIT as at 10 February 2011.

Capital Management

As at 31 December 2010, Fortune REIT had in place loan facilities totalling HK\$3,100 million, from which HK\$2,828.7 million of the term loan facility and HK\$79.0 million of the revolving credit facility had been drawn. Both facilities will be due on 14 October 2013. The facility is secured by, amongst other things, mortgages on nine of Fortune REIT's properties, with such properties carrying an aggregate fair value of HK\$9,557 million as at 31 December 2010. The trustee has provided a guarantee for the facilities.

+ 20.7%
Net property income

+ 20.3%
Income available for distribution

+ 15.7%
Appraised property value

21.0%

Gearing ratio/Aggregate leverage

HK\$4.00/
HK\$4.01

Year-end closing unit price
in Singapore and Hong Kong
respectively

The Manager continued to take a prudent approach in managing the risk in fluctuation of interest cost. As at 31 December 2010, the interest cost for 50% of Fortune REIT's term loan was fixed through entering into plain vanilla swaps. Fortune REIT's effective interest cost stood at 3.88% for FY2010. The Manager reaffirms its commitment to bringing down the interest cost.

Fortune REIT's gearing ratio and aggregate leverage was lowered to 21.0% as at 31 December 2010 (31 December 2009: 23.7%). The decrease was due to a rise in valuation of investment properties. Fortune REIT stands out from its peers as one of the lowest geared REITs in the region. A debt headroom of approximately HK\$3.0 billion provides debt flexibility, allowing for potential acquisitions in the future.

Driven primarily by an increase in the value of investment properties, Fortune REIT's net asset value per unit rose to HK\$6.18 as at 31 December 2010, up 16.2% from HK\$5.32 reported at the end of 2009. The gross liability as a percentage of gross assets was 25.5% as at 31 December 2010.

Fortune REIT, with a cash balance of HK\$506.1 million and an available revolving credit facility of approximately HK\$191 million as at 31 December 2010, has sufficient financial resources to satisfy its financial commitments and working capital requirements.

Portfolio Valuation

Fortune REIT's portfolio of 14 retail properties was appraised at HK\$13,300 million by Savills Valuation and Professional Services Limited ("**Savills**") as at 31 December 2010, representing an increase of 15.7% from HK\$11,500 million recorded a year ago. Compared to 30 June 2010, the valuation increased by 7.1%. This is attributed to the reduction in capitalisation rates, as well as an improvement in asset performance. The higher valuation has resulted in a revaluation gain of HK\$1,761 million for the Reporting Year.

Improved Market Capitalisation and Unit Price

Fortune REIT has been listed on the SEHK since 20 April 2010 as a dual primary listing. Since the announcement of the dual primary listing, Fortune REIT's unit price has improved by more than 33.1%. The market capitalisation of Fortune REIT surpassed HK\$6,000 million for the first time since its debut listing in 2003.

Operation Review

As at 31 December 2010, 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.

Leasing activities were buoyant during the Reporting Year. The occupancy rate of Fortune REIT's portfolio continued to improve throughout the year, climbing to a record high of 98.7% as at 31 December 2010, despite some frictional vacancies at City One Shatin Property due to tenant repositioning. Passing rent also reached a record high of HK\$28.7 per Sq.ft. as at 31 December 2010. A healthy rental reversion of 10.8% was registered for lease renewals in FY2010.

Fortune REIT housed a total of 1,017 tenants as at 31 December 2010. The top ten tenants contributed approximately 23.9% of the total portfolio's gross rental income for FY2010, and occupied approximately 21.8% of total GRA. These figures illustrate the diversification of tenants within the portfolio.

The Manager will continue to focus on retaining quality tenants and strive to commit expiring leases early as well as upgrade the tenant mix when opportunities arise.

Asset Enhancement Initiatives

The Asset Enhancement Initiatives ("AEIs") at NSCC of City One Shatin Property commenced in May 2010 and were successfully completed in September 2010. The proactive leasing and marketing strategy paid off handsomely for Fortune REIT as the renovated space was fully leased prior to works completion. In 2011, the Manager will focus on employing AEIs at the other side of City One Shatin Property, specifically, City One Plaza ("COP"), which has already seen retailers competing for prime spaces ahead of the actual renovation work.

6.1%
Distribution yield

98.7%
Year-end occupancy

HK\$28.7

Passing rent (per Sq.ft.)

HK\$6.18

Net asset value per unit

Overall Strategy and Outlook

Fortune REIT has delivered a stellar performance in FY2010, riding on the back of an overall improving Hong Kong economy. Hong Kong retail sales for the first eleven months of 2010 registered an increase of 18.2% in value over the previous year. While big-ticket luxury items were the key drivers of retail sales growth, stimulated by tourists from Mainland China, domestic spending upheld strongly as well, with supermarkets and food and beverage outlets registering stable growth. 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 sectors.

Looking ahead, leases that expire in 2011 will account for 37.6% and 35.7% of Fortune REIT's leased GRA and gross rental income respectively. The Manager will continue to implement effective leasing and tenant repositioning strategies, particularly in Ma On Shan Plaza and The Metropolis Mall, where around 50% of the tenancies will be up for renewal in 2011. In addition to maintaining a high level of occupancy and respectable rental rates, the Manager remains committed to drive revenue growth by implementing various asset enhancement initiatives. Leveraging on a strong balance sheet and capital structure, the Manager will continue to look for acquisition opportunities in line with addressing the long-term interests of Fortune REIT's Unitholders.

The dual primary listing of Fortune REIT on the SEHK is a very significant achievement. It represents a milestone for Fortune REIT and establishes platforms that provide Fortune REIT with access to both the Singapore and Hong Kong capital markets. This is of great benefit to the growth and long-term development of Fortune REIT. The Manager believes that through active, comprehensive and highly effective management, Fortune REIT will continue to provide satisfactory returns to Unitholders.

Portfolio Review



- P** 1. NSCC after renovation — The new design rejuvenated the mall with modern column design, greater visibility of shops, better facilities and an open atrium
- 2. NSCC before renovation
- 3. Mr. Justin Chiu, Chairman of the Manager visiting a new shop at NSCC
- 4. New retail concepts in Metro Town
- 5. Young crowds patronising the new bubble tea house at Metro Town
- 6. The new footbridge connects HKDI with Metro Town

Portfolio Highlights in 2010

City One Shatin Property **P** **1** **2** **3**

City One Shatin Property is the largest shopping mall in Fortune REIT's portfolio. To realise the property's full potential, the Manager has put in place an approximately HK\$100 million enhancement plan for the overall repositioning and renovation for the two major components of the property — NSCC and COP. The works schedule was planned in phases in order to minimize the short-term rental loss for Fortune REIT and disruption to both the tenants and shoppers.

The asset enhancement of City One Shatin Property reached an important milestone in 2010, with the upgrading of NSCC completed within a scheduled 4-month period. Leasing response for the renovated area was overwhelming, with more than 90% of the space committed before the renovation started. The renovation was completed in September 2010.

The enhancement works included upgrading of common corridors, ceiling and flooring, reconfiguration of space and repositioning of tenant mix. The asset enhancement program improved the overall appearance of NSCC and elevated its standard to that of newer malls. The two Park'N Shops (formerly one Park'N Shop at each side of NSCC and COP) have been merged into a new ParknShop Superstore at NSCC and has become the only supermarket serving over 10,000 households in City One Shatin. Not only does it offer more variety of goods to City One Shatin's residents, it also increased the footfall of NSCC. Costing approximately HK\$30 million, the return of investment for the renovation at NSCC exceeded 20%.



The successful completion of the NSCC renovation is a good testimony to the Manager's ability to identify excellent opportunities and to successfully execute the AElS committed. It has provided a solid foundation for the next phase of asset enhancement to be undertaken at COP, which will be one of the major enhancement projects for 2011. COP will be an important revenue growth driver going forward.

Ma On Shan Plaza

Ma On Shan Plaza achieved strong results in 2010, with occupancy maintained at 100% for the full year and overall rental reversion exceeding 15%. During the year, the Manager has enhanced the trade mix of the mall by introducing new retail brands around the atrium area, including new fashion and shoe stores and a wine shop. For 2011, about 50% of the GRA of the mall will expire. The Manager aims to capitalise on the strong retail rental growth in Hong Kong to increase revenues and position Ma On Shan Plaza as one of the strongest growth drivers in Fortune REIT's portfolio.

Metro Town P 4 5 6

Metro Town was completed at the end of 2006 and half of the leases expired for the first time during 2010 after a typical three-year lease term. Rental reversion for the property was particularly strong, outperforming the portfolio's average rental reversion. Occupancy was maintained at 100% throughout the year. The property continues to provide excellent growth potential and opportunities in trade mix repositioning as a result of the expanding catchment nearby. The Hong Kong Design Institute ("HKDI"), which houses more than 6,500 students, opened in the second half of 2010. The new footbridge that connects HKDI with Metro Town has drawn strong crowds of younger people into the mall. As part of the strategy to bring new retail trades to cater to the younger crowds, a popular bubble tea house and other new retail concepts were introduced into Metro Town.





- P** 7. New image of The Feast at The Metropolis Mall
- 8. The wet market at Jubilee Court Shopping Centre opened in November 2010
- 9. A Easter promotion event at Ma On Shan Plaza attracted large crowds
- 10. Fortune REIT teamed up with Metro Radio hosting a cross-mall band show competition
- 11. Fortune REIT x MASHIMARO Christmas promotions
- 12. Share the happenings at Fortune REIT malls at www.fortunereitmalls.com

The Metropolis Mall **P** **7**

The Feast, the food court at The Metropolis Mall, has always attracted a good dining crowd. In order to improve the overall dining ambiance, the Manager undertook a face lift for The Feast to attract better catering brands and more diners. As a result of the enhancement work, the dining environment of the food court has improved significantly and a wider range of cuisines is now available for patrons.

Jubilee Court Shopping Centre **P** **8**

The occupancy rate of the wet market at Jubilee Court Shopping Centre has historically been low. In 2010, the Manager successfully engaged an operator to manage the wet market in Jubilee Court Shopping Centre. This improved the management of the wet market in areas such as marketing, communications and operations. The operator completed a full scale renovation of the wet market prior to tenants moving in. Strong leasing responses were received, and most of the stalls were occupied before the official opening of the renovated wet market.



Marketing and promotions of our malls **P** **9** **10** **11** **12**

The Manager focused on promoting and improving the visibility of Fortune REIT's properties through proactive marketing programs, to attract interest from tenants. In addition to the routine marketing activities, the Manager worked with different organisations and brands to host theme-specific festive events in the shopping malls. The Manager also teamed up with Metro Radio to host its first cross-mall band show competition. The winner was awarded the opportunity to perform at the live band show concert sponsored by Fortune REIT later in the year. This event had significantly raised the profile of Fortune REIT in Hong Kong and proved to be a huge success. Going forward, the Manager will continue to look for creative and effective ways to promote the properties of Fortune REIT, in order to increase the patronage of the malls and sales revenues of the tenants.

In order to accommodate more visits and to create further public awareness of its properties, Fortune REIT's shopping malls website (www.fortunereitmall.com) has been revamped using a more user-friendly platform with focus on the dining and events pages. The hit rate has been increasing considerably following the revamp of the website.



Portfolio Key Statistics

Key Statistics as at 31 December 2010

Gross rentable area	1,988,352 Sq.ft.
Car park lots	1,660
Number of tenants	1,017
Market valuation ¹	HK\$13,300 million
Occupancy	98.7%
Gross revenue ²	HK\$837.3 million
Net property income	HK\$596.8 million

Portfolio top 10 tenants	Trade sector	% of total gross rental income ³	% of total gross rentable area
1 Park'N Shop	Supermarkets	8.0%	11.1%
2 Bank of China (Hong Kong) Limited	Banking & Real Estate Services	3.1%	1.3%
3 Cheung Kong Property Development Limited	Banking & Real Estate Services	2.4%	3.3%
4 Centaline Property Agency Limited	Banking & Real Estate Services	1.8%	0.4%
5 Fairwood Fast Food	Food & Beverages	1.7%	1.1%
6 Ricacorp Properties Limited	Banking & Real Estate Services	1.6%	0.3%
7 Midland Realty	Banking & Real Estate Services	1.4%	0.4%
8 Watsons	Services & Education	1.4%	0.9%
9 Maxim's Chinese Restaurant	Food & Beverages	1.3%	2.5%
10 The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	Banking & Real Estate Services	1.2%	0.5%
Total		23.9%	21.8%

Notes:

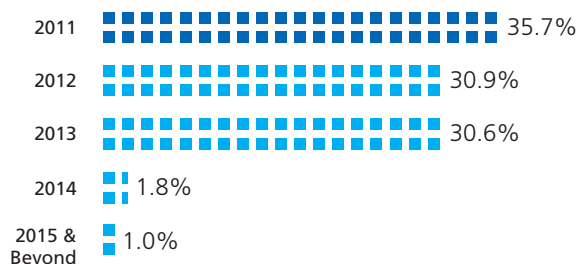
1. Valued by Savills as at 31 December 2010.

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 2010. Gross rental includes rental income and license income due from tenancies but excludes turnover rent.

Portfolio Review (continued)

Portfolio Lease Expiry Profile¹



Breakdown of Portfolio Property Operating Expenses²



Portfolio Tenant Trade Mix Analysis¹

Banking & Real Estate Services	19.1%
Community Services	1.2%
Electronics & IT	1.7%
Fashion & Shoes	6.3%
Food & Beverages	25.8%
Gifts & Speciality, Hobbies, Toys, Jewellery	4.0%
Homewares & Home Furnishings	2.4%
Leisure & Entertainment, Sports & Fitness	1.2%
Services & Education	24.2%
Supermarkets	8.8%
Wet Markets	1.7%
Others	3.6%

Portfolio Analysis by Net Property Income²

City One Shatin Property	27.1%
Ma On Shan Plaza	20.9%
Metro Town	12.3%
The Metropolis Mall	12.0%
Waldorf Garden Property	7.8%
Caribbean Bazaar	4.0%
Smartland	3.2%
Tsing Yi Square Property	3.0%
Jubilee Court Shopping Centre	2.9%
The Household Center	2.5%
Centre de Laguna Property	1.4%
Hampton Loft	1.5%
Lido Garden Property	0.8%
Rhine Garden Property	0.6%

Notes:

1. Based on gross rental for the month of December 2010. Gross rental includes rental income and license income due from tenancies but excludes turnover rent.
2. For the financial year ended 31 December 2010.



13 Metro Arts event at Ma On Shan Plaza



14 Donation of HK\$1 million to The Community Chest

Fortune REIT Cares

Fortune REIT's 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. In this regard, Fortune REIT has always been and will continue to be active in supporting a range of charitable causes, cultural and artistic activities, and environmental initiatives to promote philanthropy, and create economic and social opportunities, thus enhancing harmonious and sustainable relationships within these communities.

At Fortune REIT's malls, we provide venue sponsorships for non-profit making and charitable organisations and education providers to stage various community activities and exhibitions. Over 180 venue-days were offered to various organisations in 2010. Through our "Metro Arts" program, Fortune REIT actively encourages and supports young artistic talents by providing venues for them to stage performances and sponsoring their competitions. Other community activities supported include sponsoring the festive lightings in Shatin for the past several years.

During 2010, Fortune REIT has also made donations to various charitable organisations. During the dual primary listing of Fortune REIT on the SEHK, Fortune REIT donated HK\$1 million to The Hong Kong Community Chest. In addition, the Manager has participated in various events organised by The Hong Kong Community Chest throughout the year, including the Dress Down Day and the Green Day.

Fortune REIT also works to care for its tenants, shoppers and residents of the communities it serves. During mid-autumn festival in 2010, Fortune REIT offered free mooncakes to the elderly at our malls. Fortune REIT has also supported various social enterprises in our communities. For example, Dialogue in the Dark (DiD), a social enterprise started in Germany, offers a new and unique experience "in the dark" for the public, as well as students and visitors. DiD has been a tenant at The Household Center since 2009. Through the DiD exhibition at The Household Center, job opportunities were created for visually impaired people.

Fortune REIT has also initiated activities to promote a greener environment by promoting the efficient use of energy in our malls. The various measures implemented included :

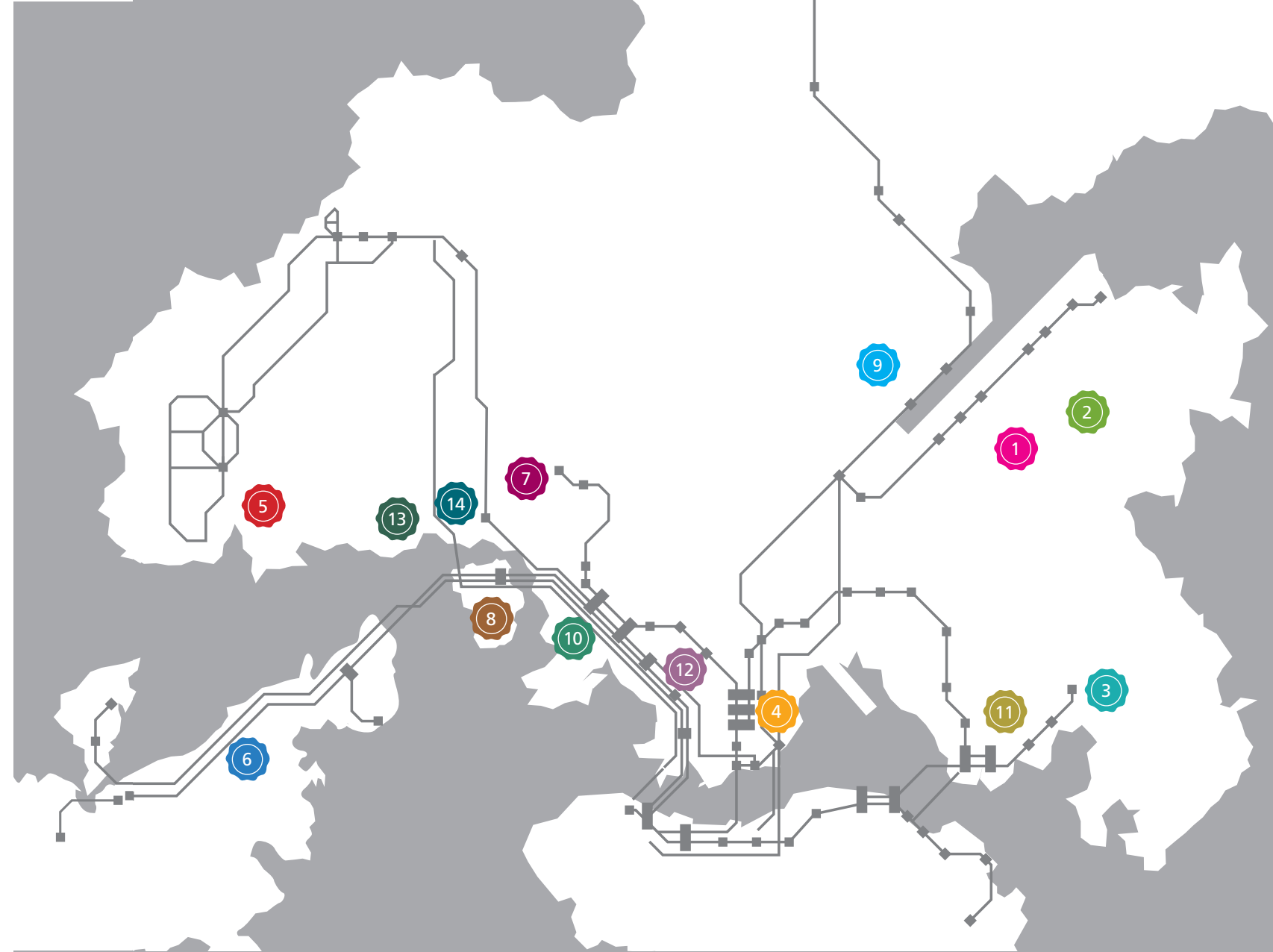
- Increased use of LED lightings
- Installation of frequency convertors for air handling unit
- Installation of new air curtains at main entrances of the malls to reduce air-conditioning loss
- Replacement of low efficiency condenser fan motors
- Installation of water taps equipped with electronic sensors to reduce water wastage in toilets

These efforts will continue as part of the on-going asset enhancement and environmental initiatives to add value and improve total energy efficiency for Fortune REIT's malls.

Portfolio Map and Summary

Portfolio at a Glance

(as at 31 December 2010)	Location	Gross rentable area (Sq.ft.)	Occupancy	Number of car park lots	Valuation (HK\$ million)	FY 2010 Net property income (HK\$ million)
1. City One Shatin Property	Shatin	414,469	96.0%	658	4,146	162.0
2. Ma On Shan Plaza	Shatin	310,084	100.0%	290	2,376	124.5
3. Metro Town	Tseung Kwan O	180,822	100.0%	74	1,775	73.4
4. The Metropolis Mall	Hung Hom	332,168	98.4%	179	1,589	71.4
5. Waldorf Garden Property	Tuen Mun	80,842	100.0%	73	925	46.4
6. Caribbean Bazaar	Tung Chung	63,018	100.0%	117	511	23.8
7. Smartland	Tsuen Wan	123,544	99.5%	67	411	19.3
8. Tsing Yi Square Property	Tsing Yi	78,836	98.4%	27	364	17.7
9. Jubilee Court Shopping Centre	Shatin	170,616	100.0%	97	355	17.1
10. The Household Center	Kwai Chung	91,779	96.8%	43	302	15.0
11. Centre de Laguna Property	Kwun Tong	43,000	99.5%	N.A.	185	8.1
12. Hampton Loft	West Kowloon	74,734	100.0%	35	177	9.6
13. Lido Garden Property	Tsuen Wan	9,836	100.0%	N.A.	111	4.9
14. Rhine Garden Property	Tsuen Wan	14,604	100.0%	N.A.	73	3.6
Total		1,988,352	98.7%	1,660	13,300	596.8

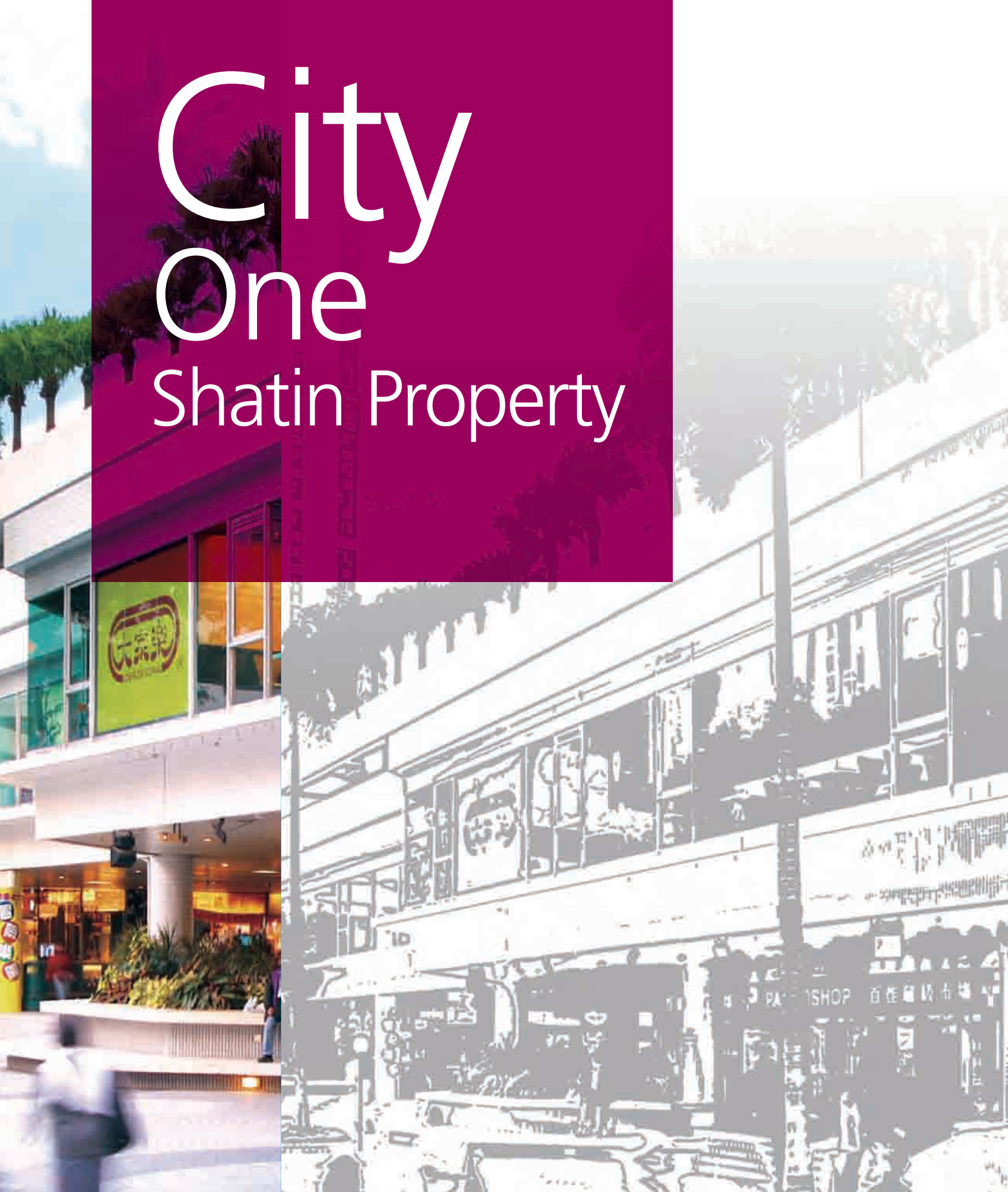


- | | |
|-----------------------------|----------------------------------|
| 1. City One Shatin Property | 8. Tsing Yi Square Property |
| 2. Ma On Shan Plaza | 9. Jubilee Court Shopping Centre |
| 3. Metro Town | 10. The Household Center |
| 4. The Metropolis Mall | 11. Centre de Laguna Property |
| 5. Waldorf Garden Property | 12. Hampton Loft |
| 6. Caribbean Bazaar | 13. Lido Garden Property |
| 7. Smartland | 14. Rhine Garden Property |

Fortune

REIT'S Portfolio

City One Shatin Property



Key Statistics ¹ as at 31 December 2010	
Location	No 1 and 2 Ngan Shing Street, No 6 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	241
Purchase price	HK\$2,559 million
Market valuation ¹	HK\$4,146 million
Occupancy	96.0% (2009: 98.2%)
Gross revenue ²	HK\$230.7 million (2009: HK\$238.4 million)
Net property income	HK\$162.0 million

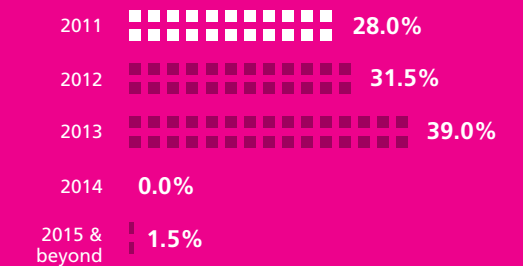
City One Shatin Property, located in Shatin, New Territories and south of the Shing Mun River, is the commercial constituent of the 10,642-unit City One Shatin residential development. The City One Shatin residential development was completed in the 1980's and is one of the largest residential developments in Hong Kong. City One Shatin Property is a retail mall which 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.

City One Shatin Property can be easily accessed by private and public transportation. It is strategically located near City One Mass Transit Railway ("MTR") Station and in close proximity to the Shatin MTR Station.

Tenant trade mix analysis³

Banking & Real Estate Services	17.7%
Community Services	0.9%
Electronics & IT	3.3%
Fashion & Shoes	3.6%
Food & Beverages	27.0%
Gifts & Speciality, Hobbies, Toys, Jewellery	2.0%
Homeware & Home Furnishing	2.9%
Leisure & Entertainment, Sports & Fitness	0.7%
Services & Education	28.1%
Supermarkets	7.5%
Wet Markets	5.2%
Others	1.1%

Lease expiry profile³

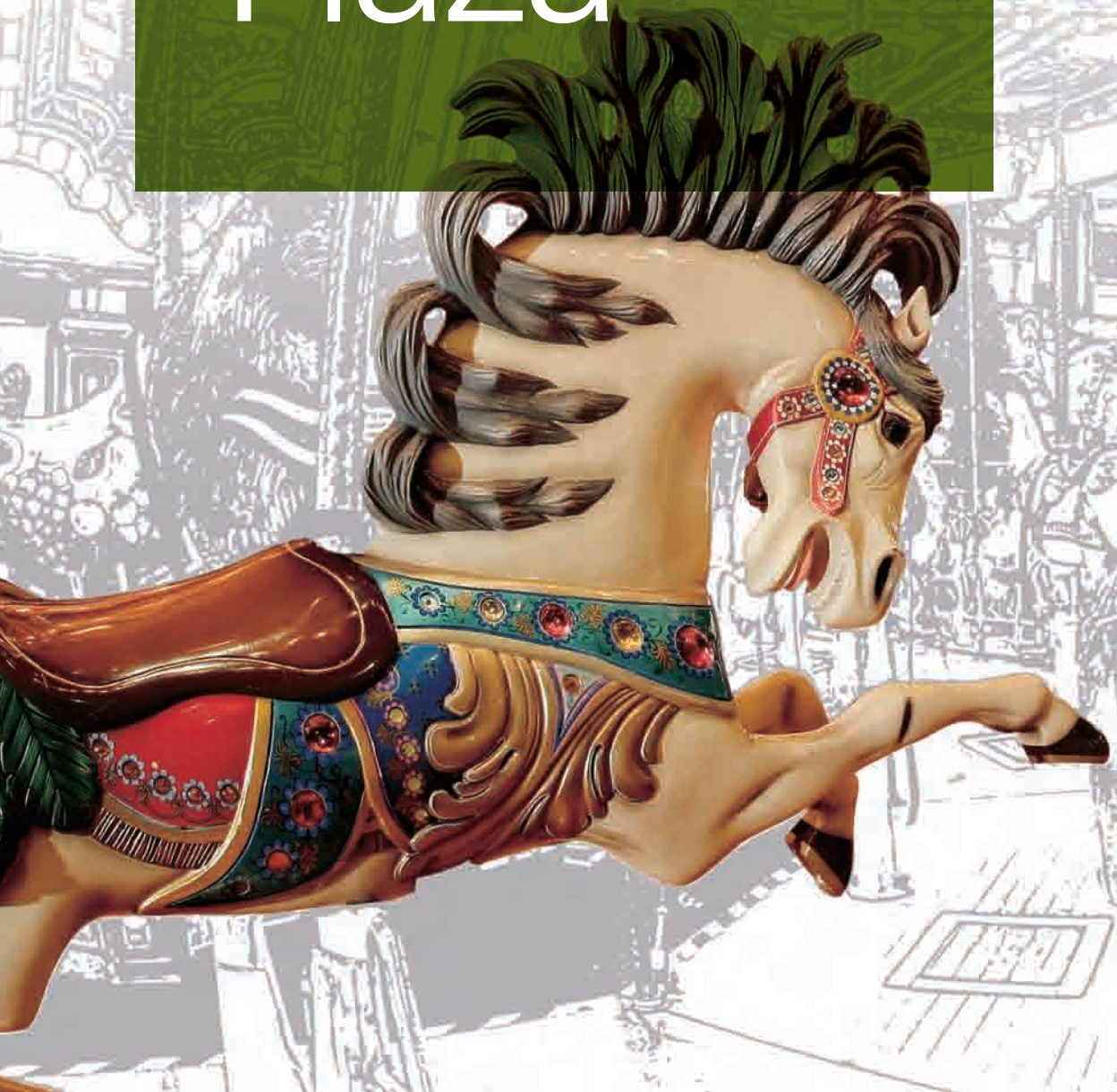


Top 5 tenants	Trade sector	% of gross rental ³
1 Park'N Shop	Supermarkets	5.6%
2 Bank of China (Hong Kong) Limited	Banking & Real Estate Services	5.1%
3 HSBC	Banking & Real Estate Services	3.9%
4 Fook Choi Seafood Restaurant	Food & Beverages	3.5%
5 Cambridge Nursing Home (City One) Limited	Services & Education	2.8%

Notes:

- Valued by Savills as at 31 December 2010.
- Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
- Based on gross rental for the month of December 2010. Gross rental includes rental income and license income due from tenancies but excludes turnover rent.

Ma On Shan Plaza



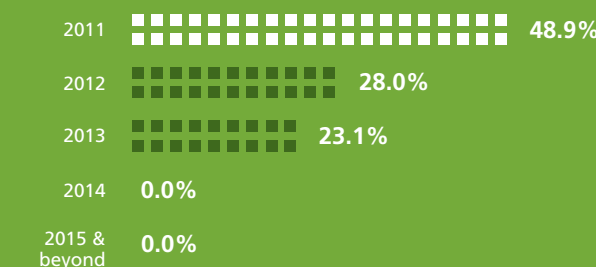
Ma On Shan Plaza is located in Ma On Shan, Shatin, New Territories, which is a well-established new town, and home to about 206,000 people. Ma On Shan Plaza is directly connected to Ma On Shan MTR Station and is easily accessible by public transportation with bus terminals, a public light bus terminal,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

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	142
Purchase price	HK\$934 million
Market valuation ¹	HK\$2,376 million
Occupancy	100.0% (2009: 100.0%)
Gross revenue ²	HK\$166.1 million (2009: HK\$156.7 million)
Net property income	HK\$124.5 million

Tenant trade mix analysis³

Banking & Real Estate Services	34.4%
Electronics & IT	2.0%
Fashion & Shoes	8.2%
Food & Beverages	17.6%
Gifts & Speciality, Hobbies, Toys, Jewellery	5.3%
Homeware & Home Furnishing	1.5%
Leisure & Entertainment, Sports & Fitness	2.1%
Services & Education	14.9%
Supermarkets	8.4%
Others	5.6%

Lease expiry profile³



Top 5 tenants	Trade sector	% of gross rental ³
1 Park'N Shop	Supermarkets	8.2%
2 Bank of China (Hong Kong) Limited	Banking & Real Estate Services	7.5%
3 Maxim's Chinese Restaurant	Food & Beverages	6.6%
4 The Bank of East Asia	Banking & Real Estate Services	3.3%
5 Centaline Property Agency Limited	Banking & Real Estate Services	2.8%

Notes:

- Valued by Savills as at 31 December 2010.
- Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
- Based on gross rental for the month of December 2010. Gross rental includes rental income and license income due from tenancies but excludes turnover rent.

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, a 5,728-unit private residential development, Kin Ming Estate, a 7,000-unit public housing estate and Choi Ming Court, a 4,720-unit public housing estate/home ownership scheme development. 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.

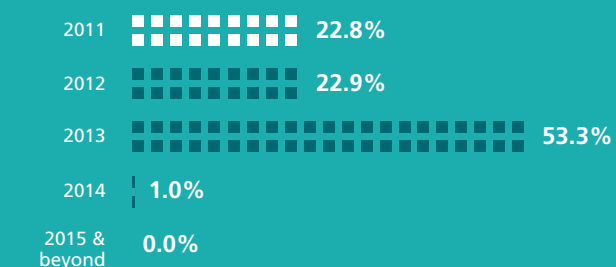
The new campus of Hong Kong Design Institute, which is located on the opposite side of Metro Town opened on November 2010. The grand building which houses more than 6,500 students is connected to Metro Town through a covered footbridge.

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	106
Purchase price	HK\$1,452 million
Market valuation ¹	HK\$1,775 million
Occupancy	100.0% (2009: 100.0%)
Gross revenue ²	HK\$98.7 million (2009: HK\$19.5 million) ³
Net property income	HK\$73.4 million

Tenant trade mix analysis⁴

Banking & Real Estate Services	14.5%
Electronics & IT	1.0%
Fashion & Shoes	10.7%
Food & Beverages	24.9%
Gifts & Speciality, Hobbies, Toys, Jewellery	4.4%
Homeware & Home Furnishing	2.4%
Leisure & Entertainment, Sports & Fitness	1.9%
Services & Education	25.8%
Supermarkets	11.0%
Others	3.4%

Lease expiry profile⁴



Top 5 tenants	Trade sector	% of gross rental ⁴
1 Park'N Shop	Supermarkets	10.7%
2 Ho Yin Seafood Restaurant	Food & Beverages	5.3%
3 Fairwood Fast Food	Food & Beverages	4.5%
4 Marsino and Italian la dolce	Food & Beverages	3.5%
5 The Bank of East Asia	Banking & Real Estate Services	3.0%

Notes:

- Valued by Savills as at 31 December 2010.
- Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
- Represents the period from 16 October 2009 to 31 December 2009. Fortune REIT acquired Metro Town on 15 October 2009.
- Based on gross rental for the month of December 2010. Gross rental includes rental income and license income due from tenancies but excludes turnover rent.

The Metropolis Mall

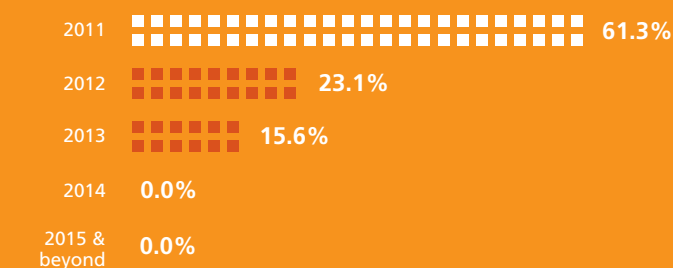
The Metropolis Mall is located in the established residential and commercial hub of Hung Hom in South Kowloon. It is the retail portion of The Metropolis, a 1.4 million Sq.ft. complex comprising a retail mall, an office tower, a hotel and serviced apartments. It is directly connected to Hung Hom MTR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

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	131
Purchase price	HK\$1,464 million
Market valuation ¹	HK\$1,589 million
Occupancy	98.4% (2009: 93.0%)
Gross revenue ²	HK\$106.4 million (2009: HK\$100.9 million)
Net property income	HK\$71.4 million

Tenant trade mix analysis³

Banking & Real Estate Services	28.0%
Community Services	3.4%
Fashion & Shoes	1.9%
Food & Beverages	31.9%
Gifts & Speciality, Hobbies, Toys, Jewellery	4.7%
Homeware & Home Furnishing	1.3%
Services & Education	24.5%
Supermarkets	1.9%
Others	2.4%

Lease expiry profile³



Top 5 tenants	Trade sector	% of gross rental ³
1 Cheung Kong Property Development Limited	Banking & Real Estate Services	22.2%
2 Choi Fook Royal Banquet	Food & Beverages	7.6%
3 Hong Kong College of Technology	Services & Education	6.6%
4 Perfect Idea Limited	Banking & Real Estate Services	4.3%
5 Evangelical Free Church of China — Tsim Fook Church	Community Services	3.4%

Notes:

- Valued by Savills as at 31 December 2010.
- Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
- Based on gross rental for the month of December 2010. Gross rental includes rental income and license income due from tenancies but excludes turnover rent.

Waldorf Garden Property

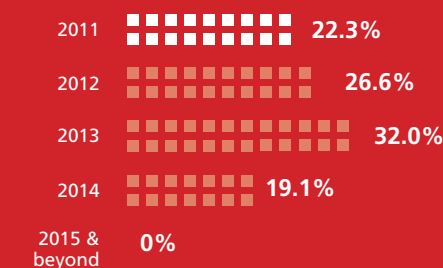
Location	No 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong
Land title	Government Leasehold until 30 June 2047
Year of completion	1982
Gross rentable area	80,842 Sq.ft.
Car park lots	73
Number of tenants	47
Purchase price	HK\$400 million
Market valuation ¹	HK\$925 million
Occupancy	100.0% (2009: 100.0%)
Gross revenue ²	HK\$60.5 million (2009: 59.7 million)
Net property income	HK\$46.4 million

Waldorf Garden Property 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 Garden Property 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 the Waldorf Garden Property.

Tenant trade mix analysis³

Electronics & IT	0.9%
Fashion & Shoes	23.6%
Food & Beverages	45.6%
Gifts & Speciality, Hobbies, Toys, Jewellery	9.0%
Homeware & Home Furnishing	3.3%
Services & Education	8.9%
Supermarkets	6.5%
Others	2.2%

Lease expiry profile³



Top 5 tenants	Trade sector	% of gross rental ³
1 Red Seasons Aroma Restaurant	Food & Beverages	9.9%
2 Pizza Hut	Food & Beverages	8.2%
3 Park'N Shop	Supermarkets	6.5%
4 Yeh Lam Kwok Restaurant	Food & Beverages	4.9%
5 Maxim's Caterers Limited	Food & Beverages	4.9%

Notes:

- Valued by Savills as at 31 December 2010.
- Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
- Based on gross rental for the month of December 2010. Gross rental includes rental income and license income due from tenancies but excludes turnover rent.



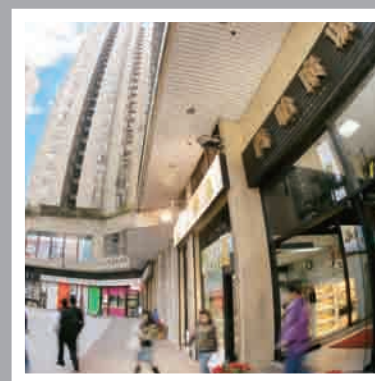
Caribbean Bazaar

Caribbean Bazaar is located on the northern shore of Tung Chung and is the shopping center of Caribbean Coast, a 5,336-unit residential development, and adjacent to Coastal Skyline, a 3,370-unit residential development. Tung Chung is mainly connected to other urban areas by Tung Chung MTR Line as well as a number of bus routes which connect the Hong Kong International Airport with urban areas via Tung Chung.



Smartland

Smartland is located in the densely-populated district of Tsuen Wan, New Territories, opposite the 1,026-room Panda Hotel. Situated near Tai Wo Hau MTR Station, it is also easily accessible to shoppers, residents and tourists via public and private transport. The mall features a 32,000 Sq.ft. supermarket and two Chinese restaurants that serve the residents of Tsuen Wan District.



Tsing Yi Square Property

Tsing Yi Square Property is located on Tsing Yi Island, northwest of Hong Kong Island. It is the commercial constituent of the Tsing Yi Garden residential development, which was completed in 1986, and consists of some 1,520 residential units. Tsing Yi Square Property is within walking distance to Tsing Yi MTR Station, which provides convenient access to Hong Kong Island, Kowloon and the Hong Kong International Airport. The property is also easily accessible via buses, mini-buses and taxis.

6

Key Statistics as at 31 December 2010

Location	No 1 Kin Tong 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	43
Purchase price	HK\$428 million
Market valuation ¹	HK\$511 million
Occupancy	100.0% (2009: 100.0%)
Gross revenue ²	HK\$33.8 million (2009: HK\$6.9 million) ³
Net property income	HK\$23.8 million

7

Key Statistics as at 31 December 2010

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	100
Purchase price	HK\$258 million
Market valuation ¹	HK\$411 million
Occupancy	99.5% (2009: 94.4%)
Gross revenue ²	HK\$29.9 million (2009: HK\$27.0 million)
Net property income	HK\$19.3 million

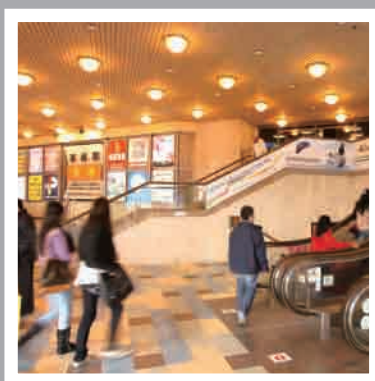
8

Key Statistics as at 31 December 2010

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	60
Purchase price	HK\$230 million
Market valuation ¹	HK\$364 million
Occupancy	98.4% (2009: 100.0%)
Gross revenue ²	HK\$25.7 million (2009: HK\$24.6 million)
Net property income	HK\$17.7 million

Notes:

1. Valued by Savills as at 31 December 2010.
2. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
3. Represents the period from 16 October 2009 to 31 December 2009. Fortune REIT acquired Caribbean Bazaar on 15 October 2009.



Jubilee Court Shopping Centre

Jubilee Court Shopping Centre is located opposite to the Fo Tan MTR Station, near the Shatin Racecourse. It is one MTR stop away from The Chinese University of Hong Kong and Shatin town centre respectively. The shopping centre is the retail podium of the 2,260-unit Jubilee Garden residential development. It caters to the strong demand for education and other services by the local community in surrounding areas.



The Household Center

The Household Center is located in the developed urban centre of Kwai Chung, New Territories. This mall serves the daily needs of the residents of Nob Hill, a 696-unit residential development above the mall, as well as the 13,110 residential units in Mei Foo Sun Chuen, Lai Yan Court, Wah Lai Estate, Lai King Estate, Regency Park, Wonderland Villas and Ching Lai Court. The mall is conveniently located above a bus terminus and is within walking distance to the Mei Foo MTR Station.



Centre de Laguna Property

Centre de Laguna Property is located in the Kwun Tong District of East Kowloon. It is the commercial podium under Phase 3 of the Laguna City development. Completed in 1992, the whole Laguna City development stands on a total of about 1 million Sq.ft. and houses some 8,000 households in 38 residential blocks. It is easily accessible by public and private transport including buses, public light buses and taxis, and is within walking distance to the Lam Tin MTR Station.

9

Key Statistics as at 31 December 2010

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	54
Purchase price	HK\$218 million
Market valuation ¹	HK\$355 million
Occupancy	100.0% (2009: 81.5%)
Gross revenue ²	HK\$27.0 million (2009: HK\$20.9 million)
Net property income	HK\$17.1 million

10

Key Statistics as at 31 December 2010

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	55
Purchase price	HK\$233 million
Market valuation ¹	HK\$302 million
Occupancy	96.8% (2009: 97.0%)
Gross revenue ²	HK\$22.2 million (2009: HK\$21.2 million)
Net property income	HK\$15.0 million

11

Key Statistics as at 31 December 2010

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\$185 million
Occupancy	99.5% (2009: 100.0%)
Gross revenue ²	HK\$12.0 million (2009: HK\$11.7 million)
Net property income	HK\$8.1 million

Notes:

1. Valued by Savills as at 31 December 2010.
2. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.



Hampton Loft

Hampton Loft is located on the northwestern shore of West Kowloon near the Olympic MTR Station, which is a newly developed area that originated from the MTR Airport Express line project and is the retail podium of Hampton Place, a 880-unit residential development.



Lido Garden Property

Lido Garden Property comprised of 12 ground-floor shops at the commercial and residential development of Lido Garden. The property is located in Sham Tseng, a residential area west of Tsuen Wan New Town, and sits along the waterfront facing the Tsing Ma Bridge and the Ting Kau Bridge. Sham Tseng is well known for its themed restaurants which attract crowds of local and visiting patrons. Lido Garden Property is easily accessible via buses, mini-buses and taxis.



Rhine Garden Property

Rhine Garden Property houses ground-floor retail shops at the podium of the Rhine Garden commercial and residential development which was completed in 1992. Rhine Garden Property is located opposite Lido Garden Property and shares the same accessibility, catchment and patronage.

12

Key Statistics as at 31 December 2010

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\$177 million
Occupancy	100.0% (2009: 100.0%)
Gross revenue ²	HK\$12.8 million (2009: HK\$2.7 million) ³
Net property income	HK\$9.6 million

13

Key Statistics as at 31 December 2010

Location	No 41–43 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\$111 million
Occupancy	100.0% (2009: 100.0%)
Gross revenue ²	HK\$6.3 million (2009: HK\$6.1 million)
Net property income	HK\$4.9 million

14

Key Statistics as at 31 December 2010

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\$73 million
Occupancy	100.0% (2009: 100.0%)
Gross revenue ²	HK\$5.2 million (2009: HK\$5.1 million)
Net property income	HK\$3.6 million

Notes:

1. Valued by Savills as at 31 December 2010.
2. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
3. Represents the period from 16 October 2009 to 31 December 2009. Fortune REIT acquired Hampton Loft on 15 October 2009.

Board of
Directors and
Senior Management

Board of Directors and Senior Management



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

Board of Directors and Senior Management (continued)

Board of Directors

1 Chiu Kwok Hung, Justin

Chairman and Non-Executive Director

Mr. Chiu, aged 60, 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). ARA and Suntec REIT are listed on 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 54, 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 which is listed on the Main Board of SGX-ST) and Am ARA REIT Managers Sdn Bhd (the manager of AmFIRST REIT which 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 Management Corporation Strata Title Plan No. 2197 (Suntec City). Mr. Lim is also an Independent Director and member of the Audit Committee of Teckwah Industrial Corporation Limited ("**Teckwah**"), which is listed on the Main Board of the SGX-ST. He is also the Vice President of the Hong Kong-Singapore Business Association, a Senior Vice President of the Asian

Pacific Real Estate Association, a council member of the Singapore Chinese Chamber of Commerce & Industry and a member of the Valuation Review Board of the Ministry of Finance of Singapore.

Mr. Lim has close to 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 specializing 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 CapitaLand 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.

3 Ip Tak Chuen, Edmond

Non-Executive Director

Mr. Ip, aged 58, 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, and a Director of ARA Trust Management (Suntec) Limited (the manager of Suntec REIT). Both ARA and Suntec REIT are listed on SGX-ST.

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**"), Ruinian International Limited ("**Ruinian**") and Shougang Concord International Enterprises Company Limited ("**Shougang**"). Cheung Kong, CK Infrastructure, CK Life Sciences, TOM, AVIC, Ruinian 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 50, has been a Director of the Manager since 2003. She is a member of the Disclosures Committee of the Manager. Ms.

Board of Directors and Senior Management (continued)

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 Dual Filing Advisory Group of the Securities and Futures Commission, 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.

5 Ang Meng Huat, Anthony

Executive Director and Chief Executive Officer

Mr. Ang, aged 55, 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), and an Independent Non-executive Director of Armstrong Industrial Corporation Limited (“**Armstrong**”) and E3 Holdings Limited, both are listed on the Main Board of the 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 organization, and Armstrong. Mr. Ang began his career with the Singapore Economic Development Board where he served for 14 years, including 6 years in the United States as the Regional Director of their North American operations.

Mr. Ang holds a Bachelor of Science degree (Mechanical Engineering) with First Class Honours from the Imperial College, London University, and obtained a Master of Business Administration from the European Institution of Business Administration (INSEAD) in 1982 on a scholarship from the Singapore and French governments. He 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 30, 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.

7 Lim Lee Meng

Independent Non-Executive Director

Mr. Lim, aged 54, 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**”), Europtronic Group Ltd (“**Europtronic**”) and ARA Trust Management (Suntec) Limited (the manager of Suntec REIT). Teckwah, Datapulse, Tye Soon, Europtronic and Suntec REIT are all listed on the Main Board of the SGX-ST. He also serves as the Chairman of the Audit Committees of Teckwah, Datapulse and Europtronic. 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

Board of Directors and Senior Management (continued)

(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 69, 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 member of the Audit Committees of CK Infrastructure and ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT), and an Independent Director and member of the Audit Committee of ARA Trust Management (Suntec) Limited (the manager of Suntec REIT). Since 2001, Mrs. Sng has been the Senior Consultant (International Business) of Singapore Technologies Electronics Ltd. Concurrently she is the Adviser of InfoWave Pte Ltd and Director of INFA Systems Ltd.

Prior to her appointments with Singapore Technologies Pte Ltd, where she was Director, Special Projects for 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).

9 Lan Hong Tsung, David

Independent Non-Executive Director

Mr. Lan, aged 70, 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 and a member of the Audit Committee of CK Infrastructure, and Independent Non-executive Director and the Chairman of the Audit 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 Hutchison Telecommunications Hong Kong Holdings Limited (“HTHKH”), Hutchison Harbour Ring Limited and SJM Holdings Limited. Mr. Lan is currently the Chairman of David H T Lan Consultants Ltd., 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 42, 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 20 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 for 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 21 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.

Leung Ming Fai, Adi

Director, Asset Management (Projects)

Mr. Leung joined the Manager in 2010. He is the Director, Asset Management (Projects) of the Manager. Mr Leung is responsible for strategic planning and asset enhancement projects of Fortune REIT.

Mr. Leung has over 30 years of experiences. Prior to joining the Manager, Mr. Leung worked with Scott Wilson Group plc as Associate Director/Head of Interior Design (China Division). He also held senior positions with various other property related companies before he joined Scott Wilson Group plc.

Mr. Leung holds an Australia Institute of Project Management (AIPM) Ordinary Certificate in Project Management & Marketing from The University of Hong Kong SPACE, a Certificate in Advertising, Interior Design from The First Institute Art Association — 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.

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. All 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.

The Compliance Manual, together with the Trust Deed, were modified to comply with the revision of the Code on Real Estate Investment Trusts (the “**REIT Code**”) which took effect from 25 June 2010 which among other things, extended the application of the Codes on Takeovers and Mergers and Share Repurchases to real estate investment trusts authorised by the Securities and Futures Commission (the “**SFC**”).

Authorisation Structure

Fortune REIT is a collective investment scheme authorised by the SFC under section 104 of the Securities and Futures Ordinance (Cap. 571) (the “**SFO**”) and regulated by the provisions of the REIT Code.

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

The Trustee is qualified to act as a trustee for collective investment schemes 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.

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.

Corporate Governance Policies (continued)

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 shall 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.

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 entity, 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.

Corporate Governance Policies (continued)

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 2010 of Fortune REIT, the Manager received notifications regarding the following changes of Directors' information:

1. Mr. Lim Hwee Chiang has become a council member of the Singapore Chinese Chamber of Commerce & Industry.
2. Ms. Yeung, Eirene has become a fellow member of The Hong Kong Institute of Directors.
3. Mr. Ang Meng Huat, Anthony was appointed as an independent non-executive director of E3 Holdings Limited, a company listed on the SGX-ST.
4. Ms. Chiu Yu, Justina ceased to be a director of Colour Sky International Limited and Maxon Investment Limited, the special purpose vehicles of Fortune REIT, following their de-registration pursuant to Section 291AA of Hong Kong Companies Ordinance on 24 September 2010 and 23 July 2010 respectively.

5. Mr. Ma Lai Chee, Gerald has become a member of the President's Circle of the University of British Columbia, Canada.

Six Board meetings of the Manager were held in 2010 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	6/6
<i>CEO and Executive Director</i> Mr. Ang Meng Huat, Anthony ¹	3/3
<i>Deputy CEO and Executive Director</i> Ms. Chiu Yu, Justina ¹	3/3
<i>Non-Executive Directors</i> Mr. Lim Hwee Chiang Mr. Ip Tak Chuen, Edmond (Alternate — Mr. Ma Lai Chee, Gerald)	6/6 6/6
<i>Independent Non-Executive Directors</i> Mr. Lim Lee Meng Mrs. Sng Sow-Mei (alias Poon Sow Mei) Mr. Lan Hong Tsung, David ² Dr. Cheng Mo Chi, Moses ³	6/6 6/6 1/1 5/5

Notes

1. Appointed on 30 March 2010
2. Appointed on 29 July 2010
3. Resigned on 1 September 2010

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, monitor and evaluate the effectiveness of the Manager's internal controls, review the quality and reliability of information prepared for inclusion in financial reports, nominate external Auditors and internal Auditors, review the adequacy of existing audits (internal and external) in respect of costs, scope and performance and monitor the procedures established to regulate Related Party Transactions (as defined below), including ensuring compliance with the provisions of the Listing Manual of the Singapore Exchange Limited relating to transactions between the Trustee (as the trustee of Fortune REIT) and an "interested person", and the provisions of the Property Funds Appendix relating to transactions between the Trustee (as the trustee of Fortune REIT) and an "interested party" (both such types of transactions constituting Related Party Transactions). The Audit Committee meets with the external Auditors, and with the internal Auditors, without the presence of the management, at least once annually.

At present, the Audit Committee 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 year under review and is satisfied that such services would not, in the Audit Committee's opinion, affect the independence of the external auditors.

Four Audit Committee meetings were held in 2010. The attendance record of the Audit Committee meetings is as follows:

Members of the Audit Committee	Attendance
Mr. Lim Lee Meng	4/4
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	4/4
Mr. Lan Hong Tsung, David ¹	1/1
Dr. Cheng Mo Chi, Moses ²	3/3

Notes

1. Appointed on 29 July 2010
2. Resigned on 1 September 2010

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 ("**PR Expenses**") are incurred in accordance with the internal control procedures of the Manager and the nature of these PR Expenses are incurred solely for the purposes as set out in 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 for 2010.

Disclosures Committee

The Board has 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 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.

Two Disclosures Committee meetings were held in 2010. The attendance record of the Disclosures Committee meetings is as follows:

Members of the Disclosures Committee	Attendance
Ms. Yeung, Eirene	2/2
Ms. Chiu Yu, Justina	2/2
Mr. Lim Lee Meng	2/2

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 2010. The attendance record of the Designated Committee meeting is as follows:

Members of the Designated Committee	Attendance
Mr. Ip Tak Chuen, Edmond	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.

Remuneration of the Directors 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 conducts an annual review on the effectiveness of the internal control system of Fortune REIT, which covers all material controls including financial, operational and compliance controls and risk management functions. The annual review considers 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.

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 of the Auditors of Fortune REIT. 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.

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 will be a dedicated manager to Fortune REIT and will 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 the Trust 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 a 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") (the "Units Dealing Code"), 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

Corporate Governance Policies (continued)

Dealing Code, Management Persons wishing to deal in any securities of Fortune REIT must first have regard to the provisions of Parts XIII and XIV of the SFO with respect to insider dealing and market misconduct, as if the SFO applies to the securities of Fortune REIT. In addition, Management Persons must not make any unauthorised disclosure of confidential information or make any use of such information for the advantage of himself, itself or others.

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

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

Pursuant to the Units Dealing Code, 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, 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 since the listing of Fortune REIT in Hong Kong.

The Manager has also adopted a policy for dealings in Fortune REIT units pursuant to the provisions of the Listing Rules of the SGX-ST which has to be complied with concurrently 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.

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.

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, 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 Audit Committee 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 end 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 results 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 2010. 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 complied with the provisions of the Compliance Manual since the listing of Fortune REIT in Hong Kong and has adhered to all the applicable corporate governance practices throughout the Reporting Year.

Review of Annual Report

The annual report of Fortune REIT for the year ended 31 December 2010 has been reviewed by the Audit Committee and the Disclosures Committee.

Employees

Fortune REIT is managed by the Manager and does not employ any staff itself.

New Units Issued

As at 31 December 2010, the total number of issued number units of Fortune REIT was 1,669,032,247. Compared with the position as at 31 December 2009, a total of 10,267,212 new units were issued during the Reporting Year in the following manner:

- On 7 January 2010, 2,830,232 new units were issued to the Manager at a price of HK\$3.0725 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's base fee of approximately HK\$8.7 million payable by Fortune REIT for the period from 1 October 2009 to 31 December 2009.
- On 12 April 2010, 2,357,120 new units were issued to the Manager at a price of HK\$3.6090 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's base fee of approximately HK\$8.5 million payable by Fortune REIT for the period from 1 January 2010 to 31 March 2010.
- On 8 July 2010, 2,645,356 new units were issued to the Manager at a price of HK\$3.5119 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's base fee of approximately HK\$9.3 million payable by Fortune REIT for the period from 1 April 2010 to 30 June 2010.
- On 7 October 2010, 2,434,504 new units were issued to the Manager at a price of HK\$3.8580 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's base fee of approximately HK\$9.4 million payable by Fortune REIT for the period from 1 July 2010 to 30 September 2010.

Repurchase, Sale or Redemption of Units

During the Reporting Year, other than the disposal of 16,639,000 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 2010.

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 2010 HK\$'000	Rental deposit received as at 31 December 2010 HK\$'000
AMTD Strategic Capital Limited	Subsidiary of a significant holder ¹	Leasing transactions	5,946	1,592
A.S. Watson Group (HK) Limited	Subsidiary of an associate of a significant holder ²	Leasing and licensing transactions	81,641	679
Big Sky Resources Limited	Subsidiary of a significant holder ¹	Licensing transactions	48	8
Cheung Kong Property Development Limited	Subsidiary of a significant holder ¹	Leasing and licensing transactions	18,502	—
Citybase Property Management Limited	Subsidiary of a significant holder ¹	Leasing transactions	3,950	839
Hutchison Telephone Company Limited	Subsidiary of an associate of a significant holder ²	Licensing transactions	5,086	675
Hutchison Telecommunications Services Limited	Subsidiary of an associate of a significant holder ²	Licensing transactions	44	—
Perfect Idea Limited	Subsidiary of a significant holder ¹	Leasing transactions	4,467	1,154
Towerich Limited	Subsidiary of a significant holder ¹	Licensing transactions	85	23
Total			119,769	4,970

Notes:

1. Significant holder being Cheung Kong (Holdings) Limited (“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 2010 HK\$'000
Cheung Kong	Significant holder	Back-office support service fee	521
Citybase Property Management Limited	Subsidiary of a significant holder ¹	Property management and operations	733
E-Park Parking Management Limited	Subsidiary of a significant holder ¹	Carpark lease agency fee	2,228
Goodwell-Fortune Property Services Limited	Subsidiary of a significant holder ¹	Property and lease management fee and marketing service fee	37,956
Goodwell Property Management Limited	Subsidiary of a significant holder ¹	Property management and operations	122
Guardian Property Management Limited	Associated company of principal valuer ²	Property management and operations	1,261
Metro Broadcast Corporation Limited	Associated company of a significant holder ¹	Advertising and promotion expenses	1,010
Total			43,831

Notes:

1. Significant holder being Cheung Kong.
2. Principal valuer being Savills.

Connected Party Transactions (continued)

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 2010 HK\$'000
ARA Asset Management (Fortune) Limited	Manager	Manager's fee	55,704
HSBC Institutional Trust Services (Singapore) Limited	Trustee	Trustee's fee	4,068
Savills	Principal valuer	Valuation and other fees	1,026
Total			60,798

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 2010 HK\$'000	Rental deposit received as at 31 December 2010 HK\$'000
HSBC	Trustee Connected Persons	Leasing and licensing transactions	2,982	935
Hang Seng Bank Limited	Trustee Connected Persons	Leasing and licensing transactions	2,732	711
Total			5,714	1,646

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, and loan facilities including interest and charges paid thereto) within the Reporting Year.

Connected Party Transactions (continued)

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

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

Name of Connected Party	Relationship with Fortune REIT	Nature of the connected party transaction	Aggregate annual income ¹ HK\$'000
AMTD Strategic Capital Limited	Subsidiary of a significant holder ²	Tenancy at Hampton Loft	4,922
A.S. Watson Group (HK) Limited	Subsidiary of an associate of a significant holder ³	Tenancies at City One Shatin Property, Ma On Shan Plaza, Metro Town, The Metropolis Mall, Waldorf Garden Property, Caribbean Bazaar, Smartland, Tsing Yi Square Property, Jubilee Court Shopping Centre, The Household Center and Rhine Garden Property	60,526
Cheung Kong Property Development Limited	Subsidiary of a significant holder ²	Tenancies at The Metropolis Mall	13,252
Citybase Property Management Limited	Subsidiary of a significant holder ²	Tenancy at The Hampton Loft	2,448
Hutchison Telephone Company Limited	Subsidiary of an associate of a significant holder ³	Licence at Ma On Shan Plaza	1,740
Perfect Idea Limited	Subsidiary of a significant holder ²	Tenancy at The Metropolis Mall	3,178
HSBC	Trustee Connected Persons	Tenancies at City One Shatin Property	2,201
Hang Seng Bank Limited	Trustee Connected Persons	Tenancy at City One Shatin Property	1,277
Total			89,544

Notes:

- 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.*
- Significant holder being Cheung Kong.*
- 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 Reviews 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 Certified 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 services and other operational transactions and transactions involving ordinary banking and financial services disclosed by the Group from pages 56 to 59 of the Annual Report in accordance with the waiver from strict compliance with disclosure requirements under Chapter 8 of the Real Estate Investment Trust Code granted by the Securities and Futures Commission of Hong Kong. A copy of auditor's letter will be provided by Fortune REIT to the Securities and Futures Commission of Hong Kong.

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 2010 is 1,669,032,247 units.

Holdings of Significant Unitholders and Other Unitholders

As at 31 December 2010, 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 (L)	Percentage of Unit Holdings	Number of Units Held Long Position (L)	Percentage of Unit Holdings
Focus Eagle Investments Limited ¹	(L) 413,074,684	24.75%	—	—
Cheung Kong ¹	—	—	(L) 525,630,684	31.49%
Schroder Investment Management Group ²	—	—	(L)188,244,000	11.28%

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 2010:

Name	Direct interest		Deemed interest	
	Number of Units Held Long Position (L)	Percentage of Unit Holdings	Number of Units Held Long Position (L)/ Short Position (S)/ Lending Pool (P)	Percentage of Unit Holdings
Ballston Profits Limited ¹	(L) 112,556,000	6.74%	—	—
HWL ¹	—	—	(L) 112,556,000	6.74%
DBS Bank Ltd. ³	(L) 92,395,000	5.54%	—	—
DBS Group Holdings Ltd ³	—	—	(L) 92,395,000	5.54%
JPMorgan Chase & Co. ⁴	—	—	(L) 122,640,257	7.35%
JPMorgan Chase & Co. ⁴	—	—	(S) 2,700,000	0.16%
JPMorgan Chase & Co. ⁴	—	—	(P) 119,863,257	7.18%

Notes:

- Focus Eagle Investments Limited was an indirect wholly-owned subsidiary of Cheung Kong; and Ballston Profits Limited was an indirect wholly-owned subsidiary of HWL, which in turn was 49.9% owned by Cheung Kong. Therefore, Cheung Kong was deemed to hold 525,630,684 units, of which: (i) 413,074,684 units were held by Focus Eagle Investments Limited; and (ii) 112,556,000 units were held by Ballston Profits Limited; HWL was deemed to hold 112,556,000 units, which were held by its indirect wholly-owned subsidiary, Ballston Profits Limited.
- Schroder Investment Management Group was deemed to be interested in 188,244,000 units of which:
 - 103,754,000 units were held by Schroder Investment Management Limited;
 - 75,986,000 units were held by Schroder Investment Management (Singapore) Limited; and
 - 8,504,000 units were held by Schroder Investment Management (Hong Kong) Limited.
- DBS Group Holdings Ltd was deemed to be interested in 92,395,000 units held by its wholly-owned subsidiary, DBS Bank Ltd.
- JPMorgan Chase & Co. was deemed to be interested in (L) 122,640,257 units and (S) 2,700,000 units of which:
 - (L) 2,707,000 units and (S) 2,700,000 units were held by J.P. Morgan Securities Ltd.
 - (L) 70,000 units were held by JF Asset Management Limited in its capacity as investment manager; and
 - (L) 119,863,257 units were held by JPMorgan Chase Bank, N.A. in its capacity as custodian corporation/approved lending agent.

Disclosure of Interests (continued)

Interests of the Manager

As at 31 December 2010, the Manager held 951 units, or approximately 0.00006% 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 2010 were as follows:

Name	Direct interest		Deemed interest	
	Number of Units Held Long Position (L)	Percentage of Unit Holdings	Number of Units Held Long Position (L)	Percentage of Unit Holdings
Directors				
Lim Hwee Chiang ¹	—	—	(L) 2,100,951	0.13%
Sng Sow-Mei (alias Poon Sow Mei)	(L) 220,000	0.01%	—	—

Note:

1. Mr. Lim Hwee Chiang was deemed to be interested in a total of 2,100,951 units of which:
 - (a) 951 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 corporation including ARA; and
 - (b) 2,100,000 units are held by Citibank Nominees Singapore Pte. Ltd. (as nominee for JL Philanthropy Ltd). The beneficiary of JL Philanthropy Ltd is JL Charitable Settlement and Mr. Lim 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 2010.

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 2010 and 31 December 2009:

- (a) Schroder Investment Management Group was beneficially interested in 188,244,000 units as at 31 December 2010 and 197,234,300 units as at 31 December 2009;
- (b) The Manager was beneficially interested in 951 units as at 31 December 2010 and 6,372,739 units as at 31 December 2009;
- (c) Mr. Lim Hwee Chiang, Director of the Manager, was beneficially interested in 2,100,951 units as at 31 December 2010 and 21,168,739 units as at 31 December 2009; and
- (d) Mr. Wong Shui Yan, Matthew, a senior executive of the Manager, had no beneficial interest in any unit as at 31 December 2010 and was deemed to be beneficially interested in 3,000 units as at 31 December 2009.

Valuation Report

HSBC Institutional Trust Services (Singapore) Limited
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14 January 2011

Dear Sirs

- RE: (1) CITY ONE PLAZA, 1 NGAN SHING STREET, NGAN SHING COMMERCIAL CENTRE, 2 NGAN SHING STREET, CITY ONE MARKET, 6 LOK SHING STREET AND VARIOUS GROUND FLOOR SHOPS OF RESIDENTIAL TOWERS, CITY ONE SHATIN, SHA TIN, NEW TERRITORIES, HONG KONG (“**CITY ONE SHATIN PROPERTY**”)
- (2) MA ON SHAN PLAZA, BAYSHORE TOWERS, 608 SAI SHA ROAD, MA ON SHAN, SHATIN, NEW TERRITORIES, HONG KONG (“**MA ON SHAN PLAZA**”)
- (3) THE SHOPPING CENTRE OF METRO TOWN, 8 KING LING ROAD, TSEUNG KWAN O, NEW TERRITORIES (“**METRO TOWN**”)
- (4) THE METROPOLIS MALL, THE METROPOLIS, 6–10 METROPOLIS DRIVE, KOWLOON, HONG KONG (“**THE METROPOLIS MALL**”)
- (5) SHOPS ON LEVEL 3 AND VARIOUS CARPARKS, WALDORF GARDEN, 1 TUEN LEE STREET, TUEN MUN, NEW TERRITORIES, HONG KONG (“**WALDORF GARDEN PROPERTY**”)
- (6) CARIBBEAN BAZAAR, CARIBBEAN COAST, 1 KIN TUNG ROAD, TUNG CHUNG, LANTAU ISLAND, NEW TERRITORIES, HONG KONG (“**CARIBBEAN BAZAAR**”)
- (7) VARIOUS PORTIONS IN SMARTLAND, EAST ASIA GARDENS, 16 TSUEN WAH STREET, TSUEN WAN, NEW TERRITORIES, HONG KONG (“**SMARTLAND**”)
- (8) VARIOUS PORTIONS IN TSING YI SQUARE, TSING YI GARDEN, 7–19 TSING LUK STREET, TSING YI, NEW TERRITORIES, HONG KONG (“**TSING YI SQUARE PROPERTY**”)
- (9) JUBILEE COURT SHOPPING CENTRE, JUBILEE GARDEN, 2–18 LOK KING STREET, SHATIN, NEW TERRITORIES, HONG KONG (“**JUBILEE COURT SHOPPING CENTRE**”)
- (10) THE HOUSEHOLD CENTER, NOB HILL, 8 KING LAI PATH, KWAI CHUNG, NEW TERRITORIES, HONG KONG (“**THE HOUSEHOLD CENTER**”)
- (11) CENTRE DE LAGUNA, 93 CHA KWO LING ROAD, KINDERGARTEN ON GROUND FLOOR, 99 CHA KWO LING ROAD, KWUN TONG, KOWLOON, HONG KONG (“**CENTRE DE LAGUNA PROPERTY**”)
- (12) HAMPTON LOFT, HAMPTON PLACE, 11 HOI FAN ROAD, TAI KOK TSUI, KOWLOON (“**HAMPTON LOFT**”)
- (13) SHOPS ON GROUND FLOOR, LIDO GARDEN, 41–63 CASTLE PEAK ROAD, SHAM TSENG, TSUEN WAN, NEW TERRITORIES, HONG KONG (“**LIDO GARDEN PROPERTY**”)
- (14) SHOPS ON GROUND FLOOR, RHINE GARDEN, 38 CASTLE PEAK ROAD, SHAM TSENG, TSUEN WAN, NEW TERRITORIES, HONG KONG (“**RHINE GARDEN PROPERTY**”)
- (COLLECTIVELY THE “**PROPERTIES**”)

Valuation Report (continued)

In accordance with your instructions for us to value the Properties, we confirm that we have carried out inspections, 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 2010 (referred to as the “**Valuation Date**”) for accounting purpose.

Basis of Valuation

Our valuation of each property is our opinion of its market value 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 and purchase, and without offset for any associated taxes.

Our valuation is prepared in accordance with Chapter 6.8 of the REIT Code and The HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors.

Valuation Methodologies

In arriving at our opinion of values, we have considered relevant general and economic factors and in particular have investigated recent sales and leasing transactions of comparable properties. In the course of our valuation analysis, we have principally adopted the Income Capitalisation Approach and counter-checked this by the Direct Comparison Approach. For the purposes of this valuation, we consider the Income Capitalisation Approach is the most appropriate valuation method for assessing the market values of the property, due to the income driven nature of the Properties.

Income capitalisation

The Income Capitalisation Approach is a method of valuation whereby the existing net rental incomes (i.e. exclusive of rates, Government rent and management fees) of all lettable units of each property are capitalised for the respective unexpired terms of contractual tenancies whilst vacant units are assumed to be let at their respective market rents as at the Valuation Date. Upon expiry of the existing tenancies, each unit is assumed to be let at its market rent as at the Valuation Date, which is in turn capitalised for the unexpired term of the Government lease under which the property is held. Due consideration has been given to the expectation of the renewal of the Government lease upon expiry. The summation of the capitalised value of the term income for the leased portion, the capitalised value of the reversion income (i.e. market rental income) as appropriately deferred for the leased portion and the capitalised value for the vacant portion provides the market value of each property.

The market rentals of all lettable units of each property are determined by reference to the rentals achieved by other units in the property and by reference to the lettings of similar properties in the neighbourhood. The capitalisation rate adopted is determined by reference to the yields achieved in analysed market sales transactions and our knowledge of the market expectation from property investors. This expected return reflects implicitly the quality of the investment, the expectation of the potential for future rental growth and capital appreciation, operating costs, risk factors and the like.

Direct comparison

As a supporting approach to the valuation, we have also considered the Direct Comparison Approach as a reference check for the valuations arrived from Income Capitalisation Approach. In this regard, comparable sales transactions around the Valuation Date are collected and analyzed in terms of a price per square footage. The collected comparables are then adjusted to take account of the discrepancies between the Properties and comparables in terms of time, location, accessibility, age, building quality and condition, facilities and the like.

Title Investigations

We have not been provided with extracts from title documents relating to the Properties but we have caused 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. We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers.

Valuation Consideration

We have relied to a very considerable extent on information given by the instructing party and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, lettings, site and floor areas and all other relevant matters. We have no reason to doubt the truth and accuracy of the information provided to us by the instructing party, and have been advised by the instructing party that no material facts have been omitted from the information provided.

We have not carried out detailed on-site measurements to verify the correctness of the floor areas in respect of the Properties but have assumed that the floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us by the instructing party and are therefore only approximations.

We have inspected the exterior of the Properties valued and, where possible, we have also inspected the interior of the premises. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the Properties are free of rot, infestation or any other structural defect. No tests were carried out to any of the services.

No allowance has been made in our report for any charge, mortgage or amount owing on the Properties nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

Valuation Report (continued)

A summary of our opinion of the market value of each property as at the Valuation Date is given below:-

Property	Approximate Gross Area (sq.ft.)	No. of Parking Lots	Market Value as at 31 December 2010
1 City One Shatin Property	414,469	658	HK\$4,146,000,000
2 Ma On Shan Plaza	310,084	290	HK\$2,376,000,000
3 Metro Town	180,822	74	HK\$1,775,000,000
4 The Metropolis Mall	332,168	179	HK\$1,589,000,000
5 Waldorf Garden Property	80,842	73	HK\$925,000,000
6 Caribbean Bazaar	63,018	117	HK\$511,000,000
7 Smartland	123,544	67	HK\$411,000,000
8 Tsing Yi Square Property	78,836	27	HK\$364,000,000
9 Jubilee Court Shopping Centre	170,616	97	HK\$355,000,000
10 The Household Center	91,779	43	HK\$302,000,000
11 Centre de Laguna Property	43,000	N/A	HK\$185,000,000
12 Hampton Loft	74,734	35	HK\$177,000,000
13 Lido Garden Property	9,836	N/A	HK\$111,000,000
14 Rhine Garden Property	14,604	N/A	HK\$73,000,000
Total	1,988,352	1,660	HK\$13,300,000,000

The reported analyses, opinions and conclusions are subject to the assumptions and limiting conditions stated in our valuation certificate 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 Trustee, the Manager and Underwriters or other party/parties who, Fortune REIT is contracting with. The valuer's compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the Vendor, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

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

Valuation Report (continued)

This report is for the use of the Manager, the Board of Directors of the Manager and the Trustee in connection with the annual valuation of the properties, as required under the REIT Code. No responsibility is accepted to any other party for the whole and any part of its contents.

We enclose herewith our valuation report.

Yours faithfully

For and on behalf of

Savills Valuation and Professional Services Limited

Charles C K Chan

MSc FRICS FHKIS MCI Arb RPS(GP)

Managing Director

Summary Valuation Report

City One Shatin Property

City One Plaza, 1 Ngan Shing Street, Ngan Shing Commercial Centre, 2 Ngan Shing Street, City One Market, 8 Lok Shing Street, Various Ground Floor Shops of Residential Towers, City One Shatin, Shatin, New Territories, Hong Kong.

Description

City One Shatin is a comprehensive residential estate completed in phases between 1981 to 1989.

The property mainly comprises various commercial areas within City One Shatin. Descriptions of the said commercial areas are set out below:

- the free standing commercial podium known as Ngan Shing Commercial Centre (Commercial Block A) at the Ground Floor, 4th Floor and the Roof;
- the free standing commercial podium known as City One Plaza (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 at Ground Floor; and
- various single shops and non-domestic units dispersed throughout the development at the Ground Floor level of 12 individual tower blocks.

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

The property also comprises 658 parking lots within the development.

Land Tenure

Sha Tin Town Lot No. 1 is held from the Government under New Grant No. ST11064 for a term which expired on 27 June 1997 and was extended upon expiry until 30 June 2047.

Monthly Rental and Licence Income as at 31 December 2010

HK\$17,140,000 exclusive of Government rates and rent, management fees and utility charges.

Average Monthly Car Parking Income for January 2010 to December 2010

HK\$419,000 exclusive of operating expenses, Government rates and rent and management fees.

Market Value in Existing State as at 31 December 2010

HK\$4,146,000,000

Estimated Net Property Yield

5.1%

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 development known as Bayshore Towers completed in 1994.

The property comprises the entire shopping centre on Levels 2 and 3 of a five-storey podium (including a Basement, Ground Floor and Level 1) of the development.

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

The property also comprises 290 parking lots on the Basement Floor of the commercial podium.

Land Tenure

Sha Tin Town Lot No. 382 is held from the Government under New Grant No. 12378 for a term from 6 December 1991 to 30 June 2047.

Monthly Rental and Licence Income as at 31 December 2010

HK\$11,230,000 exclusive of Government rates and rent, management fees and utility charges.

Average Monthly Car Parking Income for January 2010 to December 2010

HK\$391,000 exclusive of operating expenses, Government rates and rent and management fees.

Market Value in Existing State as at 31 December 2010

HK\$2,376,000,000

Estimated Net Property Yield

5.9%

Metro Town

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

Description

Metro Town is a comprehensive private residential development completed in 2006.

The property comprises the entire retail premises on the Ground Level, Level 1, Level 2, Level 3 and Level 5, and the covered footbridge of a four-storey commercial podium of the development.

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

The property also comprises 74 parking lots on Level 2 of the commercial podium of the development.

Land Tenure

Tseung Kwan O Town Lot No. 73 is held from the Government under New Grant No. SK9700 for a term from 11 February 2003 to 10 February 2053.

Monthly Rental and Licence Income as at 31 December 2010

HK\$6,810,000 exclusive of Government rates and rent, management fees and utility charges.

Average Monthly Car Parking Income for January 2010 to December 2010

HK\$154,000 exclusive of operating expenses, Government rates and rent and management fees.

Market Value in Existing State as at 31 December 2010

HK\$1,775,000,000

Estimated Net Property Yield

4.7%

The Metropolis Mall

The Metropolis Mall, The Metropolis, 6–10 Metropolis Drive, Kowloon, Hong Kong.

Description

The Metropolis Mall is the commercial portion of a comprehensive development known as The Metropolis completed in 2001.

The property comprises the three levels of retail premises on the L7, L8 and L9 Floors of the multi-storey podium of the development.

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

The property also comprises 179 parking lots on L5 of the commercial podium of the development.

Land Tenure

Kowloon Inland Lot No. 11077 is held from the Government under Conditions of Grant No. 12444 for a term from 14 February 1997 to 30 June 2047.

Monthly Rental and Licence Income as at 31 December 2010

HK\$6,000,000 exclusive of Government rates and rent, management fees and utility charges.

Average Monthly Car Parking Income for January 2010 to December 2010

HK\$354,000 exclusive of operating expenses, Government rates and rent and management fees.

Market Value in Existing State as at 31 December 2010

HK\$1,589,000,000

Estimated Net Property Yield

4.8%

Waldorf Garden Property

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 development completed in 1982.

The property comprises a retail floor on the Level 3 of a 4-storey commercial/parking/recreational podium of the development.

The total gross area of the property is approximately 7,510.41 sq.m. (80,842 sq.ft.).

The property also comprises 73 parking lots on Level 1 and Level 2 of the commercial podium.

Land Tenure

Tuen Mun Town Lot No. 194 is held from the Government under New Grant No. 2344 for a term which expired on 27 June 1997 and was extended upon expiry until 30 June 2047.

Monthly Rental and Licence Income as at 31 December 2010

HK\$4,140,000 exclusive of Government rates and rent, management fees and utility charges.

Average Monthly Car Parking Income for January 2010 to December 2010

HK\$155,000 exclusive of operating expenses, Government rates and rent and management fees.

Market Value in Existing State as at 31 December 2010

HK\$925,000,000

Estimated Net Property Yield

5.6%

Caribbean Bazaar

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

Description

Caribbean Bazaar is the commercial portion of a private residential development known as Caribbean Coast completed in 2003.

The property comprises the entire retail premises, a kindergarten and a wet market on the 1st Floor of a three-storey commercial podium (including two basements) of the development.

The total gross area of the property is approximately 5,854.52 sq.m. (63,018 sq.ft.).

The property also comprises 117 parking lots on the 1st Floor of the commercial podium of the development.

Land Tenure

Tung Chung Town Lot No. 5 is held from the Government under New Grant No. IS8102 for a term from 26 June 1997 to 30 June 2047.

Monthly Rental and Licence Income as at 31 December 2010

HK\$2,260,000 exclusive of Government rates and rent, management fees and utility charges.

Average Monthly Car Parking Income for January 2010 to December 2010

HK\$69,000 exclusive of operating expenses, Government rates and rent and management fees.

Market Value in Existing State as at 31 December 2010

HK\$511,000,000

Estimated Net Property Yield

5.5%

Smartland

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

Description

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

The property comprises various retail portions 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) of a four-storey podium (including the Basement), of the development.

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

The property also comprises 67 parking lots on the Basement of the commercial podium of the development.

Land Tenure

Tsuen Wan Town Lot No. 247 is held from the Government under New Grant No. 5591 for a term which expired on 27 June 1997 and was extended upon expiry until 30 June 2047.

Monthly Rental and Licence Income as at 31 December 2010

HK\$1,730,000 exclusive of Government rates and rent, management fees and utility charges.

Average Monthly Car Parking Income for January 2010 to December 2010

HK\$73,000 exclusive of operating expenses, Government rates and rent and management fees.

Market Value in Existing State as at 31 December 2010

HK\$411,000,000

Estimated Net Property Yield

5.3%

Tsing Yi Square Property

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 centre of a residential development known as Tsing Yi Garden completed in 1986.

The property comprises various shops on the Ground and 1st Floors in the shopping centre of the development.

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

The property also comprises 27 parking lots within the development.

Land Tenure

Tsing Yi Town Lot No. 101 is held from the Government under New Grant No. 6229 for a term which expired on 27 June 1997 and was extended upon expiry until 30 June 2047.

Monthly Rental and Licence Income as at 31 December 2010

HK\$1,650,000 exclusive of Government rates and rent, management fees and utility charges.

Average Monthly Car Parking Income for January 2010 to December 2010

HK\$24,000 exclusive of operating expenses, Government rates and rent and management fees.

Market Value in Existing State as at 31 December 2010

HK\$364,000,000

Estimated Net Property Yield

5.5%

Jubilee Court Shopping Centre

Jubilee Court Shopping Centre, Jubilee Garden, 2–18 Lok King Street, Shatin, New Territories, Hong Kong.

Description

Jubilee Court Shopping Centre is the commercial centre of a private residential development known as Jubilee Garden completed in 1986.

The property mainly comprises a seven-storey shopping centre and a wet market on the 1st Floor of the podium of Jubilee Garden.

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

The property also comprises 97 parking lots within the development.

Land Tenure

Sha Tin Town Lot No. 87 is held from the Government under New Grant No. ST11326 for a term which expired on 27 June 1997 and was extended upon expiry until 30 June 2047.

Monthly Rental and Licence Income as at 31 December 2010

HK\$1,650,000 exclusive of Government rates and rent, management fees and utility charges.

Average Monthly Car Parking Income for January 2010 to December 2010

HK\$275,000 exclusive of operating expenses, Government rates and rent and management fees.

Market Value in Existing State as at 31 December 2010

HK\$355,000,000

Estimated Net Property Yield

6.5%

The Household Center

The Household Center, Nob Hill, 8 King Lai Path, Kwai Chung, New Territories, Hong Kong.

Description

The Household Center is the commercial portion of a private residential development known as Nob Hill completed in 2002.

The property comprises three levels of retail premises on the Ground, 1st and 2nd Floors of a four-storey podium of the development.

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

The property also comprises 43 parking lots on the Mezzanine Floor of the commercial podium of the development.

Land Tenure

Kwai Chung Town Lot No. 474 is held from the Government under New Grant No. 7071 for a term from 17 July 1998 to 16 July 2048.

Monthly Rental and Licence Income as at 31 December 2010

HK\$1,230,000 exclusive of Government rates and rent, management fees and utility charges.

Average Monthly Car Parking Income for January 2010 to December 2010

HK\$62,000 exclusive of operating expenses, Government rates and rent and management fees.

Market Value in Existing State as at 31 December 2010

HK\$302,000,000

Estimated Net Property Yield

5.1%

Centre de Laguna Property

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 centre of a comprehensive private residential development known as Laguna City completed in 1992.

The property comprises the commercial area on the Ground Floor of the commercial centre of Blocks 32 to 38 of the development and the kindergarten at Blocks 32 to 38 of the development.

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

Land Tenure

Kowloon Inland Lot No. 6100 is held from the Government under Conditions of Exchange No. 12071 for a term from 31 October 1989 to 30 June 2047.

Monthly Rental and Licence Income as at 31 December 2010

HK\$820,000 exclusive of Government rates and rent, management fees and utility charges.

Market Value in Existing State as at 31 December 2010

HK\$185,000,000

Estimated Net Property Yield

5.3%

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 development known as Hampton Place completed in 2003.

The property comprises the entire retail premises on the 5th and 6th Floors of the commercial podium of the development.

The total gross area of the property is approximately 6,942.96 sq.m. (74,734 sq.ft.).

The property also comprises 35 parking lots on the 1st Floor of the commercial podium of the development.

Land Tenure

Kowloon Inland Lot No. 11107 is held from the Government under Conditions of Sale No. 12554 for a term from 13 December 1999 to 12 December 2049.

Monthly Rental and Licence Income as at 31 December 2010

HK\$780,000 exclusive of Government rates and rent, management fees and utility charges.

Average Monthly Car Parking Income for January 2010 to December 2010

HK\$58,000 exclusive of operating expenses, Government rates and rent and management fees.

Market Value in Existing State as at 31 December 2010

HK\$177,000,000

Estimated Net Property Yield

5.7%

Lido Garden Property

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 development completed in 1989.

The property comprises various shops units on the Ground Floor of the development.

The total gross area of the property is approximately 913.79 sq.m. (9,836 sq.ft.).

Land Tenure

Tsuen Wan Marine Lot No. 4 is held from the Government under Conditions of Sale No. 2309 for a term which expired on 27 June 1997 and was extended upon expiry until 30 June 2047.

Monthly Rental and Licence Income as at 31 December 2010

HK\$530,000 exclusive of Government rates and rent, management fees and utility charges.

Market Value in Existing State as at 31 December 2010

HK\$111,000,000

Estimated Net Property Yield

5.7%

Rhine Garden Property

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 development completed in 1992.

The property comprises various shops units on the Ground Floor of the development.

The total gross 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 from the Government under New Grant No. TW6771 for a term from 1 September 1990 to 30 June 2047.

Monthly Rental and Licence Income as at 31 December 2010

HK\$340,000 exclusive of Government rates and rent, management fees and utility charges.

Market Value in Existing State as at 31 December 2010

HK\$73,000,000

Estimated Net Property Yield

5.6%

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

Report of the Trustee

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

Fortune REIT is constituted by the trust deed dated 4 July 2003 between the Manager and the Trustee, as amended and/or supplemented by the First Amending and Restating Deed dated 29 June 2005, the Second Supplemental Deed dated 20 April 2006, the Third Supplemental Deed dated 12 October 2009, the Fourth Supplemental Deed dated 26 February 2010, the Fifth Supplemental Deed dated 26 March 2010 and the Sixth Supplemental Deed dated 23 July 2010 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 2010.

For and on behalf of the Trustee,

Tony Lewis

Director

Singapore
25 January 2011

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 80 to 133, which comprise the consolidated and Fortune REIT’s statements of financial position as at 31 December 2010, and statements of comprehensive income, statements of changes in unitholder’s funds/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 2010 and of their results and cash flows for the year then ended. At the date of this statement, there are reasonable grounds to believe that Fortune REIT will be able to meet its financial obligations as and when they materialise.

The consolidated and separate financial statements on pages 80 to 133 were approved and authorised for issue by the Manager on 25 January 2011.

For and on behalf of the Manager,

ARA Asset Management (Fortune) Limited

Ang Meng Huat, Anthony

Director

25 January 2011

Financial Statements

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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 80 to 133, which comprise the consolidated and Fortune REIT's statements of financial position as at 31 December 2010, and statements of comprehensive income, statements of changes in unitholders' funds/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 and the fair presentation of these financial statements 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 and the relevant disclosure requirements set out in Appendix C of 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 and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

Independent Auditors' Report (continued)

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 2010 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 disclosure requirements set out in Appendix C of the REIT Code.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong
25 January 2011

Deloitte & Touche LLP

Public Accountants and Certified Public Accountants

Singapore
25 January 2011

Statements of Comprehensive Income

For the year ended 31 December 2010

	Notes	Group		Fortune REIT	
		2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Revenue	6	837,263	701,354	409,198	340,462
Property operating expenses	7	(240,439)	(206,694)		
Net property income		596,824	494,660		
Manager's base fee		(37,246)	(28,446)	(37,246)	(28,446)
Foreign currency exchange gain		190	25	190	25
Interest income		923	728	923	728
Trust (expenses)/income	8	(37,507)	2,521	(59,669)	(27,715)
Change in fair value of investment properties		1,760,977	806,283	—	—
Change in fair value of derivative financial Instruments		(54,879)	—	—	—
Borrowing costs	9	(131,912)	(96,382)	—	—
Profit before taxation and transactions with unitholders		2,097,370	1,179,389	313,396	285,054
Income tax expense	10	(78,071)	(66,201)	(156)	(122)
Profit for the year, before transactions with unitholders		2,019,299	1,113,188	313,240	284,932
Distributions to unitholders		(406,487)	—	(406,487)	—
Profit for the year, after transactions with unitholders		1,612,812	1,113,188	(93,247)	284,932
Other comprehensive income					
Change in fair value of derivative financial instruments under cash flow hedge		27,097	37,407	—	—
Total comprehensive income for the year		1,639,909	1,150,595	(93,247)	284,932
Income available for distribution to unitholders		406,487	337,841		
Basic earnings per unit (HK cents)	11	121.13	110.95		

Distribution Statement

For the year ended 31 December 2010

	Notes	Group	
		2010 HK\$'000	2009 HK\$'000
Profit for the year, before transactions with unitholders		2,019,299	1,113,188
Adjustments:			
Manager's base fee		37,246	28,446
Change in fair value of investment properties		(1,760,977)	(806,283)
Change in fair value of derivative financial instruments		54,879	—
Amortisation of front end fees		22,162	8,223
Foreign currency exchange gain		(190)	(25)
Other non-tax deductible trust expenses/(income)		34,068	(5,708)
Income available for distribution	(i)	406,487	337,841
Distributions to unitholders			
12.27 HK cents (2009: 19.60 HK cents) per unit for the six months ended 30 June	(ii)	204,571	161,698
12.08 HK cents (2009: 10.60 HK cents) per unit for the six months ended 31 December	(iii)	201,916	176,143
		406,487	337,841
Distribution per unit (HK cents)		24.35	30.20

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) 100.0% 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 (formerly known as ARA Asset Management (Singapore) Limited) (the "Manager")) after deduction of applicable expenses ("Net Tax-Exempt Income"); and (b) 90.0% 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 2010 is HK\$406.5 million and HK\$379.5 million, respectively. Accordingly, the income available for distribution, based on the Net Tax-Exempt Income, of HK\$406.5 million would be distributed to unitholders for the year ended 31 December 2010.

Before the amendment of the distribution policy on 26 March 2010, Fortune REIT's distribution policy was to distribute 100% of Net Tax-Exempt Income. The Manager had the discretion to distribute any additional amounts (including capital) which might be a negative amount, which the Manager had determined to be distributed or if thought fit by the Manager, to be transferred to or from an undistributed income reserve account. The income available for distribution for the year ended 31 December 2009 was HK\$337.8 million.

Distribution Statement (continued)

For the year ended 31 December 2010

- (ii) *The distribution per unit of 12.27 HK cents for the six months ended 30 June 2010 (six months ended 30 June 2009: 19.60 HK cents) is calculated based on the Group's income available for distribution for the period of HK\$204.6 million (six months ended 30 June 2009: HK\$161.7 million) over 1,666,597,743 units (30 June 2009: 824,879,427 units), representing issued units as at 30 June 2010 of 1,663,952,387 units (30 June 2009: 823,118,206 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 2010 of 2,645,356 units (second quarter of 2009: 1,761,221 units). The distribution amounting to HK\$204.5 million (six months ended 30 June 2009: HK\$161.7 million) was paid on 27 August 2010 (six months ended 30 June 2009: 28 August 2009).*
- (iii) *The distribution per unit of 12.08 HK cents for the six months ended 31 December 2010 (six months ended 31 December 2009: 10.60 HK cents) is calculated based on the Group's income available for distribution for the period of HK\$201.9 million (six months ended 31 December 2009: HK\$176.1 million) over 1,671,599,900 units (31 December 2009: 1,661,595,267 units), representing issued units as at 31 December 2010 of 1,669,032,247 units (31 December 2009: 1,658,765,035 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 2010 of 2,567,653 units (fourth quarter of 2009: 2,830,232 units). The distribution for the six months ended 31 December 2009 amounting to HK\$176.1 million was paid on 26 February 2010.*

Statements of Financial Position

As at 31 December 2010

	Notes	Group		Fortune REIT	
		2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
ASSETS AND LIABILITIES					
Non-current assets					
Investment in subsidiaries	12	—	—	5,470,134	5,470,134
Investment properties	13	13,300,000	11,500,000	—	—
Plant and equipment	14	—	44	—	—
Total non-current assets		13,300,000	11,500,044	5,470,134	5,470,134
Current assets					
Trade and other receivables	15	63,241	47,619	58,419	85,721
Bank balances and cash	16	506,073	515,341	457,756	473,233
Total current assets		569,314	562,960	516,175	558,954
Total assets		13,869,314	12,063,004	5,986,309	6,029,088
Non-current liabilities					
Derivative financial instruments	17	55,294	415	—	—
Borrowings	18	2,772,448	—	—	—
Deferred tax liabilities	19	148,165	132,991	—	—
Total non-current liabilities		2,975,907	133,406	—	—
Current liabilities					
Trade and other payables	20	269,747	276,474	5,907	16,946
Borrowings	18	79,000	2,786,286	—	—
Derivative financial instruments	17	—	27,097	—	—
Distribution payable		201,995	—	201,995	—
Provision for taxation		8,977	7,079	1,244	2,849
Total current liabilities		559,719	3,096,936	209,146	19,795
Total liabilities, excluding net assets attributable to unitholders		3,535,626	3,230,342	209,146	19,795
Net assets attributable to unitholders		10,333,688	8,832,662	5,777,163	6,009,293

Statements of Financial Position (continued)

As at 31 December 2010

	Notes	Group		Fortune REIT	
		2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
UNITHOLDERS' FUNDS					
Equity and reserves		—	8,832,662	—	6,009,293
Units in issue and to be issued ('000)	21	1,671,600	1,661,595		
Net asset value per unit (HK\$) attributable to unitholders	22	6.18	5.32		

Statements of Changes in Unitholders' Funds/Net Assets Attributable to Unitholders

For the year ended 31 December 2010

	Issued units HK\$'000	Unit issue costs HK\$'000	Hedging reserve HK\$'000	Retained profits HK\$'000	Total unitholders' funds attributable to unitholders of Fortune REIT HK\$'000
Group					
Balance as at 1 January 2009	4,370,531	(173,097)	(64,919)	2,023,849	6,156,364
Profit for the year, before transactions with unitholders	—	—	—	1,113,188	1,113,188
Change in fair value of derivative financial instruments under cash flow hedge	—	—	37,407	—	37,407
Total comprehensive income for the year	—	—	37,407	1,113,188	1,150,595
UNITHOLDERS' TRANSACTIONS					
Creation of units					
— Issuance of new units	1,888,973	—	—	—	1,888,973
— Unit issue costs	—	(98,496)	—	—	(98,496)
— Manager's base fee paid/payable in units	28,446	—	—	—	28,446
— Acquisition fees paid in units	20,390	—	—	—	20,390
Distribution paid to unitholders as owners of 18.51 HK cents per unit for the six months ended 31 December 2008	—	—	—	(151,934)	(151,934)
Distribution paid to unitholders as owners of 19.60 HK cents per unit for the six months ended 30 June 2009	—	—	—	(161,676)	(161,676)
Increase/(decrease) in net assets resulting from unitholders' transactions	1,937,809	(98,496)	—	(313,610)	1,525,703
Balance as at 31 December 2009	6,308,340	(271,593)	(27,512)	2,823,427	8,832,662

Statements of Changes in Unitholders' Funds/Net Assets Attributable to Unitholders (continued)

For the year ended 31 December 2010

	Issued units HK\$'000	Unit issue costs HK\$'000	Hedging reserve HK\$'000	Retained profits HK\$'000	Total net assets attributable to unitholders of Fortune REIT HK\$'000
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	—	—	—	(204,571)	(204,571)
Distribution payable of 12.08 HK cents per unit for the six months ended 31 December 2010	—	—	—	(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	—	—	—	(176,129)	(176,129)
Increase/(decrease) in net assets resulting from unitholders' transactions	37,246	—	—	(176,129)	(138,883)
Balance as at 31 December 2010	6,345,586	(271,593)	(415)	4,260,110	10,333,688

Statements of Changes in Unitholders' Funds/Net Assets Attributable to Unitholders (continued)

For the year ended 31 December 2010

	Issued units HK\$'000	Unit issue costs HK\$'000	Retained profits HK\$'000	Total unitholders' funds attributable to unitholders of Fortune REIT HK\$'000
Fortune REIT				
Balance as at 1 January 2009	4,370,531	(173,097)	1,224	4,198,658
Profit and total comprehensive income for the year, before transactions with unitholders	—	—	284,932	284,932
UNITHOLDERS' TRANSACTIONS				
Creation of units				
— Issuance of new units	1,888,973	—	—	1,888,973
— Unit issue costs	—	(98,496)	—	(98,496)
— Manager's base fee paid/payable in units	28,446	—	—	28,446
— Acquisition fees paid in units	20,390	—	—	20,390
Distribution paid to unitholders as owners of 18.51 HK cents per unit for the six months ended 31 December 2008	—	—	(151,934)	(151,934)
Distribution paid to unitholders as owners of 19.60 HK cents per unit for the six months ended 30 June 2009	—	—	(161,676)	(161,676)
Increase/(decrease) in net assets resulting from unitholders' transactions	1,937,809	(98,496)	(313,610)	1,525,703
Balance as at 31 December 2009	6,308,340	(271,593)	(27,454)	6,009,293

Statements of Changes in Unitholders' Funds/Net Assets Attributable to Unitholders (continued)

For the year ended 31 December 2010

	Issued units HK\$'000	Unit issue costs HK\$'000	Retained profits HK\$'000	Total net assets attributable to unitholders of Fortune REIT HK\$'000
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	—	—	(204,571)	(204,571)
Distribution payable of 12.08 HK cents per unit for the six months ended 31 December 2010	—	—	(201,916)	(201,916)
Total comprehensive income 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	—	—	(176,129)	(176,129)
Increase/(decrease) in net assets resulting from unitholders' transactions	37,246	—	(176,129)	(138,883)
Balance as at 31 December 2010	6,345,586	(271,593)	(296,830)	5,777,163

Statements of Cash Flows

For the year ended 31 December 2010

	Notes	Group		Fortune REIT	
		2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Operating activities					
Profit before taxation and transactions with unitholders		2,097,370	1,179,389	313,396	285,054
Adjustments for:					
Allowance for doubtful debts		3	2,138	—	—
Manager's base fees		37,246	28,446	37,246	28,446
Change in fair value of investment properties		(1,760,977)	(806,283)	—	—
Change in fair value of derivative financial instruments		54,879	—	—	—
Depreciation of plant and equipment		44	74	—	—
Interest income		(923)	(728)	(923)	(728)
Interest expense		109,750	88,159	—	—
Amortisation of front end fees		22,162	8,223	22,162	8,223
Operating cash flows before movement in working capital		559,554	499,418	371,881	320,995
(Increase)/decrease in trade and other receivables		(15,625)	1,861	5,140	68,212
(Decrease)/increase in trade and other payables		(6,727)	47,221	(11,039)	11,276
Cash generated from operations		537,202	548,500	365,982	400,483
Income tax paid		(60,999)	(66,286)	(1,761)	—
Net cash from operating activities		476,203	482,214	364,221	400,483
Investing activities					
Increase in bank deposits		(80,000)	—	(80,000)	—
Upgrading of investment properties		(39,023)	(52,717)	—	—
Interest received		923	728	923	728
Acquisition of subsidiaries	13 (i)	—	(1,415,743)	—	(1,530,910)
Acquisition of investment properties	13 (i)	—	(587,000)	—	—
Net cash used in investing activities		(118,100)	(2,054,732)	(79,077)	(1,530,182)

Statements of Cash Flows (continued)

For the year ended 31 December 2010

	Group		Fortune REIT	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Financing activities				
Distribution paid	(380,621)	(313,610)	(380,621)	(313,610)
Interest paid	(109,750)	(88,159)	—	—
Repayment of borrowings	(51,000)	—	—	—
Drawdown of borrowings	94,000	516,000	—	—
Proceeds from issue of new units, net of issue costs	—	1,810,867	—	1,810,867
Payment of front end fees	—	(80,600)	—	—
Net cash (used in)/from financing activities	(447,371)	1,844,498	(380,621)	1,497,257
Net (decrease)/increase in cash and cash equivalents	(89,268)	271,980	(95,477)	367,558
Cash and cash equivalents at beginning of the year	515,341	243,361	473,233	105,675
Cash and cash equivalents at end of the year	426,073	515,341	377,756	473,233
Represented by:				
Cash at bank and in hand	307,073	515,341	277,756	473,233
Fixed deposits with maturity date less than 3 months	119,000	—	100,000	—
	426,073	515,341	377,756	473,233

Notes to the Financial Statements

For the year ended 31 December 2010

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 (formerly known as ARA Asset Management (Singapore) 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 4, 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 80 to 133 were authorised for issue by the Manager on 25 January 2011.

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 30(a)), will receive from each of the property holding subsidiaries (the “**Property Companies**”) a fee of 3.0% per annum of gross property revenue for the provision of property management services and lease management services, with the exception of City One Shatin.

In respect of City One Shatin, the property management services are provided by Paramatta Estate Management Limited, which is not a related party of Fortune REIT. The lease management services and the marketing services are provided by the Property Manager.

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

Marketing services

For the 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 license for duration of less than 12 months.

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

1 General (continued)

(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.

(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 2010.

New and Revised IFRSs

The following New and Revised IFRSs have been adopted in these financial statements. The application of these New and Revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

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

New and Revised IFRSs (continued)

IFRS 3 (Revised) Business Combinations and IAS 27 (Revised) Consolidated and Separate Financial Statements

The Group applies IFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in IAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current period in which IFRS 3 (Revised) and IAS 27 (Revised) are applicable, the application of IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to other IFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to the other IFRSs are applicable.

Amendments to IAS 12 Deferred Tax Recovery of Underlying Assets

Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets were issued in December 2010 and are effective for annual periods beginning on or after 1 January 2012. Under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. Prior to these amendments, the Group measures deferred tax liability on investment properties based on the tax consequences that would follow from the manner in which the Manager expects to recover the carrying amount in investment properties through sale. Accordingly, the Group's accounting treatment has already followed the requirement under these amendments.

The adoption of the remaining new and revised IFRSs had no material effect on the results or financial position of 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.

IFRSs (Amendments)	Improvements to IFRSs 2010 ¹
IFRS 1 (Amendments)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters ²
IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ³
IFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets ³
IFRS 9	Financial Instruments ⁴
IAS 24 (Revised)	Related Party Disclosures ⁵
IAS 32 (Amendments)	Classification of Rights Issues ⁶
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement ⁵
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 July 2011

⁴ Effective for annual periods beginning on or after 1 January 2013

⁵ Effective for annual periods beginning on or after 1 January 2011

⁶ Effective for annual periods beginning on or after 1 February 2010

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

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

New and revised IFRSs (continued)

IFRS 9 Financial Instruments was issued in November 2009 and revised in October 2010. It introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

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 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. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Manager anticipates that IFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard will not have a significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities.

The amendments to IFRS 7 Disclosures — Transfers of Financial Assets 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.

To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers will be affected.

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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

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 applicable requirements of the Code on Collective Investment Schemes ("**CIS Code**") issued by the Monetary Authority of Singapore ("**MAS**") and the Trust Deed.

In addition, the consolidated and Fortune REIT's separate financial statements include the relevant disclosure requirements set out in Appendix C of the Code of Real Estate Investment Trusts ("**REIT Code**") issued by the Securities and Futures Commission of Hong Kong ("**SFC**") and the Rules Governing the Listing of Securities on the SEHK.

In accordance with the amended Trust Deed, the Group has adopted IFRSs with effect from the first quarter of 2010. Prior to 2010, the Group prepared its financial statements in accordance with the provisions of Singapore Financial Reporting Standards. The adoption of IFRSs does not result in changes to the Group's accounting policies and accordingly no adjustments were made to prior or current accounting periods and no reconciliation of the Group's equity and total comprehensive income has been prepared under IFRS 1 "First-time Adoption of International Financial Reporting Standards".

(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 2010. 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

3 Significant Accounting Policies (continued)

(d) *Investment properties*

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

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for 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 item is derecognised.

(e) *Plant and equipment*

Plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment loss.

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

(f) *Financial instruments*

Financial assets and financial liabilities are recognised in the statement of financial position 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 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. Interest income is recognised on an effective interest basis.

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

3 Significant Accounting Policies (continued)

(f) *Financial instruments (continued)*

Impairment of financial assets

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for 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 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. Changes in the carrying amount of the allowance account are recognised in profit or loss. When such receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to 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.

Before the amendments to the Trust Deed on 26 March 2010, the units issued by Fortune REIT are classified as equity and recorded at the net proceeds received. In accordance with the amended Trust Deed, the issued units are compound instruments in accordance with IAS 32 "Financial Instruments: Presentation". Details are set out in Note 21.

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, distribution 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 2010

3 Significant Accounting Policies (continued)

(f) *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. 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.

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

3 Significant Accounting Policies (continued)

(g) *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.

(h) *Revenue recognition*

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

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

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

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

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

(i) *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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

3 Significant Accounting Policies (continued)

(j) *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.

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.

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

(k) *Impairment of assets*

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset 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 the asset 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 the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(l) *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.

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 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

3 Significant Accounting Policies (continued)

(l) *Taxation (continued)*

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. Specifically, deferred tax liabilities have not been provided on the fair value changes on investment properties as the Manager expects to recover the property value through sale, the gain of which is not subject to tax. Deferred tax is charged or credited to profit or loss, except when it relates to items recognised in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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

4 Key Sources of Estimation Uncertainty

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

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

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

(a) *Valuation of the investment properties*

As described in Notes 3(d) and 13, investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, 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 certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices.

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

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 (2009: 14) properties as at 31 December 2010 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 operating segment and no further analysis for segment information is presented.

6 Revenue

	Group		Fortune REIT	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Dividend income	—	—	409,198	340,462
Base rental	593,128	498,939	—	—
Charge-out collections	160,806	133,527	—	—
Short term rental	81,702	67,530	—	—
Other income	1,627	1,358	—	—
	837,263	701,354	409,198	340,462

The short term rental include contingent rents of HK\$3.3 million (2009: HK\$1.1 million), license fees and carpark revenue.

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

7 Property Operating Expenses

	Group	
	2010 HK\$'000	2009 HK\$'000
Utilities	34,038	28,549
Government rents and rates	31,390	23,189
Contribution to estate common area	21,156	20,305
Staff costs	33,580	25,253
Services contracts and maintenance	24,310	32,040
Manager's performance fee	18,458	15,299
Property manager fee	19,265	16,190
Carpark expenses	9,868	8,388
Advertising and promotion	8,089	8,435
Audit fees paid to		
— Auditor of subsidiaries	1,090	890
— Internal auditor of subsidiaries	400	340
Allowance for doubtful debts	3	2,138
Depreciation of plant and equipment	44	74
Legal and other professional fees	5,586	4,581
Bank charges	447	270
Leasing commission	20,284	10,451
Valuation fees (paid to principal valuer)	312	328
Public relation expenses	458	—
Other operating expenses	11,661	9,974
	240,439	206,694

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

8 Trust Expenses/(Income)

	Group		Fortune REIT	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Audit fees paid to auditor of Fortune REIT	676	503	676	503
Professional fees	398	1,029	398	1,029
Non-deal roadshow expense	2	95	2	95
Trustee's fee	4,068	2,812	4,068	2,812
Listing expenses for dual primary listing in Hong Kong (note (i))	30,000	—	30,000	—
GST refund (note (ii))	—	(8,521)	—	(8,521)
Transaction costs for acquisition of properties (note (iii))	—	—	—	22,013
Amortisation of front end fees (note (iii))	—	—	22,162	8,223
Other charges	2,363	1,561	2,363	1,561
	37,507	(2,521)	59,669	27,715

Notes:

- (i) This amount included HK\$1.0 million to auditors for non-audit services fee.
- (ii) The amount in 2009 represented concession refund of Goods and Services Tax ("GST") expenses for prior years from Inland Revenue Authority of Singapore to all qualifying Singapore REIT's in 2009 in relation to GST expenses paid in previous years.
- (iii) These amounts relate to expenses incurred by Fortune REIT on behalf of its subsidiaries which are not recharged to the subsidiaries.

9 Borrowing Costs

	Group	
	2010 HK\$'000	2009 HK\$'000
Interest expense on		
— term loans	46,540	25,932
— revolving loan	59	15
Equalisation of interest expense through cash flow hedge	55,081	61,819
Amortisation of commitment fee	8,070	393
Amortisation of front end fees	22,162	8,223
	131,912	96,382

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

10 Income Tax Expense

	Group		Fortune REIT	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Current tax:				
— Hong Kong	62,747	50,528	—	—
— Singapore	156	122	156	122
— Over provision in prior years	(6)	—	—	—
	62,897	50,650	156	122
Deferred taxation (Note 19)	15,174	15,551	—	—
	78,071	66,201	156	122

Fortune REIT's subsidiaries in Hong Kong are subject to Hong Kong profits tax at 16.5% (2009: 16.5%).

Fortune REIT, which is established in Singapore, is subject to Singapore income tax at 17% (2009: 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 real properties) which have been subject to Hong Kong Profits Tax at a rate of not less than 15%.

(ii) Taxable Income

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

(iii) Non-Taxable Capital Gain

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

10 Income Tax Expense (continued)

The income tax expenses varied from the amount of income tax determined by applying the Hong Kong income tax rate of 16.5% (2009: 16.5%) to the profit before taxation and transactions with unitholders as a result of the following differences:

	Group		Fortune REIT	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Profit before taxation and transactions with unitholders	2,097,370	1,179,389	313,396	285,054
Tax at the applicable income tax rate	346,066	194,599	51,710	47,034
Tax effect of expenses not deductible for tax purpose	26,109	5,651	15,990	9,261
Tax effect of income not taxable for tax purpose	(294,103)	(134,053)	(67,549)	(56,177)
Effect of different tax rates of overseas operations	5	4	5	4
Over provision in prior years	(6)	—	—	—
Taxation for the year	78,071	66,201	156	122

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

11 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	
	2010 HK\$'000	2009 HK\$'000
Profit for the year, before transactions with unitholders	2,019,299	1,113,188
Weighted average number of units outstanding during the year Number of units ('000)	1,666,986	1,003,312
Basic earnings per unit (HK cents)	121.13	110.95

The weighted average number of units outstanding during the year takes into account the 2,567,653 (2009: 2,830,232) units issuable as base fee for the period from 1 October 2010 to 31 December 2010 (2009: 1 October 2009 to 31 December 2009), which were issued to the Manager on 5 January 2011 (2009: 7 January 2010).

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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

12 Investments in Subsidiaries

	Fortune REIT	
	2010 HK\$'000	2009 HK\$'000
Unquoted ordinary shares, at cost	3,103,750	3,103,750
Unquoted preference shares, at cost	2,366,384	2,366,384
	5,470,134	5,470,134

Saved as disclosed in note (iii) below, the following companies are subsidiaries of Fortune REIT as at 31 December 2010 and 2009:

Name of company	Country/place of incorporation	Effective equity interest held by Fortune REIT		Nominal value of issued and fully paid capital			Principal activities
		2010 %	2009 %	Ordinary shares	Redeemable preference shares	Non-voting deferred shares	
				HK\$	HK\$	HK\$	
<i>Direct subsidiaries</i>							
Mightypattern Limited	Hong Kong	100	100	800	—	—	Investment holding
Poko Shine Limited	Hong Kong	100	100	2	336,000	—	Property investment in Ma On Shan Plaza
Marvel Point Investments Limited	British Virgin Islands	100	100	78	—	—	Investment holding
Vision Million Limited	British Virgin Islands	100	100	8	810,000	—	Property investment in The Metropolis Mall
Waldorf Realty Limited	Hong Kong	100	100	210,000	—	210,000	Property investment in Waldorf Garden Property
Genuine Joy Limited	British Virgin Islands	100	100	8	328,000	—	Property investment in Caribbean Bazaar
Quick Switch Limited	British Virgin Islands	100	100	8	79,000	—	Property investment in Smartland

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

12 Investments in Subsidiaries (continued)

Name of company	Country/place of incorporation	Effective equity interest held by Fortune REIT		Nominal value of issued and fully paid capital			Principal activities
		2010 %	2009 %	Ordinary	Redeemable	Non-voting	
				shares	preference	deferred	
				shares	shares	shares	
				HK\$	HK\$	HK\$	
<i>Direct subsidiaries (continued)</i>							
Team Challenge Limited	British Virgin Islands	100	100	8	95,620	—	Property investment in Tsing Yi Square Property
Yee Pang Realty Limited	Hong Kong	100	100	10,000	8,000	—	Property investment in Jubilee Court Shopping Centre
Art Full Resources Limited	Hong Kong	100	100	2	60,000	—	Property investment in Household Center
Ace Courage Limited	British Virgin Islands	100	100	8	56,059	—	Property investment in Centre de Laguna Property
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 Garden Property
Proven Effort Limited	British Virgin Islands	100	100	8	17,495	—	Property investment in Rhine Garden Property
<i>Indirect subsidiaries</i>							
Maxon Investment Limited (note (iii))	Hong Kong	—	100	2	—	—	Dissolved
Pinelink Investment Limited	British Virgin Islands	100	100	8	—	—	Investment holding

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

12 Investments in Subsidiaries (continued)

Name of company	Country/place of incorporation	Effective equity interest held by Fortune REIT		Nominal value of issued and fully paid capital			Principal activities
		2010 %	2009 %	Ordinary shares HK\$	Redeemable preference shares HK\$	Non-voting deferred shares HK\$	
<i>Indirect subsidiaries (continued)</i>							
Million Nice Development Limited	Hong Kong	100	100	2	—	—	Property investment in City One Shatin Property
Prostar Resources Limited	British Virgin Islands	100	100	8	—	—	Investment holding
Colour Sky International Limited (note (iii))	Hong Kong	—	100	2	—	—	Dissolved
Mega Gain Resources Limited	Hong Kong	100	100	1	436,400	—	Property investment in Metro Town

Notes:

- (i) All redeemable preference shares are held by Fortune REIT.
The redeemable preference shares issued by the subsidiaries are redeemable at the option of the subsidiaries and they have the following terms:
- They do not carry out any right to dividend;
 - They are not participating (i.e. there is no right to participate in the surplus profits of the subsidiary after payment of dividend to the holders of the ordinary shares);
 - They do not have any voting rights at general meetings of the subsidiary;
 - In the event of a winding up of the subsidiary, the holders of the redeemable preference shares have priority over the holders of the ordinary shares to repayment of capital and premium paid on the issue of such redeemable preference shares, but that the holders of the redeemable preference shares are not entitled to participate in the surplus assets (if any) of the subsidiary; and
 - Each redeemable preference share is redeemable at any time at the option of the subsidiary at a redemption price equal to the issue price thereof.
- (ii) The place of operations of the above subsidiaries is in Hong Kong.
- (iii) Maxon Investment Limited and Colour Sky International Limited were dissolved during the year 2010.
- (iv) 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 2010

13 Investment Properties

	Group	
	2010 HK\$'000	2009 HK\$'000
FAIR VALUE		
At beginning of year	11,500,000	8,602,000
During the year:		
Acquisition of investment properties (note (i))	—	2,039,000
Capital expenditure incurred	39,023	52,717
Change in fair value of investment properties	1,760,977	806,283
At end of year	13,300,000	11,500,000

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	
					2010 HK\$'000	2009 HK\$'000
City One Shatin Property	Leasehold	99 years	36.5 years	No. 1 & 2 Ngan Shing Street, 6 Lok Shing Street, Shatin, New Territories, Hong Kong	4,146,000	3,548,000
Ma On Shan Plaza	Leasehold	55.5 years	36.5 years	No. 608 Sai Sha Road, Ma On Shan, Shatin, New Territories, Hong Kong	2,376,000	1,974,000
Metro Town	Leasehold	50 years	42 years	No. 8 King Ling Road, Tseung Kwan O, Hong Kong	1,775,000	1,544,000
The Metropolis Mall	Leasehold	50.5 years	36.5 years	No. 6–10 Metropolis Drive, The Metropolis Mall, Kowloon, Hong Kong	1,589,000	1,413,000
Waldorf Garden Property	Leasehold	99 years	36.5 years	No. 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong	925,000	810,000

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

13 Investment Properties (continued)

Description of property	Tenure of land	Terms of leases	Remaining term of lease	Location	Valuation	
					2010 HK\$'000	2009 HK\$'000
Caribbean Bazaar	Leasehold	50 years	36.5 years	No. 1 Kin Tung Road, Tung Chung, New Territories, Hong Kong	511,000	449,000
Smartland	Leasehold	149 years	36.5 years	No. 16 Tsuen Wah Street, Tsuen Wan, New Territories, Hong Kong	411,000	376,000
Tsing Yi Square Property	Leasehold	99 years	36.5 years	No. 7–19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong	364,000	314,000
Jubilee Court Shopping Centre	Leasehold	149 years	36.5 years	No. 2–18 Lok King Street, Fo Tan, Shatin, New Territories, Hong Kong	355,000	304,000
The Household Center	Leasehold	50 years	37.5 years	No. 8 King Lai Path, Kwai Chung, New Territories, Hong Kong	302,000	274,000
Centre de Laguna Property	Leasehold	58 years	36.5 years	93/99 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong	185,000	166,000
Hampton Loft	Leasehold	50 years	39 years	No. 11 Hoi Fan Road, Kowloon, Hong Kong	177,000	164,000

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

13 Investment Properties (continued)

Description of property	Tenure of land	Terms of leases	Remaining term of lease	Location	Valuation	
					2010 HK\$'000	2009 HK\$'000
Lido Garden Property	Leasehold	149 years	36.5 years	No. 41–63 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong	111,000	100,000
Rhine Garden Property	Leasehold	57 years	36.5 years	No. 38 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong	73,000	64,000
					13,300,000	11,500,000

Notes:

- (i) On 15 October 2009, Fortune REIT acquired Hampton Loft, Caribbean Bazaar and Metro Town from subsidiaries of a significant unitholder. Hampton Loft and Caribbean Bazaar were acquired by Full Belief Limited and Genuine Joy Limited respectively, at a total consideration of HK\$587 million (the "**Acquisition of investment properties**") while Metro Town was acquired through the purchase of a 100% interest in the issued share capital of Marvel Point Investments Limited and its subsidiary, Mega Gain Resources Limited for a cash consideration of HK\$1,421 million with adjustment on the net current assets/liabilities as at completion date of acquisition (the "**Acquisition of subsidiaries**"). The Acquisition of subsidiaries has been accounted for as acquisition of assets and liabilities as they do not meet the definition of a business combination.

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

13 Investment Properties (continued)

Notes: (continued)

The above acquisitions were partly financed by net proceeds from the rights issue of HK\$1,528 million as well as a term loan of HK\$480 million and details are as follows:

	Acquisition of investment properties HK\$'000	Acquisition of subsidiaries HK\$'000	Total HK\$'000
Investment properties	587,000	1,452,000	2,039,000
Plant and equipment	—	1	1
Cash and cash equivalents	—	5,450	5,450
Trade and other receivables	—	14,829	14,829
Trade and other payables	—	(34,793)	(34,793)
Provision for taxation	—	(13,631)	(13,631)
Deferred tax liabilities	—	(2,663)	(2,663)
Total consideration, satisfied by cash	587,000	1,421,193	2,008,193
Net cash outflow arising on acquisition			
Cash consideration paid	(587,000)	(1,421,193)	(2,008,193)
Cash and cash equivalents acquired	—	5,450	5,450
	(587,000)	(1,415,743)	(2,002,743)

- (ii) On 31 December 2010 and 2009, an independent valuation was undertaken by Savills Valuation and Professional Services Limited. This firm is an independent qualified professional valuer 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 other lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yields derived from analysing the sales transactions and the valuer's knowledge of the market expectation from property investors.
- (iii) 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.
- (iv) Certain properties with total fair value of HK\$9,557.0 million (2009: HK\$10,386.0 million) as at 31 December 2010 have been mortgaged as collaterals for credit facilities granted by the banks.

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

14 Plant and Equipment

	Group	
	2010	2009
	HK\$'000	HK\$'000
Cost:		
At beginning of year	412	411
Acquisition of properties (Note 13(ii))	—	1
At end of year	412	412
Accumulated depreciation:		
At beginning of year	368	294
Depreciation for the year	44	74
At end of year	412	368
Carrying value:		
At end of year	—	44

Plant and equipment comprises office equipment, furniture and fittings which are depreciated on straight-line basis at 20% to 33.3% per annum.

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

15 Trade and Other Receivables

	Group		Fortune REIT	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
(a) Trade receivables				
Outside parties	27,794	25,871	—	—
Less: allowance for doubtful debts	(3)	(4,216)	—	—
	27,791	21,655	—	—
(b) Other receivables and prepayments				
Security deposits	17,404	17,119	—	—
Other receivables	930	54	923	11
GST receivables	1,159	7,296	1,159	7,296
Prepayments	15,957	1,495	56,337	78,414
	35,450	25,964	58,419	85,721
Total	63,241	47,619	58,419	85,721

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	
	2010 HK\$'000	2009 HK\$'000
1–30 days	27,772	17,936
31–90 days	5	3,715
Over 90 days	14	4
	27,791	21,655

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

15 Trade and Other Receivables (continued)

There is no credit period given on billing for rental of properties. No interest is charged on the trade receivables for the first 10 days from the date of the invoice. Interest will be charged on the outstanding amount overdue for more than 10 days at the rate of 12% per annum.

Included in the Group's trade receivable balance are debtors with a carrying amount of HK\$27.8 million (2009: HK\$ 21.7 million) which are past due as at the reporting date for which the Group has not provided for doubtful debts as there has not been a significant change on credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 30 days (2009: 30 days).

Fortune REIT's prepayments relate to front end fees of HK\$56.3 million (2009: HK\$78.4 million) as at 31 December 2010.

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 are specific trade receivables with a total balance of HK\$0.003 million (2009: HK\$4.2 million) as at 31 December 2010.

Movement in the allowance for doubtful debts:

	Group	
	2010 HK\$'000	2009 HK\$'000
At beginning of year	4,216	2,380
Amounts written off during the year	(4,216)	(302)
Increase in allowance recognised in profit or loss	3	2,138
At end of year	3	4,216

All the trade and other receivables are denominated in Hong Kong dollars.

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

16 Bank Balances and Cash

	Group		Fortune REIT	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Cash at bank and in hand	307,073	515,341	277,756	473,233
Fixed deposits with maturity date less than 3 months	119,000	—	100,000	—
Cash and cash equivalents	426,073	515,341	377,756	473,233
Fixed deposits with maturity date more than 3 months	80,000	—	80,000	—
	506,073	515,341	457,756	473,233
Effective interest rate per annum	0.68%	—	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 Fortune REIT	
	2010 HK\$'000	2009 HK\$'000
Denominated in:		
Singapore dollars	1,481	3,143

17 Derivative Financial Instruments

	Group	
	2010 HK\$'000	2009 HK\$'000
Cash flow hedges — interest rate swaps		
— Current	—	27,097
— Non-current	55,294	415
	55,294	27,512

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 borrowing from floating rates to fixed rates.

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

17 Derivative Financial Instruments (continued)

Contracts with notional amount of HK\$614.5 million (2009: HK\$614.5 million) as at 31 December 2010 will mature in March 2014 while HK\$800.5 million (2009: nil) will mature in December 2014. Contracts with notional amount of HK\$1,734.2 million as at 31 December 2009 matured on 28 June 2010. These contracts have fixed interest payments at rates ranging from 2.44% to 2.91% (2009: 2.38% to 5.12%) per annum for the year ended 31 December 2010 and have floating interest receipts at three months Hong Kong Inter-bank Offer Rate (“**HIBOR**”) repricing every three months. Loss resulting from ineffective hedge of these derivative financial instruments amounting to HK\$54.9 million (2009: nil) is recognised in profit or loss in the statement of comprehensive income for the year ended 31 December 2010. The effective portion of the change in fair value of these derivative financial instruments amounting to HK\$27.1 million (2009: HK\$37.4 million) is recognised in other comprehensive income for the year ended 31 December 2010. The net fair value of derivative financial instruments represented 0.5% (2009: 0.3%) of the net assets of Fortune REIT as at 31 December 2010.

The fair values of financial derivative 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	
	2010 HK\$'000	2009 HK\$'000
Secured term loans	2,828,700	2,828,700
Secured revolving loans	79,000	36,000
Less: unamortised front end fees	(56,252)	(78,414)
	2,851,448	2,786,286
Carrying amount repayable:		
On demand or within one year	79,000	2,786,286
More than one year, but not more than five years	2,772,448	—
	2,851,448	2,786,286
Less: Amount due within one year shown under current liabilities	(79,000)	(2,786,286)
	2,772,448	—

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

18 Borrowings (continued)

- (i) In relation to the term loans and revolving credit facility of HK\$2,650.0 million under the facility agreement for a term of five years from 28 June 2005 (the “**2005 Facilities**”), the amounts outstanding under the facilities drawn down by certain subsidiaries as at 31 December 2009 was HK\$2,384.7 million. The 2005 Facilities were secured by, *inter alia*, a mortgage over certain investment properties and bore interest at HIBOR plus a margin. During the year 2010, the drawn down amount in the 2005 Facilities has been fully refinanced by new loan facility set out in note (ii) below.
- (ii) In relation to the term loan and revolving credit facility of HK\$3,100.0 million under the facility agreement for a term of four years from 15 October 2009 (the “**2009 Facility**”), the amounts outstanding under the facilities drawn down by certain subsidiaries as at 31 December 2010 was HK\$2,907.7 million (2009: HK\$480.0 million). The 2009 Facility is used to refinance the 2005 Facilities. The 2009 Facility is secured by, *inter alia*, interests in certain subsidiaries and a mortgage over certain investment properties and bears interest at HIBOR plus a margin of 2.0% per annum. In addition, the Trustee (in its capacity as trustee of Fortune REIT) has provided a guarantee for the 2009 Facility.
- (iii) Included in the loan obligations as at 31 December 2010 are front end fees of HK\$80.6 million (2009: HK\$100.7 million) paid 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 the accumulated amortisation are as follows:

	Group	
	2010 HK\$'000	2009 HK\$'000
At beginning of year	100,725	20,125
Addition	—	80,600
Matured during the year	(20,125)	—
At end of year	80,600	100,725
Movement in accumulated amortisation:		
At beginning of year	(22,311)	(14,088)
Matured during the period	20,125	—
Amortised during the year	(22,162)	(8,223)
At end of year	(24,348)	(22,311)
Net book values	56,252	78,414

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

18 Borrowings (continued)

(iv) The effective interest rates and repricing analysis:

	Effective interest rate		Carrying value		Repricing within 3 months	
	2010	2009	2010	2009	2010	2009
	%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest bearing borrowing — Group						
Term loan — fixed rate	3.96	3.64	1,415,000	2,348,700	1,415,000	2,348,700
Term loan — variable rate	3.67	2.15	1,413,700	480,000	1,413,700	480,000
Revolving loan	2.41	0.48	79,000	36,000	79,000	36,000
			2,907,700	2,864,700	2,907,700	2,864,700

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	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Group						
At beginning of year	138,260	120,046	(5,269)	(5,269)	132,991	114,777
Acquisition of subsidiaries (Note 13(i))	—	2,663	—	—	—	2,663
Charge to profit or loss for the year	13,272	15,551	1,902	—	15,174	15,551
At end of year	151,532	138,260	(3,367)	(5,269)	148,165	132,991

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

20 Trade and Other Payables

	Group		Fortune REIT	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
(a) Trade payables				
Tenants' deposits				
— Outside parties	189,909	177,197	—	—
— Related parties (Note 30)	6,616	9,288	—	—
Rental received in advance				
— Outside parties	7,572	10,158	—	—
	204,097	196,643	—	—
(b) Other payables				
Trustee's fee	753	564	753	564
Other expenses				
— Outside parties	35,889	42,466	1,864	1,768
— Related parties (Note 30)	21,164	19,255	—	—
— Manager (Note 30)	3,188	—	—	—
Interest payable	1,089	2,176	—	—
Others				
— Outside parties	3,567	12,223	3,290	11,467
— Related parties (Note 30)	—	3,147	—	3,147
	65,650	79,831	5,907	16,946
Total	269,747	276,474	5,907	16,946

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\$122.3 million (2009: HK\$111.6 million) as at 31 December 2010.

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

	Group and Fortune REIT	
	2010 HK\$'000	2009 HK\$'000
Denominated in:		
Singapore dollars	1,125	547

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

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”.

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

	Group and Fortune REIT			
	2010 Number of units ‘000	2009 Number of units ‘000	2010 HK\$‘000	2009 HK\$‘000
At beginning of year	1,661,595	820,819	6,308,340	4,370,531
Issue of new units during the year:				
Rights issue	—	824,879	—	1,888,973
As payment of Manager’s base fee	7,437	6,695	27,189	19,750
As payment of Manager’s acquisition fees	—	6,372	—	20,390
Balance in issue	1,669,032	1,658,765	6,335,529	6,299,644
New units to be issued:				
As payment of Manager’s base fee for the period from 1 October to 31 December 2010 (1 October to 31 December 2009)	2,568	2,830	10,057	8,696
At end of year	1,671,600	1,661,595	6,345,586	6,308,340

Notes:

- (i) Manager’s base fee paid to the Manager is in the form of units. 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 2010 to 31 December 2010. On 7 January 2010, Fortune REIT issued 2,830,232 units at an issue price of HK\$3.0725 per unit to the Manager as base fee for the period from 1 October 2009 to 31 December 2009.
- (ii) On 15 October 2009, Fortune REIT, via a rights issue exercise, issued 824,879,427 units at an issue price of HK\$2.29 per unit.
- (iii) On 16 October 2009, Fortune REIT issued 6,371,875 units to the Manager at HK\$3.20 per unit as acquisition fees for the acquisition of 3 new properties (Note 13(i)).

Notes to the Financial Statements (continued)

For the year ended 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\$10,333.7 million (2009: unitholders' funds of HK\$8,832.7 million) and the total number of 1,671,599,900 (2009: 1,661,595,267) units in issue or to be issued, including the new units to be issued as payment of Manager's base fee.

23 Unit Issue Costs

The unit issue costs consist of rights issue expenses and the Manager's acquisition fees, payable in cash and units.

24 Net Current Assets

As at 31 December 2010, the Group's net current assets, defined as current assets less current liabilities, amounted to HK\$9.6 million (2009: net current liabilities HK\$2,534.0 million).

25 Total Assets Less Current Liabilities

As at 31 December 2010, the Group's total assets less current liabilities amounted to HK\$13,309.6 million (2009: HK\$8,966.1 million).

26 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/unitholders' funds, and to ensure that all 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/unitholders' funds comprising issued units, reserves and retained profits. Fortune REIT and the Group are required to maintain the aggregate borrowings of HK\$2,907.7 million (2009: HK\$2,864.7 million) not exceeding 35% (2009: 35%) of the gross asset value of the Group's investment properties in accordance to the Trust Deed.

The management's strategy remains unchanged for prior year. Fortune REIT and the Group is in compliance with externally imposed capital requirements for the year ended 31 December 2010.

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

27 Financial Instruments

(a) Categories of financial instruments

	Group		Fortune REIT	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Financial assets				
<i>Loans and receivables</i>				
Trade and other receivables	47,284	46,124	2,082	7,307
Bank balances and cash	506,073	515,341	457,756	473,233
	553,357	561,465	459,838	480,540
Financial liabilities				
<i>Amortised cost</i>				
Other payables	38,120	50,018	5,732	16,772
Distribution payable	201,995	—	201,995	—
Borrowings	2,851,448	2,786,286	—	—
	3,091,563	2,836,304	207,727	16,772
<i>Fair value</i>				
Derivative financial instruments	55,294	27,512	—	—

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

27 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 instruments at the end of reporting period and the stipulated changes taking place at the beginning of financial year and held constant throughout the financial period in the case of financial instruments that bear interest at floating rates. A range of 25 to 75 basis points (2009: 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 possible change in interest rates.

If the interest rates have been higher or lower and all other variables were held constant, the Group's profit for the following 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	
	2010 HK\$'000	2009 HK\$'000
25 basis points	3,534	253
50 basis points	7,069	506
75 basis points	10,603	759

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

27 Financial Instruments (continued)

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

Interest rate risk (continued)

Conversely, if the interest rates were to decline, the effect on the Group would be an increase in the Group's result by the amount shown above.

No interest rate sensitivity analysis in relation to interest bearing financial assets of the Group and Fortune REIT are presented since the Manager considers that the interest rate risk exposure on the interest bearing financial assets 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.

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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

27 Financial Instruments (continued)

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

Foreign currency risk

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

The carrying amounts of monetary assets denominated in currencies other than their functional currency arise from Singapore dollars (“S\$”) denominated bank balances and deposits amounting to S\$0.2 million (2009: S\$0.6 million) as at 31 December 2010. The foreign currency risk is managed by the Manager on an ongoing basis as well as minimising the bank balance in Singapore dollars.

If HK\$ were to strengthen against S\$ by 5%, 10% and 15% (2009: 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	
	2010 HK\$’000	2009 HK\$’000
5%	74	157
10%	148	314
15%	222	471

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

27 Financial Instruments (continued)

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

Liquidity risk

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

Liquidity risk analysis

The Group's derivative financial instruments are interest rate swaps with notional amount totaling HK\$1,415.0 million (2009: HK\$2,348.7 million) as at 31 December 2010 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 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 (inflows) 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 are prepared based on the contractual maturities as the management consider the contractual maturities are essential for an understanding of the timing of the cash flows of the derivatives.

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 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 2010

27 Financial Instruments (continued)

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

Liquidity risk (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
2009							
Non-derivative financial liabilities							
Tenants' deposits	—	27,135	47,712	67,437	44,201	186,485	186,485
Other payables	—	50,018	—	—	—	50,018	50,018
Bank borrowings — variable rate	0.81	41,706	2,834,328	—	—	2,876,034	2,786,286
Cash outflow		118,859	2,882,040	67,437	44,201	3,112,537	3,022,789
Derivative — net settlement							
Derivative financial instruments, cash outflow (inflow)		17,526	24,630	6,309	(12,241)	36,224	27,512

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 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
2009						
Non-derivative financial liabilities						
Other payables	16,772	—	—	—	16,772	16,772

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

27 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.

28 Operating Lease Arrangements

	Group	
	2010 HK\$'000	2009 HK\$'000
Minimum lease income under operating leases included in revenue	593,128	498,939

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

	Group	
	2010 HK\$'000	2009 HK\$'000
Within one year	554,772	481,760
In the second to fifth years inclusive	471,351	376,791
Over five years	7,361	19,391
	1,033,484	877,942

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 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%.

29 Major Non-Cash Transaction

During the year, HK\$2,348.7 million was drawn down from 2009 Facility to refinance the 2005 Facilities directly.

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

30 Connected and Related Party Transactions

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

	Notes	2010 HK\$'000	2009 HK\$'000
Rent and rental related income from			
AMTD Strategic Capital Limited	(a)	5,946	1,289
A.S. Watson Group (HK) Limited	(b)	81,641	68,049
Big Sky Resources Limited	(a)	48	10
Cheung Kong Property Development Limited	(a)	18,502	15,626
Citybase Property Management Limited	(a)	3,950	1,539
Hang Seng Bank Limited	(c)	2,732	2,732
Hutchison Telephone Company Limited	(b)	5,086	4,547
Hutchison Telecommunications Services Limited	(b)	44	—
Perfect Idea Limited	(a)	4,467	1,489
The Hongkong and Shanghai Banking Corporation Limited (“HSBC”)	(c)	2,982	2,780
Towerich Limited	(a)	85	67
Carpark lease agency fee for the operations of the Group’s carpark			
E-Park Parking Management Limited	(a)	2,228	1,665
Property management fee			
Citybase Property Management Limited	(a)	733	707
Goodwell-Fortune Property Services Limited	(a)	18,183	15,145
Goodwell Property Management Limited	(a)	122	122
Guardian Property Management Limited	(g)	1,261	1,261
Leasing commission			
Goodwell-Fortune Property Services Limited	(a)	19,773	9,922
Advertising and promotion expenses			
Metro Broadcast Corporation Limited	(d)	1,010	—
Trustee’s fee			
HSBC Institutional Trust Services (Singapore) Limited		4,068	2,812
Manager’s base fee			
ARA Asset Management (Fortune) Limited	(e)	37,246	28,446
Manager’s performance fee			
ARA Asset Management (Fortune) Limited	(e)	18,458	15,299
Back-office support service fee			
Cheung Kong (Holdings) Limited	(f)	521	419
Valuation and other fees			
Savills Valuation and Professional Services Limited	(h)	1,026	598

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

30 Connected and Related Party Transactions (continued)

		2010 HK\$'000	2009 HK\$'000
Balance with connected and related companies are as follows:			
Group			
ARA Asset Management (Fortune) Limited	(e)	3,188	—
Citybase Property Management Limited	(a)	10,603	8,536
E-Park Parking Management Limited	(a)	212	331
Goodwell-Fortune Property Services Limited	(a)	3,532	4,910
Goodwell Property Management Limited	(a)	6,657	5,478
Metro Broadcast Corporation Limited	(d)	160	—
Mcbride International Limited	(a)	—	3,147
		24,352	22,402
Fortune REIT			
Mcbride International Limited	(a)	—	3,147
Deposits placed with the Group for the lease of the Group's properties			
AMTD Strategic Capital Limited	(a)	1,592	1,639
A.S. Watson Group (HK) Limited	(b)	679	3,280
Big Sky Resources Limited	(a)	8	8
Citybase Property Management Limited	(a)	839	839
Hang Seng Bank Limited	(c)	711	711
HSBC	(c)	935	702
Hutchison Telephone Company Limited	(b)	675	920
Perfect Idea Limited	(a)	1,154	1,155
Towerich Limited	(a)	23	34
		6,616	9,288

Notes to the Financial Statements (continued)

For the year ended 31 December 2010

30 Connected and Related Party Transactions (continued)

Notes:

- (a) *These companies are the subsidiaries of Cheung Kong (Holdings) Limited (“**Cheung Kong**”) (see note (f)).*
- (b) *These companies are the subsidiaries of Hutchison Whampoa Limited, an associate of CKH and a unitholder of Fortune REIT.*
- (c) *These companies are the fellow subsidiaries of the Trustee.*
- (d) *The company is an associate of Cheung Kong.*
- (e) *The company is the Manager of Fortune REIT.*
- (f) *The company is one of the largest unitholders with approximately 31% holding of the outstanding units of Fortune REIT.*
- (g) *The company is a subsidiary of the principal valuer of investment properties.*
- (h) *The company is the principal valuer of investment properties.*

Besides those stated in Note 13(i), HK\$20.4 million was paid in the form of 6,371,875 units to the Manager as acquisition fees in respect of the acquisition of three new properties on 15 October 2009.

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

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	48.8	24.1%
Citybase Property Management Limited	Building Management	43.5	21.5%
Martin Construction Company Limited	Projects and maintenance	27.5	13.6%
Goodwell Property Management Limited	Building Management	27.0	13.4%
Paramatta Estate Management Limited	Building Management	20.6	10.2%
Total		167.4	82.8%

Performance Table

	Year ended 31 December 2010	Year ended 31 December 2009	Year ended 31 December 2008	Year ended 31 December 2007	Year ended 31 December 2006
Net assets attributable to unitholders (HK\$'000)	10,333,688	8,832,662	6,156,364	7,306,249	6,865,753
Net asset value per unit (HK\$)	6.18	5.32	7.50	8.99	8.50
The highest traded price during the year (HK\$)	4.15	4.20	5.65	6.80	6.50
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\$)	2.92	2.02	1.58	5.00	5.55
The highest discount of the traded price to net asset value	52.75%	62.03%	78.93%	44.38%	34.71%
The net yield per unit ²	6.08%	9.65%	18.65%	6.74%	5.81%

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

Unitholders' Statistics

Issued and Fully Paid-Up Units

as at 28 February 2011

Date	Event	No of Units	Amount (HK\$)	Price (HK\$)
12 August 2003	Initial public offering	473,000,000	2,234,045,650 ¹	4.7500
16 October 2003	Manager's base fee	285,275	1,318,969	4.6235
13 January 2004	Manager's base fee	508,329	2,562,639	5.0413
1 April 2004	Manager's base fee	491,656	2,534,746	5.1556
2 July 2004	Manager's base fee	471,649	2,534,783	5.3743
1 October 2004	Manager's base fee	411,900	2,562,636	6.2215
12 January 2005	Manager's base fee	501,966	3,163,791	6.3028
6 April 2005	Manager's base fee	460,047	3,095,012	6.7276
28 June 2005	Equity fund raising	318,796,148	1,986,100,002	6.2300
18 July 2005	Acquisition fee	5,520,064	34,389,999	6.2300
18 July 2005	Manager's base fee	496,797	3,189,039	6.4192
3 October 2005	Manager's base fee	977,811	5,907,152	6.0412
16 January 2006	Manager's base fee	1,124,236	6,496,960	5.7790
6 April 2006	Manager's base fee	995,742	6,355,722	6.3829
5 July 2006	Manager's base fee	1,088,288	6,426,341	5.9050
3 October 2006	Manager's base fee	1,087,740	6,496,962	5.9729
16 January 2007	Manager's base fee	1,168,830	6,983,175	5.9745
9 April 2007	Manager's base fee	1,173,532	6,831,364	5.8212
4 July 2007	Manager's base fee	1,081,039	6,907,947	6.3901
5 October 2007	Manager's base fee	1,212,602	6,983,860	5.7594
15 January 2008	Manager's base fee	1,412,396	7,345,307	5.2006
10 April 2008	Manager's base fee	1,424,193	7,185,628	5.0454
7 July 2008	Manager's base fee	1,611,601	7,264,617	4.5077
8 October 2008	Manager's base fee	2,441,418	7,344,274	3.0082
9 January 2009	Manager's base fee	3,075,716	6,504,526	2.1148
6 April 2009	Manager's base fee	2,299,231	6,363,123	2.7675
10 July 2009	Manager's base fee	1,761,221	6,656,712	3.7796
8 October 2009	Manager's base fee	2,634,306	6,729,863	2.5547
15 October 2009	Rights issue ²	824,879,427	1,888,973,888	2.2900
16 October 2009	Acquisition fee	6,371,875	20,390,000	3.2000
7 January 2010	Manager's base fee	2,830,232	8,695,890	3.0725
12 April 2010	Manager's base fee	2,357,120	8,506,849	3.6090
8 July 2010	Manager's base fee	2,645,356	9,290,227	3.5119
7 October 2010	Manager's base fee	2,434,504	9,392,318	3.8580
5 January 2011	Manager's base fee	2,567,653	10,056,986	3.9168
Total units outstanding		1,671,599,900		

Note:

1. After volume discount
2. Out of the net proceeds from the rights issue, HK\$29.0 million has been used towards financing the cost of the dual primary listing and HK\$30.5 million has been used for the asset enhancement works at the City One Shatin Property during the year ended 31 December 2010. The remaining balance of the net proceeds from the rights issue is HK\$71.1 million.

There were 1,671,599,900 units (voting rights: one vote per unit) outstanding as at 28 February 2011. There is only one class of units in Fortune REIT.

Unitholders' Statistics (continued)

Top 20 Unitholders

as at 28 February 2011

Ranking	Name	No. of Units	% of Total
1	HKSCC NOMINEES LIMITED	594,086,497	35.54
2	FOCUS EAGLE INVESTMENTS LIMITED	230,774,684	13.81
3	DBSN SERVICES PTE LTD	204,308,157	12.22
4	HSBC (SINGAPORE) NOMINEESS PTE LTD	123,387,642	7.38
5	DBS NOMINEES PTE LTD	123,022,273	7.36
6	CITIBANK NOMINEES SINGAPORE PTE LTD	89,693,739	5.36
7	UNITED OVERSEAS BANK NOMINEES PTE LTD	73,619,500	4.40
8	DB NOMINEES (S) PTE LTD	16,104,063	0.96
9	KIM ENG SECURITIES PTE. LTD.	12,481,000	0.75
10	BANK OF SINGAPORE NOMINEESS PTE LTD	9,678,000	0.58
11	DBS VICKERS SECURITIES (S) PTE LTD	8,742,345	0.52
12	G PANNIR SELVAM	6,200,000	0.37
13	RAFFLES NOMINEES (PTE) LTD	5,968,000	0.36
14	BNP PARIBAS SECURITIES SERVICES SINGAPORE	5,227,000	0.31
15	OCBC SECURITIES PRIVATE LTD	5,039,229	0.30
16	MERRILL LYNCH (SINGAPORE) PTE LTD	3,625,294	0.22
17	LIEW CHEE KONG	2,658,000	0.16
18	PHILLIP SECURITIES PTE LTD	2,629,070	0.16
19	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	2,624,000	0.16
20	MIGAN SDN BHD	2,001,100	0.12
	Total	1,521,869,593	91.04

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

Unitholders' Statistics (continued)

Substantial Unitholders

as at 28 February 2011¹

	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.	92,395,000	—
4 Schroder Investment Management Group	—	183,350,000 ²
5 Cheung Kong (Holdings) Limited (" Cheung Kong ")	—	525,630,684 ³
6 Hutchison Whampoa Limited	—	112,556,000 ⁴
7 DBS Group Holdings Ltd	—	92,395,000 ⁵
8 Temasek Holdings (Private) Limited	—	92,395,000 ⁶

Notes:

- The unitholding interests set out in this section were based on the confirmation of the relevant persons as at 31 December 2010 and any subsequent notifications of changes of interest received by the Manager on or before 28 February 2011.
- Schroder Investment Management Group is deemed to be interested in 183,350,000 units of which:
 - 98,860,000 units are held by Schroder Investment Management Limited;
 - 75,986,000 units are held by Schroder Investment Management (Singapore) Limited;
 - 8,504,000 units are held by Schroder Investment Management (Hong Kong) 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.
- DBS Group Holdings Ltd is deemed to be interested in 92,395,000 units held by its wholly-owned subsidiary, DBS Bank Ltd.
- Temasek Holdings (Private) Limited is deemed to be interested in 92,395,000 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 28 February 2011

Size of Holdings	Number of unitholders	Percentage of unitholders	Number of units	Percentage of units
1–999	94	3.44	3,725	0.00
1,000–10,000	1,117	40.84	5,792,419	0.35
10,001–1,000,000	1,482	54.19	114,085,163	6.82
1,000,001 and above	42	1.53	1,551,718,593	92.83
Total	2,735	100.00	1,671,599,900	100.00

Directors' Unitholdings

As shown in the Register of Directors' unitholdings as at 21 January 2011

		No. of Units	
		Direct interest	Deemed interest
1	Lim Hwee Chiang	—	4,668,604
2	Poon Sow-Mei (alias Sng Sow Mei)	220,000	—

Note:

1. Mr. Lim Hwee Chiang is deemed to be interested in 4,668,604 units, of which:
 - (i) 2,568,604 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 28 February 2011, approximately 52.1% 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\$552,110 equivalent) ¹ each)
	HK\$'000
Base rent and charge-out collections	
A.S. Watson Group (HK) Limited	128,177
Cheung Kong Property Development Limited	11,401
AMTD Strategic Capital Limited	19,365
Hutchison Telephone Company Limited	7,930
Total	166,873

Saved as disclosed above, there was no additional related party transactions (excluding transactions of less than S\$100,000 (HK\$552,110 equivalent)¹ each) entered during the year ended 31 December 2010.

Note:

1. Exchange rate as at 1 January 2010

Manager



ARA Asset Management (Fortune) Limited



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