



FORTUNE
置富產業信託 **REIT**

Annual Report 2013

Stock Code: Hong Kong 778 | Singapore F25U

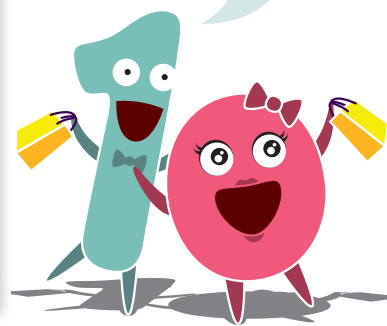
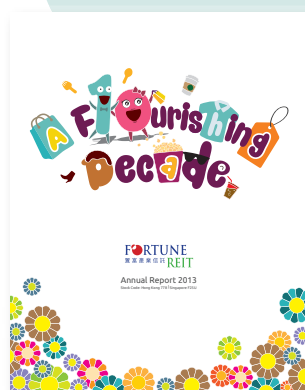




Hello, we're the "10" couple – your companions for this year's Annual Report! We're thrilled to be guiding you through Fortune REIT's first flourishing decade.

A Flourishing Decade

Blossoming heartily over our first 10 years, Fortune REIT has nurtured sustainable growth and spawned enormous value for our Unitholders. With a solid decade of experience in investment, management and enhancement of retail malls and properties around Hong Kong, we remain committed to creating solid, sustainable returns for our Unitholders and thriving retail environments for our tenants and shoppers.



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.

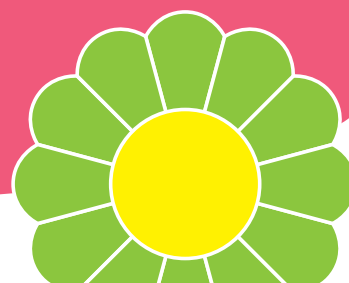
It currently holds a portfolio of 17 private housing estate retail properties in Hong Kong comprising of 3.11 million square feet ("**Sq.ft.**") of retail space and 2,606 carparking spaces.

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 is an Asian real estate fund management company focused on the management of publicly listed REITs and private real estate funds.

Our Mission

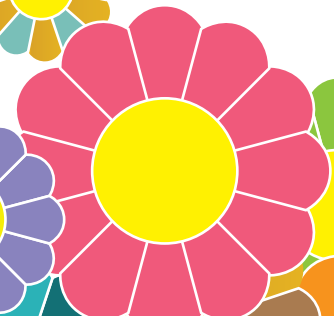
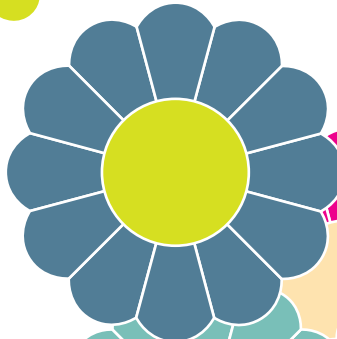
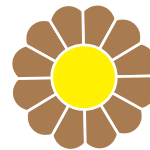
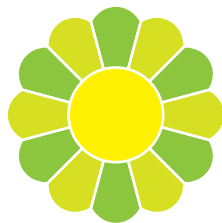
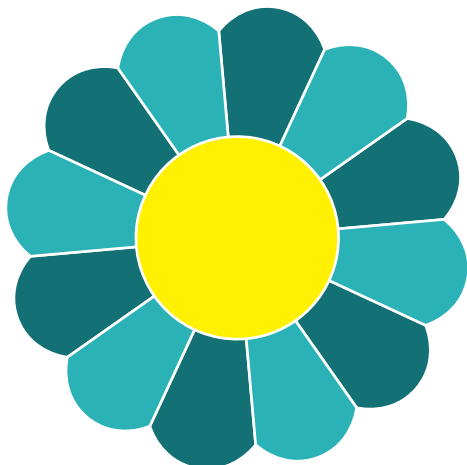
The Manager's key objective is to deliver regular and stable returns to holders of Fortune REIT units ("**Unitholders**") through proactive management of Fortune REIT's portfolio of assets and acquiring properties that generate long term benefits to Unitholders.



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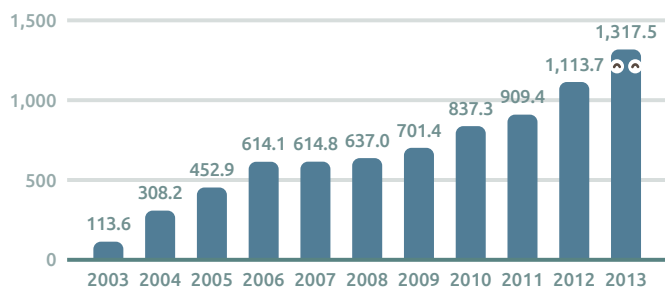


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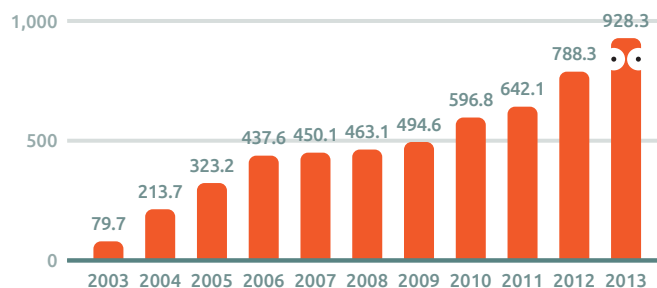


Financial Highlights

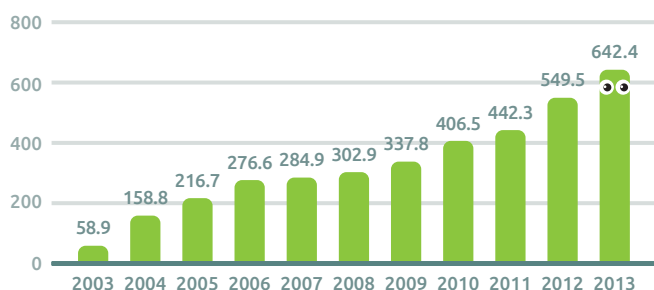
HK\$1,317.5M
Gross Revenue (HK\$m)
+18.3% YoY



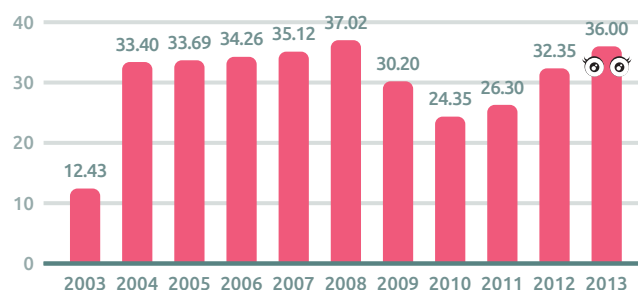
HK\$928.3M
Net Property Income (HK\$m)
+17.8% YoY



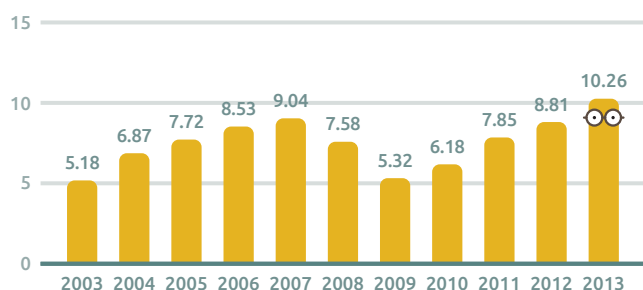
HK\$642.4M
Income Available for Distribution (HK\$m)
+16.9% YoY



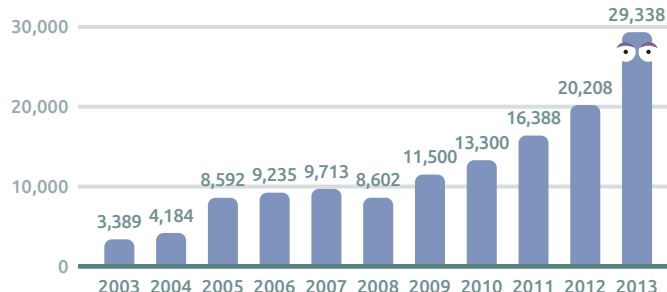
HK\$36.00 Cents
Distribution Per Unit (HK cent)
+11.3% YoY



HK\$10.26
Net Asset Value Per Unit (HK\$)
+16.5% YoY



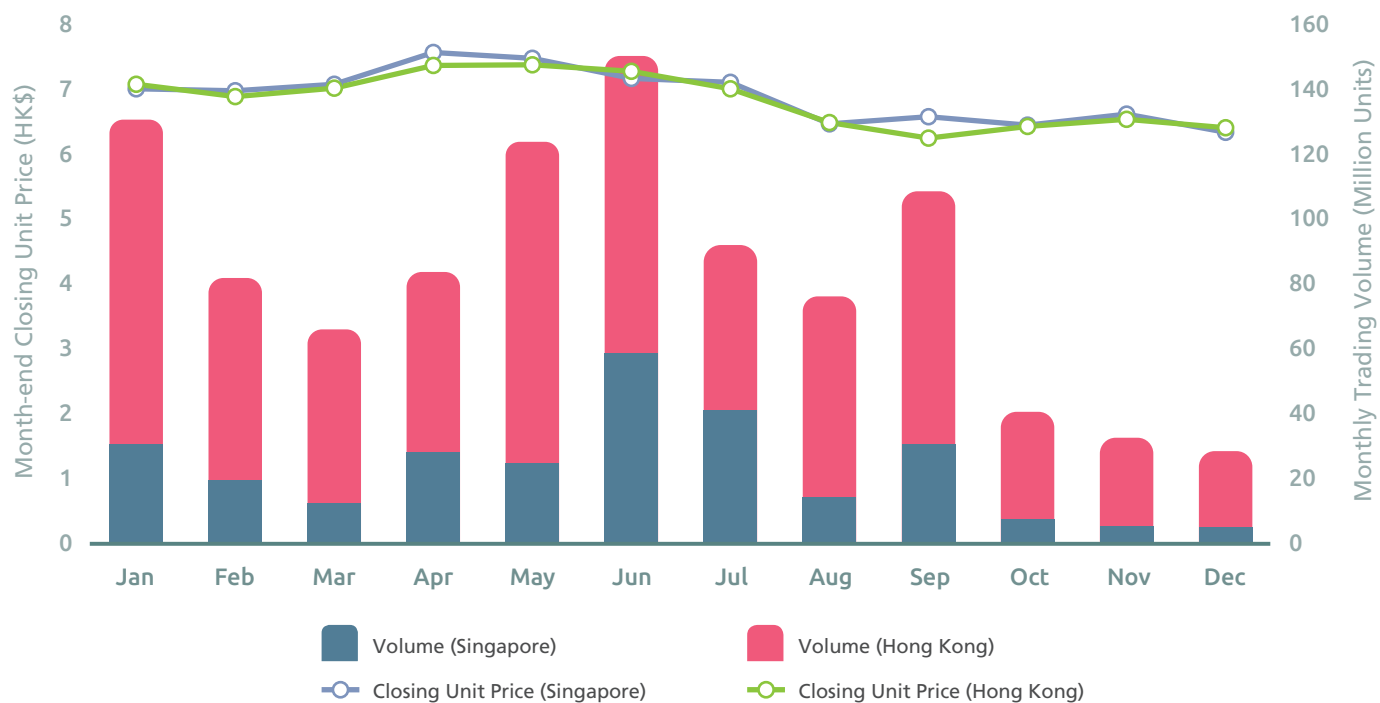
HK\$29,338M
Property Valuation (HK\$m)
+45.2% YoY



Unit Performance

	Singapore	Hong Kong
Opening Unit Price (2 January 2013)	HK\$6.39	HK\$6.36
Closing Unit Price (31 December 2013)	HK\$6.24	HK\$6.19
Intraday High (16 May 2013)	HK\$8.59	HK\$8.61
Intraday Low (9 September 2013)	HK\$5.93	HK\$5.89
Total Volume Traded	279,192,000 Units	736,690,090 Units

Monthly Trading Performance







FORTUNE
置富產業信託 REIT



Achievements

The ten achievements that distinguished Fortune REIT over a flourishing decade



2003-
2013



BEST

We are the only dual-listed REIT

Listed on the SGX-ST in 2003, Fortune REIT was Asia's first cross border REIT and the first REIT to hold assets in Hong Kong. Our dual-primary listing on the SEHK in 2010 also proved to be a transformational move for Fortune REIT with huge success, significantly improving trading liquidity and unit price while creating greater recognition among investors.



2003 SGX-ST



2010 SEHK



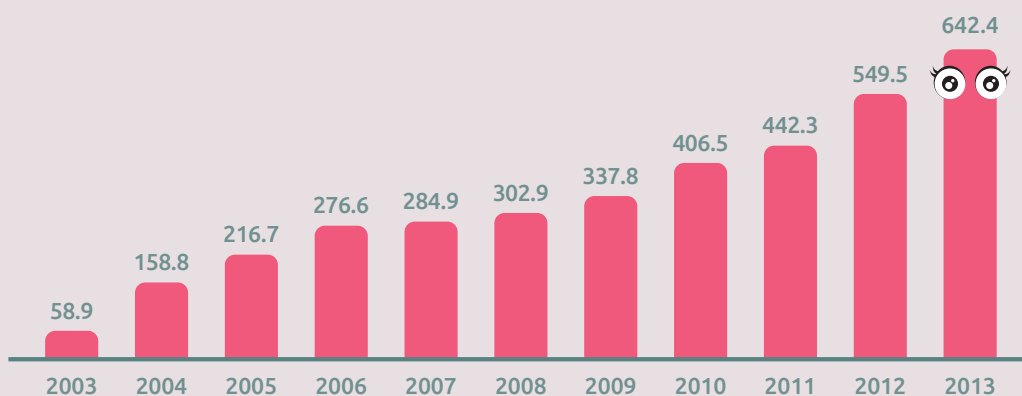


We delivered 10 years of sustainable growth

With Fortune REIT's mission of delivering regular and stable returns to our Unitholders, we are very proud to have presented 10 years of continuous growth since our listing in 2003.



Income Available for Distribution (HK\$M)



We grew our portfolio by 9 times bigger

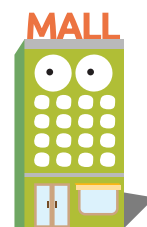
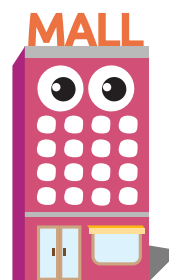
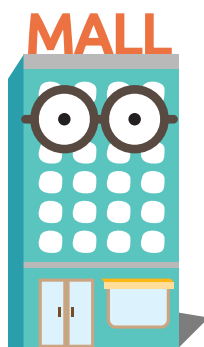
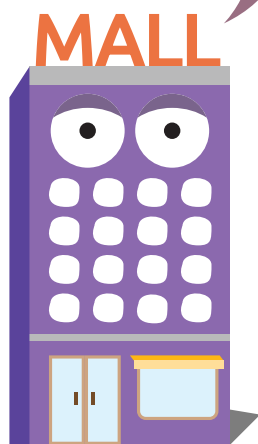
Growing from five properties in 2003 to now 17 properties, Fortune REIT undoubtedly has the most successful acquisition track record out of all the Hong Kong REITs. This was achieved through disciplined, focused and consistent investment strategies when opportunities arise.



Current portfolio of 17 properties at **HK\$29.3B**

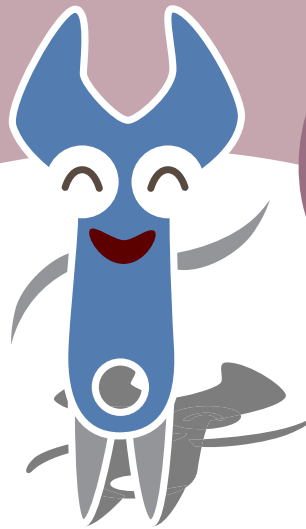
Acquired 4 times, 12 additional properties in a 10 years span

Initial portfolio of 5 properties at **HK\$3.3B**





BEST



Completed 5 projects
with ROI all
exceeded 20%

We have been a market leader in Asset Enhancement

Just as important as the way we acquire is the way we enhance our assets. Over the years, Fortune REIT has been leading the market by consistently achieving a return on investment ("ROI") of over 20% for all its asset enhancement initiatives ("AEIs").



The AEIs at Fortune City One was the largest project in Fortune REIT's History, ROI exceeded 25%.



We seized opportunities enabled by our disciplined financial management

Prudent capital management has been the solid foundation underlying Fortune REIT's sustainable growth. Throughout the years, various initiatives, including equity raising and early refinancing, have been taken to proactively strengthen our balance sheet. It is the strong balance sheet we always maintain that has enabled Fortune REIT to deliver consistent returns over the years and seize expansion opportunities when they arise.



Sustainable Growth
with Strong
Balance Sheet



Our Chairman, Dr. Justin Chiu received
"Directors of the Year Awards 2010"



The Board of Directors received
"Directors of the Year Awards 2011"



We commit to the highest standard of corporate governance

Following the stricter of the two regimes in Hong Kong and Singapore and guided by the 'REIT' spirit of Respect, Excellence, Integrity and Transparency, we are committed to the highest standards of corporate governance. Our Chairman, Dr. Justin Chiu and the Board of Directors were conferred the honours of "Directors of the Year" by "The Hong Kong Institute of Directors" in 2010 and 2011 respectively in different categories.





We are Hong Kong's best Mid-Cap company

Fortune REIT is committed to transparency in keeping investors and the public abreast of its latest developments. Unitholders in both Hong Kong and Singapore can participate at Annual General Meetings, which are held concurrently in both cities through video conferencing. Our annual reports and corporate website have won numerous awards over the years. Fortune REIT has been named "Hong Kong Best Mid-Cap" by FinanceAsia for two consecutive years in 2012 and 2013.



We created the “Fortune Malls” Brand

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





We have been growing together with our tenants

Growing hand-in-hand over the past ten years, our tenants play an instrumental role in our success. Many of them have been with us from the start, and are continuously expanding their footprints in the growing portfolio of Fortune Malls.





BEST

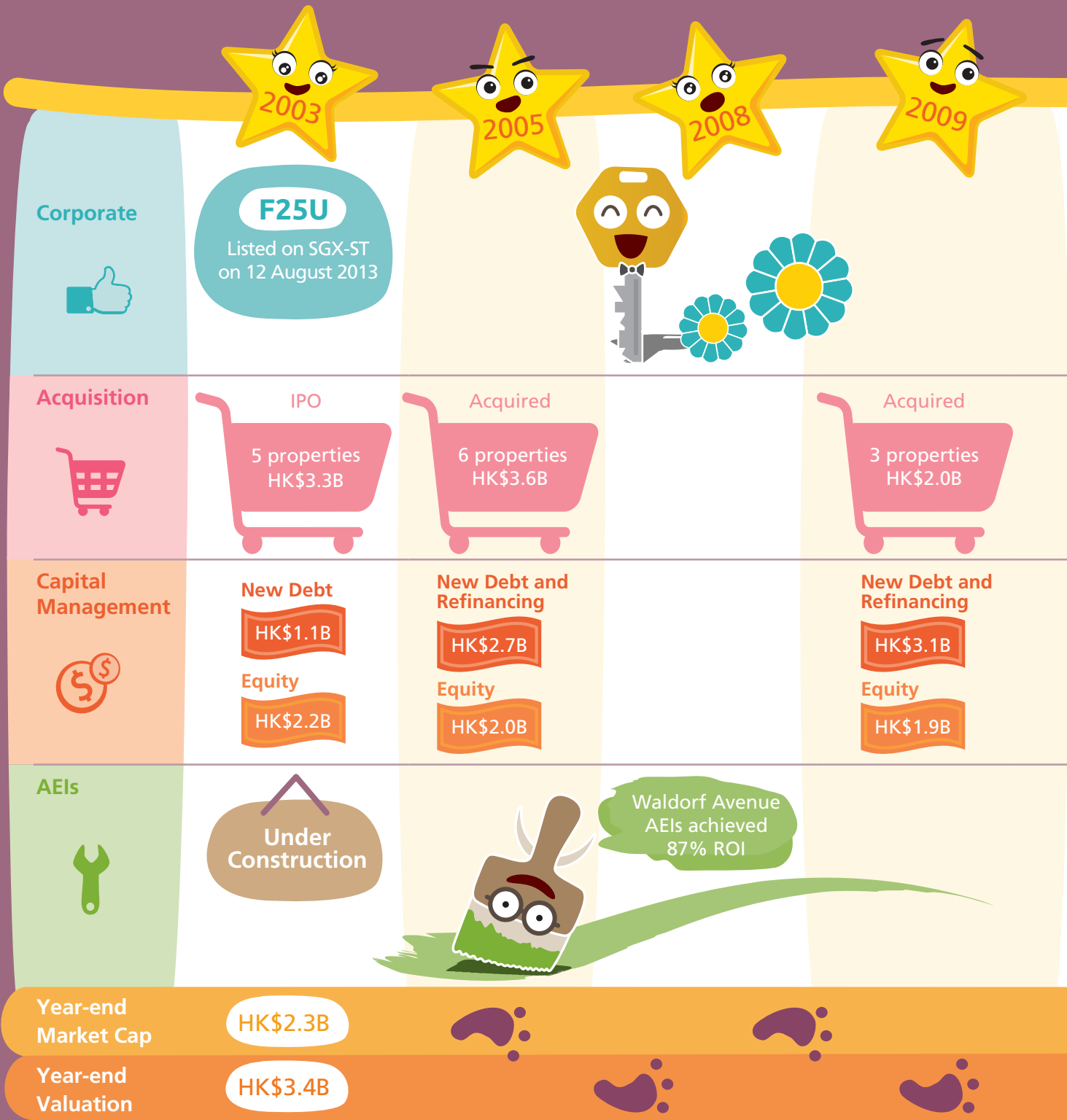


We strive to make a positive difference within our community

Fortune REIT takes an active role in realizing its corporate social responsibility. In addition to creating value for Unitholders, Fortune REIT devotes balanced efforts to address the interest of all stakeholders, support various social enterprises and provide at least 180 venue days in our malls every year to non-profit making organizations.



The Making of a Flourishing Decade

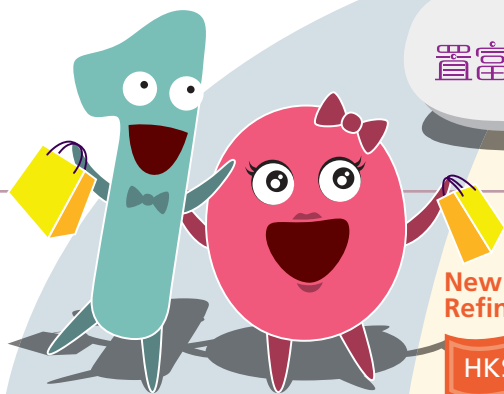




778

Listed on SEHK on 20 April 2010 as a dual primary listing

Launched the new asset brand of "Fortune Malls"



New Debt and Refinancing

HK\$3.8B

Acquired

2 properties
HK\$1.9B

Acquired

Fortune Kingswood
HK\$5.85B

New Debt

HK\$1.4B

New Debt

HK\$5.0B

Equity

HK\$975M

Fortune City One Plus
AEIs achieved
22% ROI

Ma On Shan Plaza
AEIs achieved
73% ROI

Fortune City One
AEIs achieved
25% ROI

Ma On Shan Plaza
AEIs achieved 60% ROI
Fortune City One Market
AEIs achieved 25% ROI
Jubilee Square
AEIs achieved 25% ROI

HK\$11.6B

HK\$29.3B

2003-2013

Chairman's Report

It is my great pleasure to devote this Chairman's Report to celebrating our tenth anniversary, an occasion worthwhile pausing to reflect on our extraordinary growth as well as the remarkable journey to date, and to look to the future with confidence and excitement.



Dr. Chiu Kwok Hung, Justin
Chairman





Celebrating our First Decade

2013 was a defining year for Fortune REIT, marking our first decade of delivering strong results to our Unitholders. It is my great pleasure to devote this Chairman's Report to celebrating our tenth anniversary, an occasion worthwhile pausing to reflect on our extraordinary growth as well as the remarkable journey to date, and to look to the future with confidence and excitement.

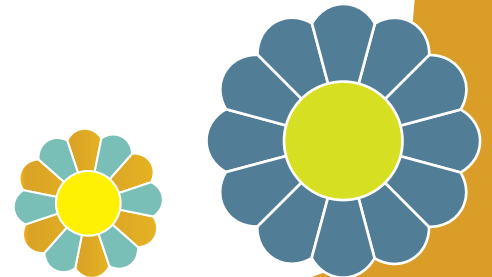
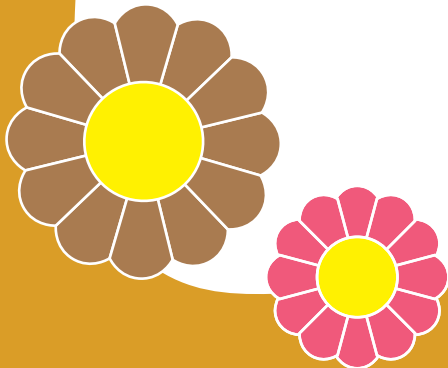
10 Years of Phenomenal Performance

Listed on the SGX-ST in 2003, Fortune REIT has over the last decade made great strides in nearly every aspect of our business and created significant value for our Unitholders. We have grown our initial portfolio from five assets to 17, with total asset value climbing almost nine-folds to HK\$29,338 million as at 31 December 2013. Fortune REIT has undoubtedly been Hong Kong's most successful REIT on the acquisition front.

Meanwhile, Fortune REIT's portfolio of private housing estate shopping malls in Hong Kong has proven to be resilient across several economic cycles. We have achieved 10 consecutive years of steady growth on all fronts – revenue, net property income as well as distributable income.

Just as important as the way we acquire is the way we enhance our assets. As our portfolio has grown to a more scalable size, we have also stepped up our commitment to asset enhancement during recent years. Over the years, we have established a leading position in the industry by consistently achieving a return on investment ("ROI") of over 20% for all of Fortune REIT's asset enhancement initiatives ("AEIs").

Looking back, Fortune REIT's dual-primary listing on The Stock Exchange of Hong Kong in 2010 also proved to be a successful transformational move. Not only has it improved trading liquidity and unit price, it has also led to greater investor recognition of the investment product.



Chairman's Report

On behalf of the Board of Directors of ARA Asset Management (Fortune) Limited (the “Board”), the manager of Fortune REIT, I am pleased to present another set of record-breaking results of Fortune REIT for the financial year ended 31 December 2013 (“FY2013” or the “Reporting Year”).

Continued Excellence in Investment, Management and Enhancement of Retail Properties

For the Reporting Year, Fortune REIT's revenue and net property income grew by 18.3% and 17.8%, to HK\$1,317.5 million and HK\$928.3 million respectively, with every asset in the portfolio contributing to the outperformance. Income available for distribution achieved a new record high of HK\$642.4 million, up 16.9% from last year. This translates into a DPU of 36.00 Hong Kong cents for FY2013, up 11.3% year-on-year.

Asset Investment – During the Reporting Year, we completed the most significant acquisition in Fortune REIT's history. The HK\$5,849 million Fortune Kingswood acquisition has increased Fortune REIT's total gross rentable area by 27.2% to 3.11 million Sq.ft. As the largest shopping centre in the Yuen Long District, Fortune Kingswood has significantly boosted Fortune Malls' presence in the northwestern New Territories – a strategic location that has huge potential to capture the increasing demand from both a larger number of Mainland shoppers and the growing local population.

Asset Management – Despite a slower retail sales growth in Hong Kong, Fortune REIT's portfolio performed exceptionally well in FY2013. Thanks to our effective marketing and proactive leasing strategies, as at 31 December 2013, the occupancy and rental reversion for renewals was 98.7% and 20.4% respectively, reflecting a strong demand for space in our shopping malls.

Asset Enhancement – The strategic priority of rejuvenating assets involves constantly reviewing our portfolio to identify opportunities for asset enhancement so as to maintain our competitive edge and optimize portfolio returns. During the Reporting Year, we have diligently executed planned AEs at Jubilee Square, Fortune City One and Ma On Shan Plaza. All three projects have been completed on

schedule with enormous success, reinforcing our strong track record and industry-leading position on the AEs front.

Leveraging Financial Strength

Fortune REIT has always demonstrated the strongest commitment to dividends and distributes 100% of its distributable income. Our growth, therefore, has to be funded partly by equity which requires the support of our Unitholders who determine the growth path they preferred. Over the past decade, our discipline in capital and risk management has enabled us to deliver consistent returns and maintain a strong balance sheet while keeping the financial flexibility to seize market opportunities.

We entered the 2013 financial year with a target to grow by leveraging our financial strength – a low gearing of 23.4% as at 31 December 2012, and HK\$2.4 billion worth of unencumbered assets. When presented with the unique opportunity to acquire Fortune Kingswood, we responded quickly by tapping both the favorable conditions in the capital market and liquidity in the debt market. To finance the acquisition of Fortune Kingswood, a private placement to raise gross proceeds of HK\$975 million at an issue price of HK\$6.82 per Unit was completed on 6 August 2013. Separately, loan facilities totaling HK\$5,025 million at a competitive rate of 148 basis points over HIBOR were put in place to fund the balance of the acquisition cost. Following the above transactions, Fortune REIT's capital structure remained healthy as at 31 December 2013, with the gearing ratio and aggregate leverage kept at 32.7% and average all-in cost of debt reduced to 2.59%. There is no refinancing requirement until February 2015.

Making a Difference in the Investment Community

2013 marked a year of accomplishment and recognition for Fortune REIT. Building on our achievements from last year, we received awards in seven categories of this year's Asia's Best Companies Poll conducted by FinanceAsia. These awards recognized our increased commitment to excellence in all aspects of corporate management, including corporate governance, investor relations, corporate social responsibility and providing best returns to Unitholders. In particular, we were named the “Hong Kong's Best Mid Cap” for the second consecutive year, and Champion in the category of “Most Committed to a Strong Dividend Policy”, a huge step up from being placed 3rd last year.

Outlook

Hong Kong's economy is bottoming out; its growth during 2013 has been gradual. Looking ahead, while domestic activity is likely to remain resilient, external uncertainties may continue to limit confidence. Renewed weakness in U.S. demand, the Federal Reserve's tapering of its bond purchasing program, as well as a moderating growth trend in the Mainland's economy all warrant our caution. After recording a spectacular growth of almost 60% over the past three years, Hong Kong's retail sales is expected to grow at a slower pace in 2014 over a higher base and a slower increase in Mainland visitors. Nevertheless, strong economic fundamentals and a low unemployment rate in Hong Kong are expected to keep the retail sector buoyant. With ongoing pressure in the medium term impacting operating expenses, such as higher utility rates, inflation and statutory minimum wage hikes in Hong Kong as well as other external factors, the Manager is closely monitoring operating expenses. Plans are in place to implement energy-saving initiatives for mitigation.

Fortune REIT has continually faced challenges and embraced opportunities over the last decade, and it is the ability to respond quickly to changing landscapes that has been the key to our success. Fortune REIT is in good financial health and is

well-prepared to meet the many challenges and opportunities that lie ahead. Barring any unforeseen circumstances, Fortune REIT expects a satisfactory performance in 2014.

Appreciation

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

Our tenth anniversary marks a milestone of which we are all very proud of. We eagerly look forward to our next ten years.

Dr. Chiu Kwok Hung, Justin
Chairman

ARA Asset Management (Fortune) Limited
As Manager of Fortune REIT
24 January 2014





3 Growth Strategies

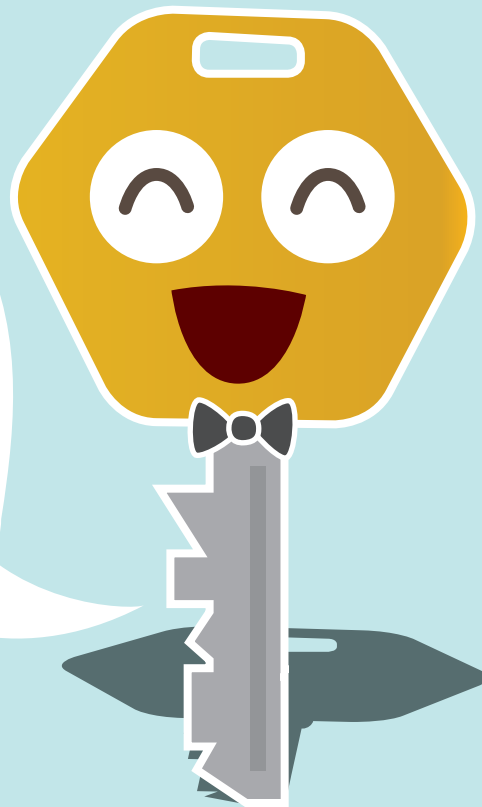
The excellence in executing our three core growth strategies has accomplished us yet another set of record-breaking results for 2013.

Yield-Accretive Acquisition

Fortune REIT completed the largest acquisition in its history. The HK\$5,849 million acquisition of Fortune Kingswood has increased Fortune REIT's total area by 27.2% to 3.11 million Sq.ft.

Active Leasing Management

Thanks to our effective marketing and proactive leasing strategies, Fortune REIT's portfolio performed exceptionally well in 2013. Occupancy was 98.7% as at 31 December 2013 with a solid rental reversion of 20.4%.



Asset Enhancement Initiatives (AEIs)

We have diligently executed planned AEIs at Jubilee Square, Fortune City One and Ma On Shan Plaza in 2013. All three projects were completed on schedule with return on investments of 25% to 60%, reinforcing our market-leading track record.

Management Discussion and Analysis

Financial Review

Fortune REIT's FY2013 total revenue and net property income ("NPI") increased by 18.3% and 17.8% year-on-year to HK\$1,317.5 million and HK\$928.3 million respectively – marking ten consecutive years of continuous growth. This sustained performance was underpinned by the effective execution of our three core strategies – investment, asset management and asset enhancement. During the Reporting Year, contributing factors including (i) higher occupancy rates; (ii) strong rental growth across the entire portfolio; (iii) excellent returns from completed AELs; (iv) additional income from Fortune Kingswood acquired in October 2013; as well as (v) the full-year income stream from Belvedere Square and Provident Square, have all contributed to Fortune REIT's exceptional financial performance.

Total property operating expenses for FY2013 (excluding Manager's performance fee) increased by 19.7% year-on-year to HK\$360.4 million. The increase was mainly attributed to the additional expenses from Fortune Kingswood, as well as the full-period effect of expenses from Belvedere Square and Provident Square. Despite the inflationary environment, the cost-to-revenue ratio was kept steady at 27.4% for the Reporting Year (2012: 27.0%).

Total borrowing costs (excluding front end fees) were HK\$153.8 million for the Reporting Year, showing an increase of 19.3% year-on-year as a result of the drawdown of additional loan facilities to finance the acquisition of Fortune Kingswood.

Fortune REIT's income available for distribution increased 16.9% year-on-year to HK\$642.4 million for FY2013. The DPU for the Reporting Year was 36.00 HK cents (2012: 32.35 HK cents), comprising an interim and final DPU of 18.00 HK cents each. The DPU was



11.3% higher than that of the previous year, notwithstanding an additional 142,962,000 new units issued from a private placement exercise during the Reporting Year. Based on HK\$6.215, the average closing unit price in Singapore and Hong Kong as at 31 December 2013, the FY2013 DPU represented a yield of 5.8%.

Final Distribution

The final DPU of 18.00 HK cents for the six months ended 31 December 2013 will be paid on 28 February 2014 to Unitholders on the registers of Unitholders of Fortune REIT as at 11 February 2014.

Fortune REIT made the largest acquisition since inception

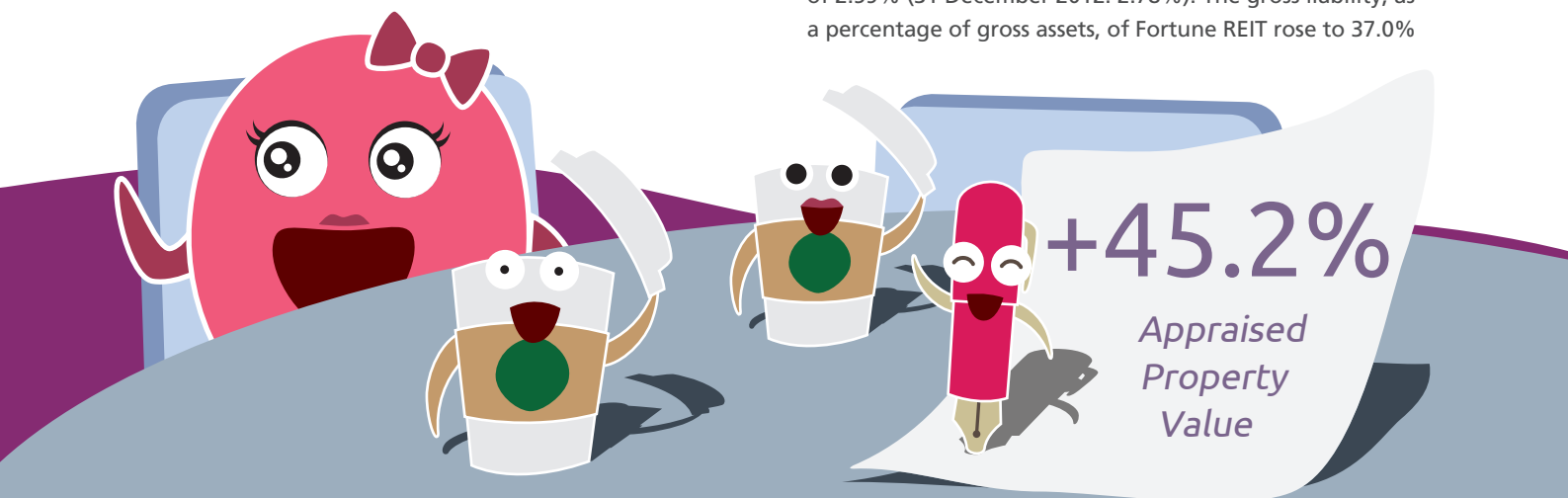
Fortune Kingswood presented an opportunity for Fortune REIT to acquire the largest shopping centre in the Yuen Long district and thus enjoy the robust growth in demand for retail space in the northwest New Territories. Strategically located in the center of the Tin Shui Wai residential area, Fortune Kingswood currently serves a catchment population of approximately 288,000, hotel residents of the 1,102-rooms Harbour Plaza Resort City, as well as visitors from Mainland China due to its close proximity to Mainland China's border. According to the Planning Department of the Hong Kong Government, the Yuen Long district including the Tin Shui Wai area is expected to have the highest population growth in Hong Kong for the period between 2011 and 2021. In addition, Fortune Kingswood is also expected to benefit from the enhanced infrastructure linkage between Tin Shui Wai and the Mainland China's border as well as other parts of Hong Kong.

Fortune Kingswood fits well into the Manager's investment strategy of owning strategically-located retail assets with a large captive catchment, high occupancy rate and mid-to-long term asset enhancement potential. The property has increased Fortune REIT's portfolio valuation by 25.9% to HK\$29,338 million (based on the valuation of all the properties as at 31 December 2013). Fortune REIT's total gross rentable area has also increased by 27.2% to 3.11 million Sq.ft..

Disciplined Capital Management

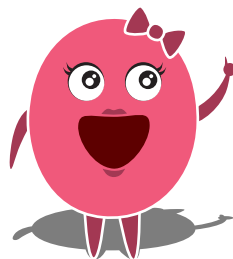
The Manager strives to achieve an optimal debt/equity structure to maximize distribution while maintaining sufficient financial flexibility to fund acquisitions and AEs. Consistent with such a capital management strategy, an equity private placement exercise was successfully completed on 6 August 2013 – raising gross proceeds of HK\$975 million through the issuance of 142,962,000 new units at HK\$6.82 per unit to partly finance the acquisition of Fortune Kingswood. The private placement received strong participation from new and existing institutional investors. Separately, loan facilities of HK\$5,025 million, in the form of 3.5-year and 5-year term loans, were put in place to fund the balance of the acquisition cost at a competitive average interest margin of 148 basis points over HIBOR. This transaction has demonstrated Fortune REIT's outstanding ability to access the capital markets and leverage on favourable debt market conditions as opportunities arise.

Subsequent to the acquisition, the total committed loan facilities have increased to HK\$10,223 million as at 31 December 2013. Fortune REIT closed the Reporting Year with a gearing ratio and an aggregate leverage of 32.7% (31 December 2012: 23.4%), a 2.8 years of weighted average term to maturity of debt, and an average all-in cost of debt of 2.59% (31 December 2012: 2.78%). The gross liability, as a percentage of gross assets, of Fortune REIT rose to 37.0%



Management Discussion and Analysis

98.7% Year-end Occupancy



20.4% Rental Reversion

as at 31 December 2013 (31 December 2012: 28.1%). The net current liabilities as at 31 December 2013 was HK\$1,048.0 million, the majority of which came from a revolving credit facility drawn down in previous year. There is an option to roll over this revolving credit facility up to its maturity in 2016.

Fortune REIT had obtained both secured and unsecured loan facilities. The former are secured over Fortune REIT's 15 investment properties, which carried an aggregate fair value of HK\$27,135 million as at 31 December 2013. The Trustee has provided guarantees for all of the loan facilities.

Available liquidity stood at HK\$1,158.2 million as at 31 December 2013, comprising committed undrawn facilities of HK\$300 million and cash on hand of HK\$858.2 million. Fortune REIT possesses sufficient financial resources to satisfy its financial commitments and working capital requirements.

As the interest cost of new facilities obtained during the Reporting Year was on a floating basis, Fortune REIT's overall debt hedged to fixed rates was reduced to about 37% as at 31 December 2013. The Manager will continue to monitor the interest rate movement closely and may, depending on market conditions, consider putting in place additional hedging arrangements.

Net asset value per unit amounted to HK\$10.26 as at 31 December 2013, up 16.5% from HK\$8.81 as at the end of 2012, mainly as a result of the increase in valuation of investment properties.

Portfolio Valuation

As at 31 December 2013, Fortune REIT's portfolio of 17 retail properties was appraised at HK\$29,338 million by Jones Lang LaSalle Limited ("**Jones Lang LaSalle**"). This represents an increase of 45.2% and 32.2% respectively from the valuation of HK\$20,208 million as at 31 December 2012, and HK\$22,188 million as at 30 June 2013. As the capitalization rate adopted

remains largely unchanged, the increase in valuation was attributed to an overall improvement in asset performance and the addition of Fortune Kingswood. The higher valuation has resulted in a revaluation gain of HK\$3,088.7 million for the Reporting Year.

Operation Review

As at 31 December 2013, Fortune REIT owns a geographically diverse portfolio of 17 retail malls and properties in Hong Kong, comprising approximately 3.11 million Sq.ft. of retail space and 2,606 car parking lots.

Fortune REIT's portfolio of private housing estate retail properties remained buoyant despite the moderation in overall retail sales in Hong Kong. The Manager continued to adopt a proactive leasing strategy, leading to higher passing rents across all of Fortune REIT's properties, as well as an improved portfolio occupancy of 98.7% as at 31 December 2013 (31 December 2012: 97.7%). Rental reversion of 20.4% was recorded for renewals during the Reporting Year, following the strong reversion momentum from the previous year despite leases in FY2013 being reverted from a much higher base. The portfolio's passing rent stood at HK\$33.5 per Sq.ft. as at 31 December 2013. Excluding Fortune Kingswood, passing rent for the original portfolio has improved 9.4% year-on-year.

Thanks to the proactive leasing strategies adopted by the Manager and a seamless integration into Fortune REIT's portfolio, Fortune Kingswood has already seen some operational improvements within 3 months after its acquisition in October 2013. The occupancy rate as at 31 December 2013 has notably improved to 99.0% when compared with its 95.5% occupancy rate as at 30 June 2013.

Fortune REIT has enlarged and diversified its portfolio during the Reporting Year with the acquisition of Fortune

Kingswood, increasing its tenant base to 1,376 tenants across 17 assets. Collectively, the top ten tenants contributed approximately 26.5% of the portfolio's gross rental income, and occupied approximately 28.4% of total Gross Rentable Area ("GRA"). Tenants in the non-discretionary retail sectors such as supermarkets, food and beverages as well as services and education trade made up approximately 60% of the total rental income, reinforcing Fortune REIT's resilience characteristics across many business cycles.

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

Reaping Benefits From Asset Enhancement Initiatives

On the asset enhancement front, we successfully completed asset enhancement projects at Fortune City One ("FCO"), Ma On Shan Plaza and Jubilee Square. All have outperformed our target ROI and have begun to contribute positively to portfolio growth.

The renovation of Fortune City One Market ("FCO Market"), the final phase of FCO's AEs, was completed in October 2013. Occupancy of FCO Market improved significantly to almost 100% from 75% previously. The layout of the market has been improved and the wet market now offers a greater variety of trades. The HK\$20 million AEs have achieved a ROI of more than 25% and marked the successful debut of our first-ever wet market AEs. The completion of AEs at FCO Market underpinned the overall success of AEs at FCO – Fortune REIT's most scalable AEs to date. With a total investment of HK\$150 million, FCO has successfully been upgraded with a modern ambiance and enriched retail offerings. We are confident that FCO will continue to be an important growth driver for Fortune REIT.

At Jubilee Square, the renovation of the three floors was completed in June 2013. The HK\$15 million AEs project has yielded a ROI of more than 25%. The customer service counter has been refreshed and some higher paying new tenants have been introduced to enrich shoppers' experience at Jubilee Square. The NPI of Jubilee Square for the Reporting Year was boosted significantly by 57.4% as a result.

The HK\$15 million AEs at Ma On Shan Plaza has also been completed with encouraging results in December 2013. The works involved recovering space from an anchor tenant to optimise the use of space on the third floor. About 12,000

Sq.ft. has been transformed into higher yielding prime retail space with the introduction of new retail and F&B tenants. The total monthly rental of the entire renovated zone of 59,000 Sq.ft. has improved by more than 70% and thus provided a spectacular ROI of 60%.

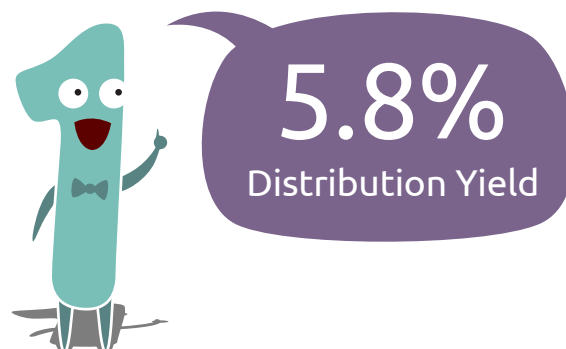
In addition to the successful completion of the above projects, the Manager plans to embark on the next major AEs at Belvedere Square in 2014. Phase 3 of Belvedere Square, with a GRA of approximately 133,750 Sq.ft., will be fully upgraded to offer an enhanced shopping ambiance and therefore is expected to attract more shoppers and retailers. The planned CAPEX is approximately HK\$80 million and the target return on investment is 15%.

Outlook

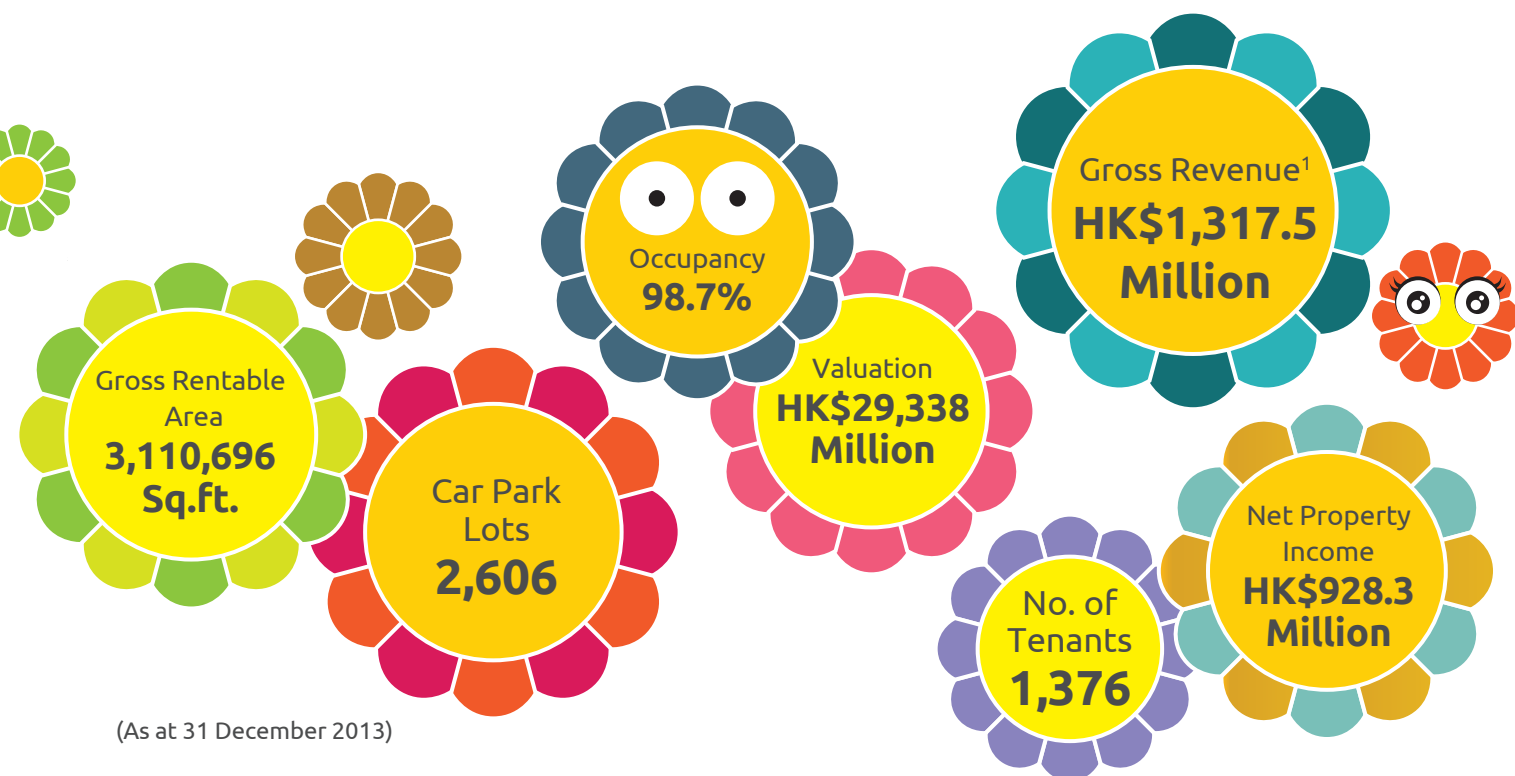
Hong Kong's economy grew moderately in the first three quarters of 2013, with GDP up by 3.0% year-on-year. The domestic sector, has held firm with private consumption expenditure rising by 2.8% year-on-year for the same period. This positive aspect was underpinned by favourable employment conditions and household income. The total value of retail sales in Hong Kong recorded a growth of 11.6% for the period from January to November 2013.

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

Despite good signs of recovery, the global economic environment remains fragile and uncertain. Notwithstanding these uncertainties, the Manager is confident that with Fortune REIT's robust retail portfolio in Hong Kong and healthy financial position, it will continue to provide a strong foundation to deliver stable returns to investors.



Portfolio Key Statistics



(As at 31 December 2013)

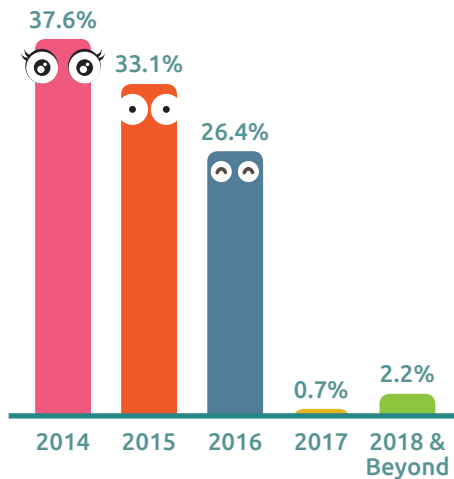
Portfolio Top 10 Tenants	Trade Sector	% of Total Gross Rental Income ²	% of Total Gross Rentable Area
1 PARKnSHOP	Supermarkets	7.9%	15.8%
2 Centaline Property Agency Limited	Banking & Real Estate Services	3.8%	0.7%
3 Midland Realty	Banking & Real Estate Services	3.2%	0.5%
4 Cheung Kong Property Development Limited	Banking & Real Estate Services	2.5%	5.0%
5 Bank of China (Hong Kong) Limited	Banking & Real Estate Services	2.3%	1.5%
6 Ricacorp Properties Limited	Banking & Real Estate Services	1.9%	0.4%
7 Fairwood Fast Food	Food & Beverages	1.3%	1.3%
8 The Hong Kong Jockey Club	Others	1.3%	1.7%
9 7-Eleven	Services & Education	1.2%	0.8%
10 Hang Seng Bank Limited	Banking & Real Estate Services	1.1%	0.7%
Total		26.5%	28.4%

Notes:

- 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 2013. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.



Portfolio Lease Expiry Profile¹



Breakdown of Portfolio Property Operating Expenses²

Advertising and Promotion	4.2%
Building Management Expenses	36.9%
Carpark Operating Expenses	4.1%
Government Rents and Rates	14.0%
Leasing Commission and Marketing Services Fee	6.4%
Legal and Other Professional Fees	2.0%
Manager's Performance Fee	7.4%
Property Manager Fee	7.8%
Utilities	12.4%
Others	4.8%



Portfolio Tenant Trade Mix Analysis¹

Banking & Real Estate Services	21.8%
Community Services	0.5%
Electronics & IT	1.9%
Fashion & Shoes	8.4%
Food & Beverages	21.7%
Gifts & Speciality, Hobbies, Toys, Jewellery	4.6%

Homewares & Home Furnishings	3.3%
Leisure & Entertainment, Sports & Fitness	2.4%
Services & Education	20.2%
Supermarkets	8.5%
Wet Markets	1.3%
Others	5.4%



Portfolio Analysis by Net Property Income²

Fortune City One	22.4%
Fortune Kingswood ³	5.0%
Ma On Shan Plaza	18.7%
Metro Town	10.8%
Fortune Metropolis	8.8%
Belvedere Square	7.5%
Waldorf Avenue	6.0%
Caribbean Square	3.9%
Provident Square	3.9%

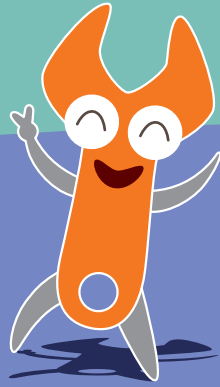
Jubilee Square	3.0%
Smartland	2.4%
Tsing Yi Square	2.3%
Nob Hill Square	1.9%
Hampton Loft	1.1%
Centre de Laguna	1.0%
Lido Avenue	0.8%
Rhine Avenue	0.5%



Notes:

- Based on gross rental for the month of December 2013. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.
- For the financial year ended 31 December 2013.
- Fortune Kingswood was acquired on 9 October 2013.

AEIs Showcase



Fortune City One

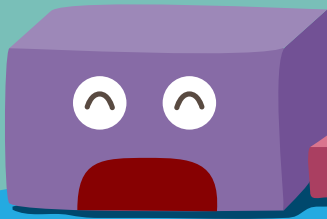
Fortune City One, the largest property by valuation in Fortune REIT's portfolio, was built in the early-80s and consists of three core buildings – (1) Fortune City One ("FCO"), (2) Fortune City One Plus ("FCOP") and (3) Fortune City One Market ("FCOM"). To realize its full potential, the Manager has put in place a full scale AEIs to upgrade the entire Fortune City One. The renovation was completed at FCOP, FCO and FCOM respectively in 2010, 2012 and 2013. A total capital expenditure of HK\$150 million was spent for the three-phase project with ROI all exceeding 20% for each phase. With the supermarket relocating from FCO to FCOP, the footfall of FCOP increased by three times after AEIs. More discretionary retailers and specialty food and beverage stores were introduced to FCO. The central park within FCO has also been refreshed as a public leisure centre for the neighboring community. Fortune City One marked the success of Fortune REIT's largest ever AEIs as well as our first wet market AEIs.

置富第一城·樂薈
Fortune City One Plus



Fortune City One Plus | CAPEX: HK\$30 Million | ROI: 22%





Fortune City One Plus



Fortune City One



Fortune City One Market



Fortune City One | CAPEX: HK\$100 Million | ROI > 25%



Fortune City One Market | CAPEX: HK\$20 Million | ROI > 25%



AEIs Showcase

馬鞍山廣場

Ma On Shan Plaza

Ma On Shan Plaza

Ma On Shan Plaza, the third largest property in the portfolio, was built in mid-90s and is one of the largest malls along the Ma On Shan rail line. In view of the overwhelming retail demand, the Manager has been focusing on making more efficient use of the space and enhancing the tenant mix. Two AEIs were completed on the third floor of Ma On Shan Plaza which involved recovering space from two anchor tenants – a 50,000 Sq.ft Chinese restaurant in 2011 and a 59,000 Sq.ft. supermarket in 2013, downsizing the anchor tenants and subdividing the remaining space for higher paying retailers. With a capital expenditure of HK\$12 million and HK\$15 million, ROI for the two projects were 73% and 60% upon their respective completions in 2011 and 2013. Thanks to the overall trade mix improvement as well as the strong boost from the two successful AEIs, passing rent for Ma On Shan Plaza increased by over 40% since 2011.



Before



Two AEIs
completed
in 2011 and
2013

Passing rent up
40%
since 2011



Achieved ROI of
73% and
60%

Jubilee Square

Jubilee Square is located opposite to the Fo Tan MTR Station. It is a seven-storey retail podium within the 2,260-units Jubilee Garden Development built in the mid-80s. AEIs covering three floors has been implemented in order to capture the growing demand within the immediate and expanding catchment area. Those service and education operators previously occupying prime space on the lower floor were relocated to upper floors while higher paying new tenants were introduced to enhance the retail offerings at Jubilee Square. In addition, the corridor has been brightened up, concierge counter refreshed and the new entrance is more welcoming. Capital expenditure of HK\$15 million was spent and the achieved ROI was over 25%. The project was completed in June 2013 and the net property income of Jubilee Square increased by 57.4% year-on-year.



Achieved
ROI of over
25%

FY2013 Net
Property Income up
57.4% YoY

Advertising and Promotions

Throughout the year, various marketing and promotional events were held across the Fortune Malls portfolio to draw in crowds and strengthen its bonding with the communities.



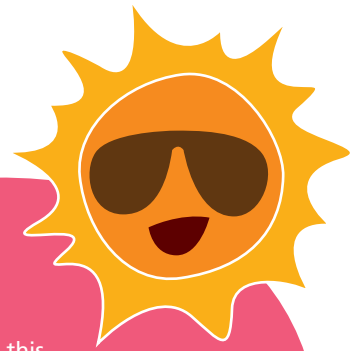


Fortune Malls commemorated its 10th anniversary in August 2013 at Fortune Metropolis with a series of promotional activities under the theme of “A Dynamic Decade, A Promising Future” to share the joy with the neighborhood. The campaign highlights included “Academy of Your Future Career”, “My Ideal Community” Drawing Competition and “Friends of Shatin Trivia”. All these events aimed at inspiring young creative minds and building a sense of belonging to the community.



Our Brand





Fortune in your everyday life

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

An added dimension to daily shopping

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

The Fortune Malls Logo

Fortune Malls shares the identity of the “red planet” icon as its master brand – Fortune REIT. The portrayal of a “small planet on a big planet” represents the idea of “sharing your world”. Fortune Malls leads the brand with a new purple colour, which expresses a sense of welcoming and warmth to the identity. Different colours of Portfolio Malls embrace the unique ambience and feeling of individual malls.



Flagship Malls



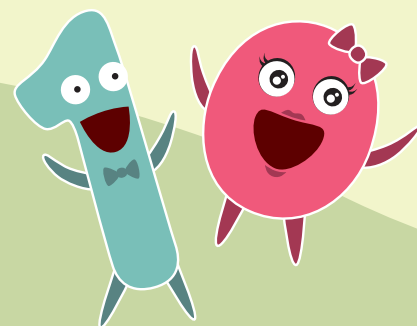
Portfolio Malls



Fortune REIT's Portfolio

Portfolio at A Glance

As at 31 December 2013	Location	Gross Rentable Area (Sq.ft.)	Occupancy	Number of Car Parking Lots	Valuation (HK\$ million)	FY2013 Net Property Income (HK\$ million)	
1	Fortune City One	Shatin	414,469	99.2%	653	6,253	208.6
2	Fortune Kingswood	Tin Shui Wai	665,244	99.0%	622	6,028	47.3 ¹
3	Ma On Shan Plaza	Shatin	310,084	98.5%	290	4,342	173.5
4	Metro Town	Tseung Kwan O	180,822	100.0%	74	2,726	100.1
5	Fortune Metropolis	Hung Hom	332,168	97.8%	179	2,059	81.4
6	Belvedere Square	Tsuen Wan	276,862	94.5%	329	1,693	69.5
7	Waldorf Avenue	Tuen Mun	80,842	100.0%	73	1,435	55.6
8	Caribbean Square	Tung Chung	63,018	100.0%	117	875	36.3
9	Provident Square	North Point	180,238	99.9%	N.A.	856	36.4
10	Jubilee Square	Shatin	170,616	100.0%	97	768	27.6
11	Smartland	Tsuen Wan	123,544	99.3%	67	599	22.2
12	Tsing Yi Square	Tsing Yi	78,836	100.0%	27	524	21.1
13	Nob Hill Square	Kwai Chung	91,779	99.1%	43	406	17.3
14	Hampton Loft	West Kowloon	74,734	100.0%	35	250	10.6
15	Centre de Laguna	Kwun Tong	43,000	100.0%	N.A.	245	9.5
16	Lido Avenue	Tsuen Wan	9,836	100.0%	N.A.	169	7.1
17	Rhine Avenue	Tsuen Wan	14,604	100.0%	N.A.	110	4.2
Total/Overall Average			3,110,696	98.7%	2,606	29,338	928.3



Note:

1. Fortune Kingswood was acquired on 9 October 2013.



New Territories

Kowloon

Lantau Island

Hong Kong

Flagship Malls



Fortune City One



Fortune Kingswood



Fortune Metropolis

Portfolio Malls



Ma On Shan Plaza



Metro Town



Belvedere Square



Waldorf Avenue



Caribbean Square



Provident Square



Jubilee Square



Smartland



Tsing Yi Square



Nob Hill Square



Hampton Loft



Centre de Laguna



Lido Avenue



Rhine Avenue



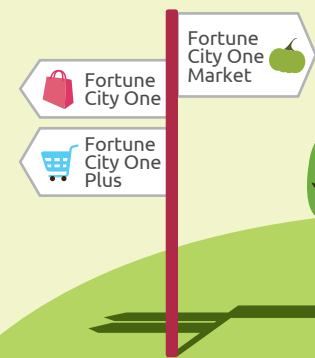
Fortune City One

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

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

Key Statistics (as at 31 December 2013)

Occupancy	99.2% (2012: 95.1%)
Purchase Price	HK\$2,559 million
Market Valuation	HK\$6,253 million
Gross Revenue ¹	HK\$297.0 million (2012: HK\$270.5 million)
Net Property Income	HK\$208.6 million



Mall Features



Completed in 1981-1989



263 Tenants



414,469 Sq.ft. Total GRA



27,532 Sq.ft. Wet Market



653 Parking Lots



Fortune City One Piazza



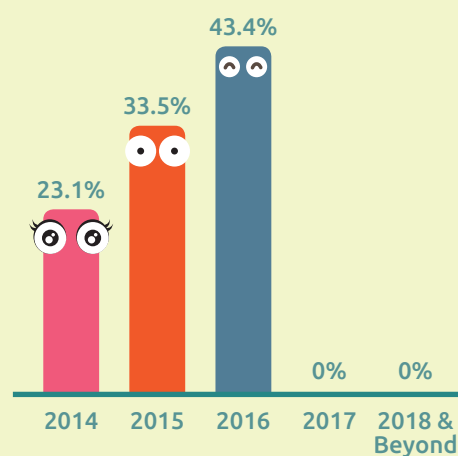
City One MTR Station



Tenant Trade Mix Analysis²

Banking & Real Estate Services	18.4%
Community Services	0.8%
Electronics & IT	2.5%
Fashion & Shoes	7.3%
Food & Beverages	26.7%
Gifts & Speciality, Hobbies, Toys, Jewellery	4.0%
Homeware & Home Furnishing	3.0%
Leisure & Entertainment, Sports & Fitness	1.2%
Services & Education	23.5%
Supermarkets	6.2%
Wet Markets	4.2%
Others	2.2%

Lease Expiry Profile²



Notes:

1. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
2. Based on gross rental for the month of December 2013. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.



Fortune Kingswood











Fortune Kingswood, located in Tin Shui Wai, Yuen Long, New Territories, one of the largest new towns in Hong Kong. Being the largest shopping center in Yuen Long district, the property serves a catchment of close to 288,000 people, the hotel residents of the 1,102-room Harbour Plaza Resort City, as well as many visitors from Mainland China due to its close proximity to the border. Fortune Kingswood is located only 15 minutes away from the Wetland Park via Light Rail Transit, which is a key tourist spot for both local and overseas visitors.

Key Statistics (as at 31 December 2013)

Occupancy	99.0%
Purchase Price	HK\$5,849 million
Market Valuation	HK\$6,028 million
Gross Revenue ^{1,3}	HK\$67.1 million
Net Property Income ³	HK\$47.3 million



Mall Features

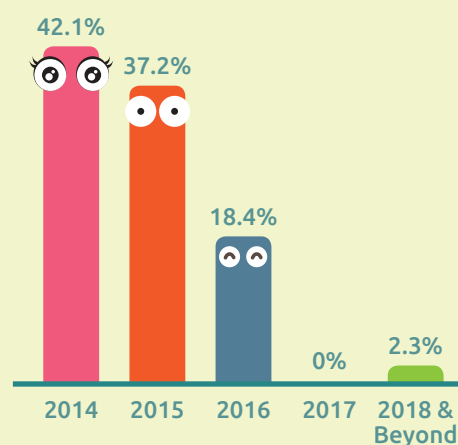
-  Completed in 1999
-  4-house Cineplex
-  665,244 Sq.ft. Total GRA
-  Adjoining 2 Hotel Towers
-  622 Parking Lots
-  Over 40 Loading/Unloading Bays
-  Tin Shui Wai MTR Station
-  Largest Supermarket in Yuen Long
-  208 Tenants
-  Near Wetland Park



Tenant Trade Mix Analysis²

Banking & Real Estate Services	19.8%
Community Services	0.3%
Electronics & IT	2.3%
Fashion & Shoes	11.6%
Food & Beverages	18.2%
Gifts & Speciality, Hobbies, Toys, Jewellery	3.8%
Homeware & Home Furnishing	5.0%
Leisure & Entertainment, Sports & Fitness	3.3%
Services & Education	16.9%
Supermarkets	8.3%
Others	10.5%

Lease Expiry Profile²



Notes:

- 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 2013. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.
- Fortune Kingswood was acquired on 9 October 2013.



Ma On Shan Plaza

Ma On Shan Plaza is located in Ma On Shan, Shatin, New Territories, which is a well-established new town, and home to about 206,000 people.

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








Key Statistics (as at 31 December 2013)

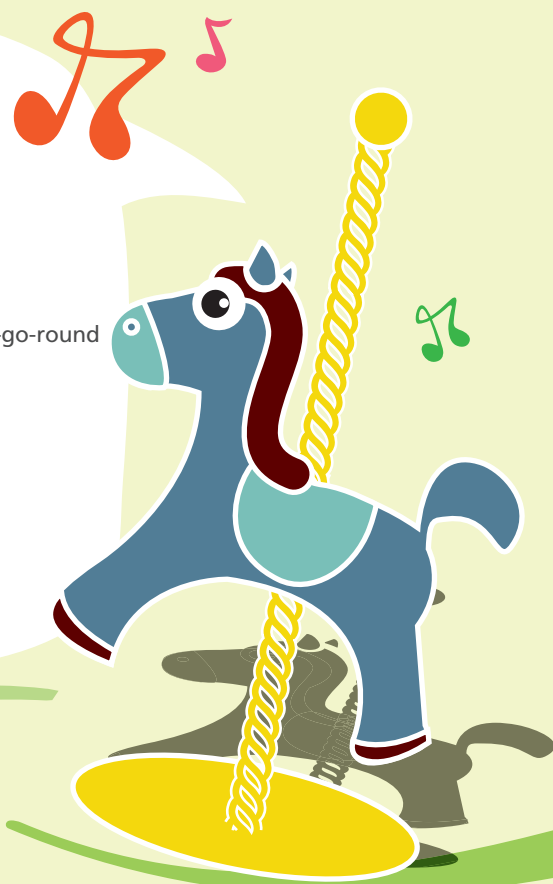
Occupancy	98.5% (2012: 99.8%)
Purchase Price	HK\$934 million
Market Valuation	HK\$4,342 million
Gross Revenue ¹	HK\$231.3 million (2012: HK\$218.5 million)
Net Property Income	HK\$173.5 million



This is
Amazing!

Mall Features

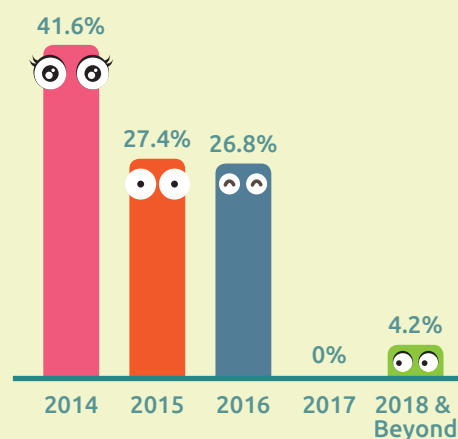
-  Completed in 1994
-  **OPEN** 152 Tenants
-  310,084 Sq.ft. Total GRA
-  Hong Kong's Only Indoor Merry-go-round
-  290 Parking Lots
-  Adjoining Ma On Shan Park
-  Ma On Shan MTR Station



Tenant Trade Mix Analysis²

Banking & Real Estate Services	36.1%
Electronics & IT	2.7%
Fashion & Shoes	8.5%
Food & Beverages	13.6%
Gifts & Speciality, Hobbies, Toys, Jewellery	5.2%
Homeware & Home Furnishing	1.7%
Leisure & Entertainment, Sports & Fitness	4.7%
Services & Education	15.0%
Supermarkets	8.1%
Others	4.4%

Lease Expiry Profile²



Notes:

1. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
2. Based on gross rental for the month of December 2013. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.

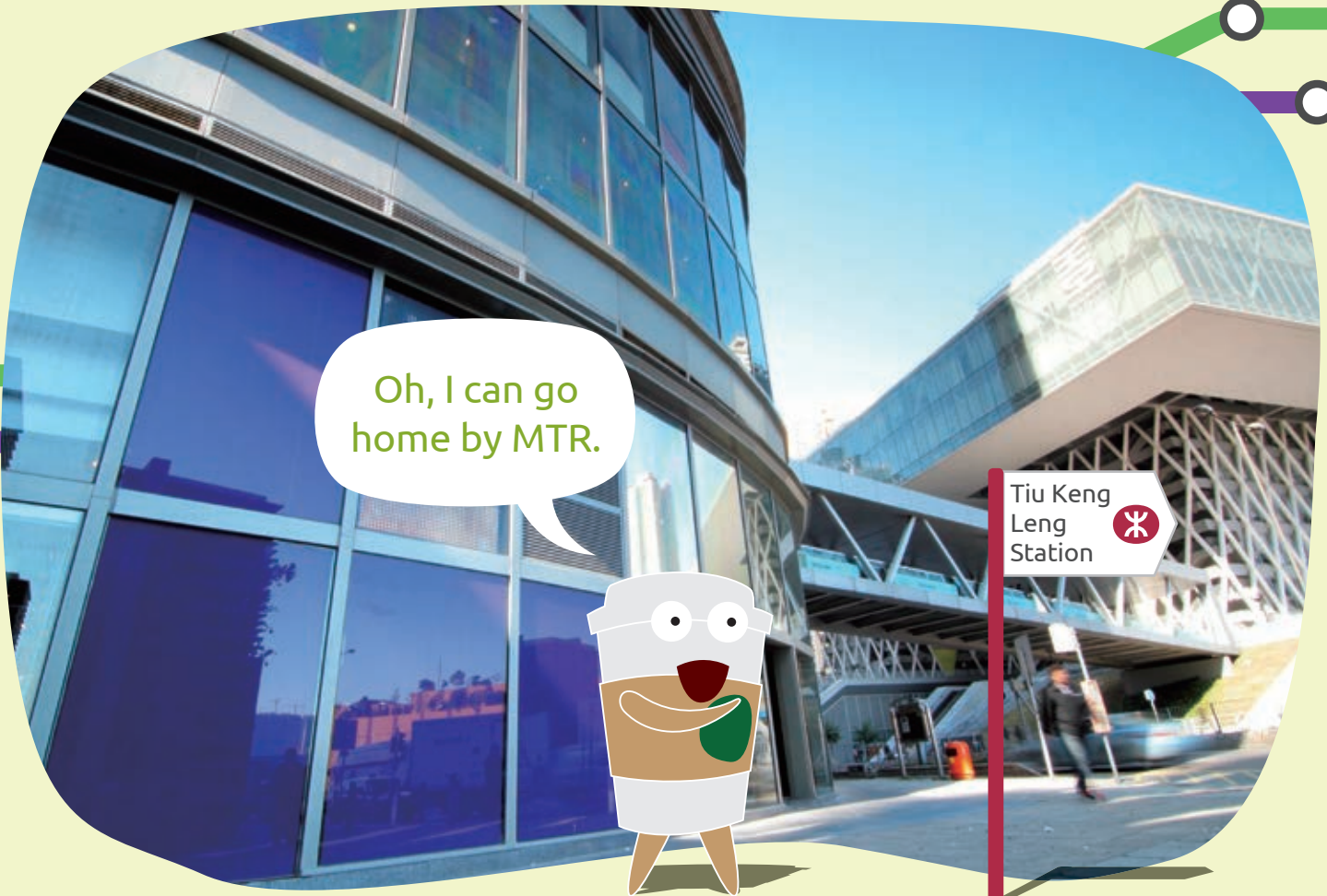


Metro Town

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, Kin Ming Estate, Shin Ming Estate and Choi Ming Court, and institutions including Hong Kong Design Institute and Caritas Bianchi College of Careers. The ground floor of the mall links to a bus terminal connecting the Tiu Keng Leng area with other parts of Tseung Kwan O as well as the main urban areas of Hong Kong Island and Kowloon.

Key Statistics (as at 31 December 2013)

Occupancy	100.0% (2012: 100.0%)
Purchase Price	HK\$1,452 million
Market Valuation	HK\$2,726 million
Gross Revenue ¹	HK\$134.7 million (2012: HK\$116.8 million)
Net Property Income	HK\$100.1 million









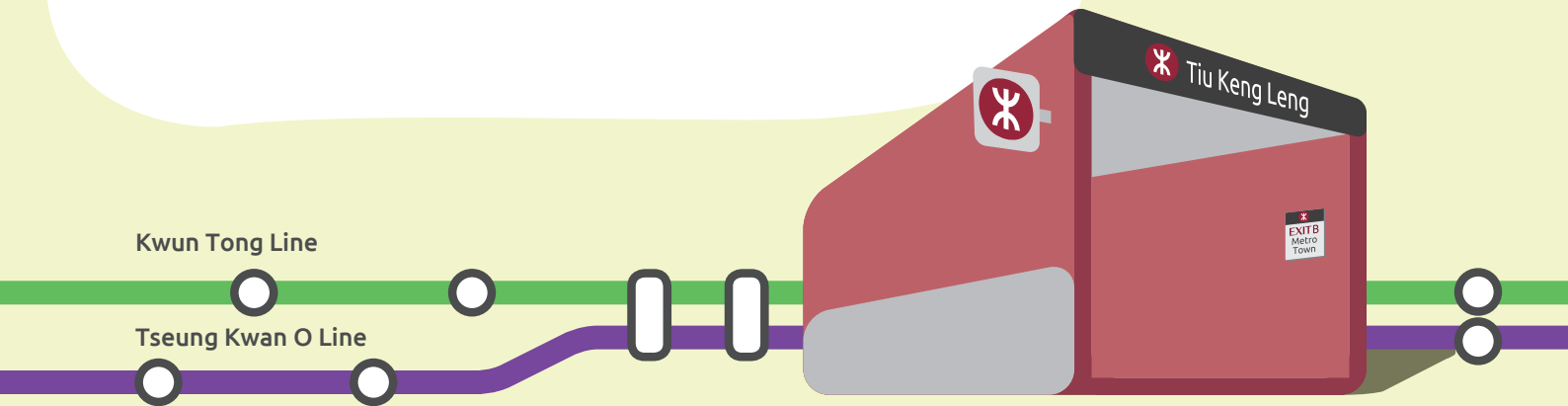
Oh, I can go home by MTR.

Tiu Keng Leng Station



Mall Features

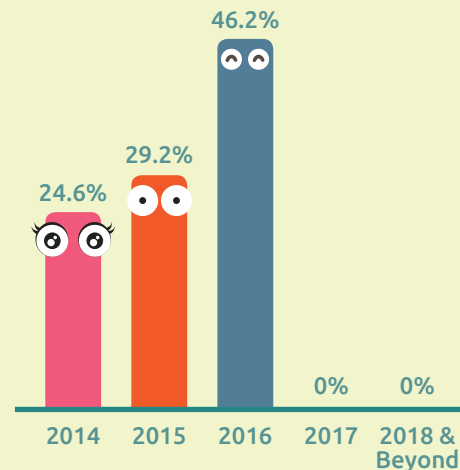
-  Completed in 2006
-  Tiu Keng Leng MTR Station
-  180,822 Sq.ft. Total GRA
-  102 Tenants
-  74 Parking Lots
-  Adjoining Hong Kong Design Institute



Tenant Trade Mix Analysis²

Banking & Real Estate Services	24.6%
Electronics & IT	1.1%
Fashion & Shoes	8.7%
Food & Beverages	21.0%
Gifts & Speciality, Hobbies, Toys, Jewellery	6.7%
Homeware & Home Furnishing	1.1%
Leisure & Entertainment, Sports & Fitness	1.1%
Services & Education	21.8%
Supermarkets	10.1%
Others	3.8%

Lease Expiry Profile²



Notes:

- 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 2013. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.



Fortune Metropolis

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









Key Statistics (as at 31 December 2013)

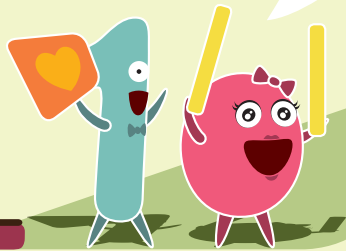
Occupancy	97.8% (2012: 98.5%)
Purchase Price	HK\$1,464 million
Market Valuation	HK\$2,059 million
Gross Revenue ¹	HK\$129.4 million (2012: HK\$118.4 million)
Net Property Income	HK\$81.4 million



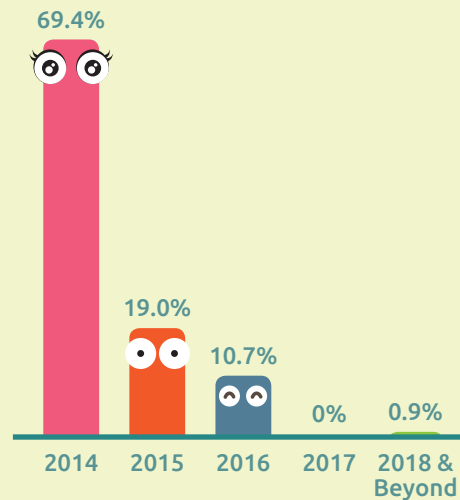
Hong Kong Coliseum is over there.

Mall Features

-  Completed in 2001
-  Part of Residential/ Office/ Hotel Complex
-  332,168 Sq.ft. Total GRA
-  Next to Hong Kong Coliseum
-  179 Parking Lots
-  700-seat Food Court
-  Hung Hom MTR Station
-  123 Tenants



Lease Expiry Profile²



Tenant Trade Mix Analysis²

Banking & Real Estate Services	36.9%
Fashion & Shoes	2.6%
Food & Beverages	32.1%
Gifts & Speciality, Hobbies, Toys, Jewellery	6.3%
Homeware & Home Furnishing	1.3%
Services & Education	11.6%
Supermarkets	2.4%
Others	6.8%

Notes:

1. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.
2. Based on gross rental for the month of December 2013. Gross rental includes rental income and licence income due from tenancies but excludes turnover rent.

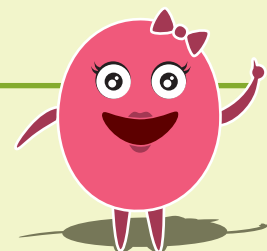
Fortune REIT's Portfolio

Key Statistics (as at 31 December 2013)

Property	Occupancy	Purchase Price	Market Valuation	Gross Revenue ¹	Net Property Income
 Belvedere Square 	94.5% (2012: 99.4%)	HK\$1,250 million	HK\$1,693 million	HK\$98.2 million (2012: HK\$76.3 million)	HK\$69.5 million
 Waldorf Avenue 	100.0% (2012: 100.0%)	HK\$400 million	HK\$1,435 million	HK\$72.0 million (2012: HK\$67.4 million)	HK\$55.6 million
 Caribbean Square 	100.0% (2012: 100.0%)	HK\$428 million	HK\$875 million	HK\$48.9 million (2012: HK\$40.3 million)	HK\$36.3 million
 Provident Square 	99.9% (2012: 99.8%)	HK\$650 million	HK\$856 million	HK\$57.3 million (2012: HK\$46.9 million)	HK\$36.4 million
 Jubilee Square 	100.0% (2012: 83.2%)	HK\$218 million	HK\$768 million	HK\$43.2 million (2012: HK\$31.3 million)	HK\$27.6 million
 Smartland 	99.3% (2012: 99.5%)	HK\$258 million	HK\$599 million	HK\$38.1 million (2012: HK\$34.0 million)	HK\$22.2 million

Note:

1. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.



Property	Occupancy	Purchase Price	Market Valuation	Gross Revenue ¹	Net Property Income
 Tsing Yi Square 	100.0% (2012: 100.0%)	HK\$230 million	HK\$524 million	HK\$30.5 million (2012: HK\$28.1 million)	HK\$21.1 million
 Nob Hill Square 	99.1% (2012: 100.0%)	HK\$233 million	HK\$406 million	HK\$27.0 million (2012: HK\$25.3 million)	HK\$17.3 million
 Hampton Loft 	100.0% (2012: 100.0%)	HK\$159 million	HK\$250 million	HK\$14.3 million (2012: HK\$13.4 million)	HK\$10.6 million
 Centre de Laguna 	100.0% (2012: 100.0%)	HK\$135 million	HK\$245 million	HK\$14.1 million (2012: HK\$13.2 million)	HK\$9.5 million
 Lido Avenue 	100.0% (2012: 100.0%)	HK\$75 million	HK\$169 million	HK\$8.6 million (2012: HK\$7.6 million)	HK\$7.1 million
 Rhine Avenue 	100.0% (2012: 100.0%)	HK\$40 million	HK\$110 million	HK\$5.8 million (2012: HK\$5.7 million)	HK\$4.2 million

Note:

1. Includes base rental, charge-out collections, licence fees, turnover rent, car park revenues and other revenues.

Achievements and Awards

We believe by being responsible to our stakeholders and the communities that our malls operate, it will lead us to a sustainable business environment. We are motivated to advance forward as the list of accolades constantly grows.

Corporate Governance

- 1 **HKIFA 2013 Awards** – Outstanding Listed Company Award
- 2 **The 9th Corporate Governance Asia Recognition Awards 2013** – Asia’s Outstanding Company on Corporate Governance Award
- 3 **FinanceAsia’s Asia’s Best Companies 2013** – seven awards including Best Mid-cap, Most Committed to a Strong Dividend Policy, Best Corporate Governance, Best Corporate Social Responsibility, Best Managed Company, Best Investor Relations and Best CEO
- 4 **2013 Euromoney Best Managed Companies (Property/Real Estate Sector) in Asia** – No.3 among the best managed companies in Asia Pacific



Corporate Social Responsibility

- 5 **HSBC Living Business Merit Award 2013** – Green Achievement Award and Community Award for Fortune Metropolis, Smartland and Nob Hill Square
- 6 **Hong Kong Q-Mark Council** – The Hong Kong Green Mark Certification Scheme
- 7 **U Green Awards 2012/13** – Excellence of Environmental Contributions

Corporate Communication

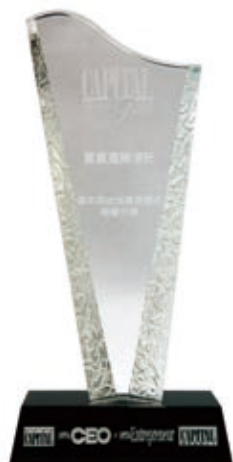
- 8 **2013 CAPITAL Honor Grand Award** – Investor Relations
- 9 **2013 International Annual Report Competition** – Silver Award



7



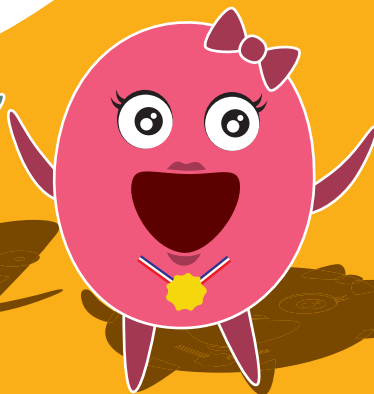
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5



3



Fortune REIT Cares

We undertake to create a better and harmonious community by actively supporting a range of charitable causes, cultural and sport activities, environmental and corporate sustainability initiatives.

Various green initiatives at Fortune Malls to convey environmental protection messages to tenants, the surrounding communities and the society as a whole.

We continue to support NGO activities by providing free venues at Fortune Malls.

1



2



3



1. Promoting recycling of food waste.
2. "Fortune Plantation Zone" offering to our tenants.
3. Providing free venues at Fortune Malls for NGO events.

Fortune Volunteer Team was formed to encourage staff members to participate in activities to spread love and care to communities.



4. Celebrating Christmas with a group of elderlies at a community center.
5. Participating at the Food Angel Lunch Box Packing Campaign for donation to the needy group.

6. Organised jointly with the Changing Young Lives Foundation, a group of underprivileged kids and their families were invited to join a Charity Meal at Ma On Shan Plaza.
7. The Fortune Volunteer Team together with Foodspot Triathlon Ambassador promoting exercise and a healthy life.

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.



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

Lim Lee Meng

Yeung, Eirene

Chiu Yu, Justina

*Chiu Kwok Hung,
Justin*

Board of Directors

Chiu Kwok Hung, Justin

Chairman and Non-Executive Director

Dr. Chiu, aged 63, has been a Director of the Manager since the Manager's incorporation in 2003. He is the Chairman of the Manager. He is also the Chairman and Non-executive Director of ARA Asset Management Limited ("ARA"), the holding company of the Manager, the Chairman of ARA Trust Management (Suntec) Limited (the manager of Suntec REIT) and the Chairman of ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT). Both ARA and Suntec REIT are listed on the Main Board of Singapore Exchange Securities Trading Limited ("SGX-ST") while Prosperity REIT is listed on the Main Board of The Stock

Exchange of Hong Kong Limited ("SEHK"). Dr. Chiu is also a Director of ARA Fund Management (Asia Dragon) Limited as the manager of the ARA Asia Dragon Fund. Dr. Chiu serves as a member of the Standing Committee of the 12th Shanghai Committee of Chinese People's Political Consultative Conference of the People's Republic of China ("PRC"), and is a Fellow of The Hong Kong Institute of Directors, a Fellow of Hong Kong Institute of Real Estate Administrators and a member of the Board of Governors of Hong Kong Baptist University Foundation.

Dr. Chiu has more than 30 years of international experience in real estate in Hong Kong and various countries and is one of the most respected professionals in the property industry in Asia. Dr. Chiu is Member of the Executive Committee and Executive Director of Cheung Kong (Holdings) Limited



Lim Hwee Chiang

*Ip Tak Chuen,
Edmond*

*Ang Meng Huat,
Anthony*

*Lan Hong Tsung,
David*

*Ma Lai Chee,
Gerald*

Board of Directors and Senior Management

(“**Cheung Kong**”), a company listed on the Main Board of SEHK. He joined Cheung Kong in 1997, has been an Executive Director since 2000 and Member of the Executive Committee since 2013, heading the real estate sales, marketing and property management teams. Prior to joining Cheung Kong, Dr. Chiu was with Sino Land Company Limited from 1994 to 1997 and Hang Lung Development Company, Limited (now known as Hang Lung Group Limited) from 1979 to 1994 responsible for the leasing and property management in both companies. Both Sino Land Company Limited and Hang Lung Group Limited are listed on the Main Board of SEHK.

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

Lim Hwee Chiang

Non-Executive Director

Mr. Lim, aged 57, has been a Director of the Manager since April 2003. He is also the Group Chief Executive Officer and an Executive Director of ARA, the holding company of the Manager. He has been a Director of ARA since its establishment. He is also a Director of ARA Trust Management (Suntec) Limited (the manager of Suntec REIT), ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT), ARA-CWT Trust Management (Cache) Limited (the manager of Cache Logistics Trust), Am ARA REIT Managers Sdn Bhd (the manager of AmFIRST REIT) and Hui Xian Asset Management Limited (the manager of Hui Xian REIT). ARA, Suntec REIT and Cache Logistics Trust are listed on the Main Board of SGX-ST, Prosperity REIT and Hui Xian REIT are listed on the Main Board of SEHK and AmFIRST REIT is listed on the Main Board of Bursa Malaysia.

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

Teckwah Industrial Corporation Limited which is listed on the Main Board of SGX-ST. He is also a Director of Chinese Chamber Realty Private Limited, a Director of the Financial Board of the Singapore Chinese Chamber of Commerce, the Chairman of the Property Management Committee of the Singapore Chinese Chamber of Commerce and Industry, and a member of the Consultative Committee to the Department of Real Estate, National University of Singapore.

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

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

Ip Tak Chuen, Edmond

Non-Executive Director

Mr. Ip, aged 61, has been a Director of the Manager since 2003. He is a member of the Designated Committee of the Manager. Mr. Ip is also a Non-executive Director of ARA, the holding company of the Manager, a Director of ARA Trust Management (Suntec) Limited (the manager of Suntec REIT) and a Non-executive Director of Hui Xian Asset Management Limited (the manager of Hui Xian REIT). Both ARA and Suntec REIT are listed on the Main Board of SGX-ST while Hui Xian REIT is listed on the Main Board of SEHK.

Mr. Ip has been an Executive Director of Cheung Kong since 1993 and Deputy Managing Director since 2005 as well as Member of the Executive Committee since 2013, responsible for overseeing all financial and treasury functions of Cheung Kong and its subsidiaries, particularly in the fields of corporate and project finance. He has been an Executive Director of Cheung Kong Infrastructure Holdings Limited (“**CK Infrastructure**”) since its incorporation in 1996 and Deputy Chairman since 2003, and the Senior Vice President and Chief Investment Officer since 2002 and Executive Director since 2001 of CK Life Sciences Int’l., (Holdings) Inc. (“**CK Life Sciences**”) respectively. He oversees matters relating to corporate finance, strategic acquisition and investment of both CK Infrastructure and CK Life Sciences. Mr. Ip is also a Non-executive Director of TOM Group Limited (“**TOM**”), AVIC International Holding (HK) Limited (“**AVIC**”), Real Nutraceutical Group Limited (“**Real Nutraceutical**”) and Shougang Concord International Enterprises Company Limited (“**Shougang**”). Cheung Kong, CK Infrastructure, CK Life Sciences, TOM, AVIC, Real Nutraceutical and Shougang are listed on the Main Board of SEHK.

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

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

Yeung, Eirene

Non-Executive Director

Ms. Yeung, aged 53, has been a Director of the Manager since 2003. She is a member of the Disclosures Committee of the Manager. Ms. Yeung is also a Member of the Executive Committee and the Company Secretary of Cheung Kong and the Company Secretary of CK Infrastructure and CK Life Sciences. She is also the Alternate Director to the Group Managing Director of CK Infrastructure. Ms. Yeung joined Cheung Kong in 1994. She advises the Board on corporate strategy, and currently heads the corporate legal and secretarial team that oversees listing, regulatory and origination compliance, and advises and drives mergers and acquisitions, property investments and acquisitions, securities placement and investments, private equity investment, fund investment, bond and note issue and other financing exercises, as well as derivative and swap transactions and investment in structured products. Cheung Kong, CK Infrastructure and CK Life Sciences are listed on the Main Board of SEHK.

Prior to joining Cheung Kong, Ms. Yeung was in private practise at the law firms of Messrs. Robert W.H. Wang & Co and Deacons for a total of 10 years from 1984 to 1994 where she handled a wide spectrum of corporate and commercial legal work. She has been a solicitor of the High Court of the Hong Kong Special Administrative Region (“**HKSAR**”) from 1986 and of the Supreme Court of Judicature in England and Wales from 1990.

Board of Directors and Senior Management

Ms. Yeung is a member of the Listing Committee of the Main Board and Growth Enterprise Market of SEHK, a member of the SFC (HKEC Listing) Committee of the Securities and Futures Commission of Hong Kong, a member of the Companies Ordinance Rewrite Advisory Group, a member of the Advisory Board of the MBA Programmes of The Chinese University of Hong Kong (“CUHK”) and a member of the Advisory Group on BBA-JD Programme of CUHK.

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

Ang Meng Huat, Anthony

Executive Director and Chief Executive Officer

Mr. Ang, aged 58, 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 and a Director of Am ARA REIT Managers Sdn Bhd (the manager of AmFIRST REIT which is listed on the Main Board of Bursa Malaysia). Before joining ARA in 2006, Mr. Ang held senior positions with Armstrong Industrial Corporation Limited, a leading precision engineering firm in Singapore; GIC Real Estate Pte. Ltd, a global real estate fund management company; Vertex Management Pte Ltd, a Singapore-based global venture capital company; and Majulah Connection Limited, a global business networking and consulting organization. Mr. Ang began his career with the Singapore Economic Development Board where he served for 14 years, including 6 years in the United States as the Regional Director of their North American operations.

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

Chiu Yu, Justina

Executive Director and Deputy Chief Executive Officer

Ms. Chiu, aged 33, 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 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 Master of Science degree in Real Estate Economics and Finance, a Bachelor of Science degree in Accounting and Finance, a Postgraduate Certificate in Laws and a Postgraduate Diploma in Law. She is also a solicitor of the High Court of the HKSAR, a CFA Charterholder and a member of the American Institute of Certified Public Accountants. Ms. Chiu is a member of the 13th Changzhou Committee of the Chinese People's Political Consultative Conference of the PRC. Ms. Chiu is the daughter of Dr. Chiu Kwok Hung, Justin, Chairman of the Manager.

Lim Lee Meng

Independent Non-Executive Director and Lead Independent Director

Mr. Lim, aged 57, has been a Director of the Manager since 2003. He is an Independent Non-executive Director and Lead Independent 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 Industrial Corporation Limited (“Teckwah”), Tye Soon Ltd (“Tye Soon”) and ARA Trust Management (Suntec) Limited (the manager of Suntec REIT). Teckwah, Tye Soon and Suntec REIT are all listed on the Main Board of SGX-ST. He also serves as the Chairman of the Audit Committee of Teckwah. Mr. Lim is also a practising member of the Institute of Singapore Chartered Accountants, 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 the finance committee of Ang Mo Kio Town Council, a board member of the Casino Regulatory Authority of Singapore, and the vice-chairman of the School Advisory Committee of River Valley High School.

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

Sng Sow-Mei (alias Poon Sow Mei)

Independent Non-Executive Director

Mrs. Sng, aged 72, has been a Director of the Manager since 2003. She is an Independent Non-executive Director and a member of the Audit Committee. She is also an Independent Non-executive Director and a member of the Audit Committees of CK Infrastructure and ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT), and the Lead Independent Director and a member of Audit Committee of Hutchison Port Holdings Management Pte Limited (the manager of Hutchison Port Holdings Trust (“HPH Trust”). HPH Trust is listed on the Main Board of SGX-ST, while CK Infrastructure and Prosperity REIT are listed on the Main Board of SEHK.

From 2004 to 2013, Mrs. Sng was Independent Non-executive Director and a member of the Audit Committee of ARA Trust Management (Suntec) Limited, the manager of Suntec REIT listed on the Main Board of SGX-ST. Prior to her appointments with Singapore Technologies Pte Ltd, where she was Director of Special Projects (North East Asia) in 2000 and a Senior Consultant (International Business) of Singapore Technologies Electronics Limited from 2001 to 2013, 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, Mrs. Sng was a Director of INFA Systems Ltd from 2007 to 2013, the Centre Director and then Regional Director of the Singapore Economic Development Board and Trade Development Board respectively from 1983 to 1997. She was Singapore’s Trade Commissioner in Hong Kong from 1990 to 1997.

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

Lan Hong Tsung, David

Independent Non-Executive Director

Dr. Lan, aged 73, has been a Director of the Manager since 2010. He is an Independent Non-Executive Director and a member of the Audit Committee. He is also an Independent Non-executive Director, the Chairman of the Audit Committee and a member of the Designated (Finance) Committee of ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT). Dr. Lan is also an Independent Non-executive Director of other listed companies in Hong Kong including CK Infrastructure Hold (in which he is a member of the Audit Committee), Hutchison Telecommunications Hong Kong Holdings Limited (“HTHKH”) (in which he is a member of the Audit Committee and chairman of Remuneration Committee), Hutchison Harbour Ring Limited and SJM Holdings Limited. Dr. Lan is currently the Chairman of David H T Lan Consultants Ltd., Supervisor of Nanyang Commercial Bank (China), Limited and holds a directorship at Nanyang Commercial Bank Ltd. as well as being a Senior Advisor of Mitsui & Co. (H.K.) Ltd.. Dr. Lan is also the President of the International Institute of Management.

Board of Directors and Senior Management

Dr. Lan was the Secretary for Home Affairs of the Government of HKSAR 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. He was appointed to the 10th and 11th sessions of National Committee Member of the Chinese People's Political Consultative Conference of the People's Republic of China. Dr. 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.

Dr. 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). Dr. Lan was conferred with the Degree of Doctor of Humanities, *honoris causa* by Don Honorio Ventura Technological State University and holder of Visiting Professorship Awards of Bulacan State University and Tarlac State University.

Ma Lai Chee, Gerald

Alternate Director to Ip Tak Chuen, Edmond

Mr. Ma, aged 45, has since April 2008 been an Alternate Director to Mr. Ip Tak Chuen, Edmond, a Director of the Manager. He is currently Member of the Executive Committee and Chief Manager, Corporate Business Development Department of 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. Cheung Kong, Prosperity REIT and HTHKH are listed on the Main Board of SEHK while Suntec REIT is listed on the Main Board of SGX-ST.

Mr. Ma has over 24 years of experience in banking, investment and portfolio management, real estate development and marketing, as well as managing IT related ventures and services. He is a member of the Hospitality Services Committee of Caritas Hong Kong. He is also a member of the President's Circle, the Dean's Advisory Board for the Faculty of Arts and the China Advisory Council for the Sauder School of Business of the University of British Columbia, Canada. He holds a Bachelor of Commerce degree in Finance and a Master of Arts degree in Global Business Management.

Senior Management

Ang Meng Huat, Anthony

Chief Executive Officer

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

Chiu Yu, Justina

Deputy Chief Executive Officer

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

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

Hung Yuen Chun, Jenny

Director, Investment and Investor Relations

Ms. Hung joined the Manager in 2006. She is the Director, Investment and Investor Relations and a Responsible Officer of the Manager. Ms. Hung is responsible for communicating and liaising with Unitholders and investors of Fortune REIT.

Ms. Hung is also responsible for identifying and evaluating potential acquisitions or divestments which are consistent with the Manager's investment strategy. Ms. Hung has more than 15 years experience in the real estate industry with exposure to the Hong Kong and PRC markets. Prior to joining the Manager, Ms. Hung worked for Cheung Kong for six years.

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

Lau Wing Han, Vivian

Senior Manager, Asset Management

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

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

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

Yap Shee Liam, William

Senior Finance Manager

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

From 2008 to 2012, Mr. Yap was the Deputy Financial Controller of a company listed on SEHK with principal activities of property development, property investment, investment in and operation of hotels and restaurants.

Mr. Yap served as an auditor with Messrs. Deloitte Touche Tohmatsu from 1997 to 2008.

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

Corporate Governance Policies

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

With the objectives of establishing and maintaining high standards of corporate governance, certain policies and procedures have been put in place to promote the operation of Fortune REIT in a transparent manner and with built-in checks and balances. The Manager has adopted a compliance manual ("**Compliance Manual**") which sets out the key processes, systems, measures, and certain corporate governance policies and procedures applicable for governing the management and operation of Fortune REIT and for compliance with the applicable Hong Kong regulations and legislation. As Fortune REIT is a real estate investment trust with dual primary listing of its units in Singapore and Hong Kong, Fortune REIT and/or the Manager are subject to the laws, rules and regulations in Singapore and Hong Kong applicable to Fortune REIT and/or the Manager (the "**Applicable Rules**"), corporate governance practices and policies referred to in the Singapore Code of Corporate Governance 2012 ("**Singapore Code**"), contained in the listing manual of the SGX-ST ("**SGX-ST Listing Manual**") and the code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the SEHK (the "**Hong Kong Listing Rules**"), where applicable. The Manager confirmed that it has complied with the provisions of the Compliance Manual and has adhered to the principles and guidelines set out in the Singapore Code and the CG Code which are applicable to Fortune REIT and/or the Manager throughout the Reporting Year and has provided explanations in cases of deviations (if any) in this report. Set out below is a summary of the key

components of the corporate governance policies that have been adopted and complied with by the Manager and/or Fortune REIT.

During the Reporting Year, the Compliance Manual had been amended (1) by adding to its corporate governance policy the objective of maintaining board diversity in reviewing board composition to comply with the new Code Provision A.5.6 of the CG code implemented on 1 September 2013; and (2) to adopt the term "trading halt" contained in the Hong Kong Listing Rules currently serves as a short suspension of trading in an issuer's securities.

Authorization Structure

Fortune REIT is a collective investment scheme authorized by:

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

The Manager is licensed by the SFC to conduct the regulated activity of asset management (Type 9) under Part V of the SFO. Mr. Ang Meng Huat, Anthony, Ms. Chiu Yu, Justina, Ms. Hung Yuen Chun, Jenny and Ms. Lau Wing Han, Vivian are the

Responsible Officers of the Manager pursuant to the requirements of section 125 of the SFO and Chapter 5.4 of the REIT Code. Mr. Ang Meng Huat, Anthony and Ms. Chiu Yu, Justina are Executive Directors of the Manager pursuant to the requirements of section 125 of the SFO.

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

Roles of the Trustee and the Manager

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

Board of Directors of the Manager

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

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

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, annual budget, 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"). Ad-hoc Board meetings would be held, as and when necessary, to address significant transactions or issues that may arise in between scheduled meetings. In lieu of physical meetings, written resolutions are also circulated for approval by the Board.



Corporate Governance Policies

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

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

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

The Board comprises persons who as a group provide core competencies, such as business and management experience, finance, legal and fund management experience necessary and critical to meet the Manager’s objectives. This also enables management to benefit from the external and expert perspectives of the Directors who collectively possess the core competencies relevant to the direction and growth of Fortune REIT and its subsidiaries (the “Group”). The composition of the Board is reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience in order to achieve a balance of skills, experience and diversity of perspectives.

In reviewing Board composition, the Board will from time to time consider the benefits of all aspects of diversity including but not limited to gender, age, cultural, educational background and professional experience, in order to maintain an appropriate range and balance of skills, experience and background of the Board. The Board is of the view that its current Board size of nine members is appropriate, taking into account the nature and scope of operations of the Group.

The Non-Executive Directors contribute to the Board process by monitoring and reviewing management’s performance against goals and objectives of Fortune REIT and/or the Manager. Their views and opinions provide alternate perspectives to the Group’s business. When challenging management’s proposals or decisions they bring independent judgement to bear on business activities and transactions involving conflicts of interest and complexities.

The independence of Directors is reviewed upon appointment and thereafter the Board also reviews the independence of INEDs annually based on the independence criteria set out in the Compliance Manual and the Applicable Rules.

The Board has received written annual confirmations from Mr. Lim Lee Meng, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Dr. Lan Hong Tsung, David of his/her independence pursuant to the “Criteria for Independence of INEDs” set out in the Compliance Manual. The Board has determined that Mr. Lim Lee Meng, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Dr. Lan Hong Tsung, David are independent in character and judgment and that there are no relationships or circumstances which are likely to affect or could appear to affect their judgment and no individual or small group of individuals dominates the Board’s decision-making process.

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

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

The positions of Chairman and Chief Executive Officer ("CEO") are held by two different persons in order to maintain an effective segregation of duties. The Chairman of the Board is Dr. Chiu Kwok Hung, Justin who is a Non-Executive Director. The CEO and Deputy CEO are Mr. Ang Meng Huat, Anthony and Ms. Chiu Yu, Justina respectively, both of whom are Executive Directors and Responsible Officers. The Chairman is not related to the CEO.

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 the 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.

The Singapore Code recommends the appointment of an independent Director to be Lead Independent Director where the Chairman is not an independent director. Mr. Lim Lee Meng was appointed Lead Independent Director on 15 July 2013. He serves as an alternative channel of communication for Unitholders in the event that the standard channels via management are not appropriate. In this role, he can also facilitate periodic meetings of INEDs without the presence of management and provide feedback to the Chairman after such meetings.

All Directors are provided with regular updates on changes in the relevant laws and regulations to enable them to make informed decisions in discharging their duties and responsibilities. Directors are encouraged to participate in appropriate continuous professional development to develop and refresh their knowledge and skill to ensure that their contributions to the Board remain informed and relevant. The Manager provides Directors with information on the relevant external training courses and their attendance records of external training will be kept and provided to the Manager as and when required. Structured opportunities are provided to the Directors through initiatives such as site visits, briefings at Board meetings and training workshop organised for Directors.

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 collective decision of Directors.

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

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

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

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

Corporate Governance Policies

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

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

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

Six board meetings of the Manager were held in the Reporting Year and the attendance record of the Board meetings is as follows:

Subsequent to publication of the Interim Report 2013 of Fortune REIT, the Manager received notifications regarding the following changes of Directors' information:

- Mr. Lim Hwee Chiang has resigned as a non-executive director of APN Property Group Limited, a company listed in Australia with effect from 28 November 2013 and has become a member of the Consultative Committee to the Department of Real Estate, National University of Singapore.
- Ms. Yeung, Eirene has become a member of the SFC (HKEC Listing) Committee of the Securities and Futures Commission of Hong Kong and has ceased to be a member of the Board of Review (Inland Revenue Ordinance).
- Ms. Chiu Yu, Justina has been acting as a director of Brilliant Crystal Enterprises Limited, Max Dynamic Investments Limited and Smart Growth Enterprises Limited since 16 September 2013 and has been acting as a director of Tin Shui Wai Development Limited since 9 October 2013. All the aforesaid companies are special purpose vehicles of Fortune REIT.
- Mr. Lim Lee Meng has been appointed as the vice-chairman of the School Advisory Committee of River Valley High School and has resigned as the Chairman of Yio Chu Kang Citizen Consultative Committee.
- Mrs. Sng Sow-Mei (alias Poon Sow Mei) has resigned as an independent non-executive director and a member of the audit committee of ARA Trust Management (Suntec) Limited (the manager of Suntec REIT which is listed on the SGX-ST) with effect from 31 December 2013. Mrs. Sng also ceased to be Senior Consultant (International Business) of Singapore Technologies Electronics Ltd and director of INFA Systems Ltd with effect from 31 December 2013 and 5 September 2013, respectively.

Members of the Board

Attendance

Members of the Board		Attendance
Chairman and Non-Executive Director	Dr. Chiu Kwok Hung, Justin	6/6
CEO and Executive Director	Mr. Ang Meng Huat, Anthony	6/6
Deputy CEO and Executive Director	Ms. Chiu Yu, Justina	6/6
Non-Executive Directors	Mr. Lim Hwee Chiang Mr. Ip Tak Chuen, Edmond Ms. Yeung, Eirene	6/6 4/6 6/6
Lead Independent Director and Independent Non-Executive Director	Mr. Lim Lee Meng	6/6
Independent Non-Executive Directors	Mrs. Sng Sow-Mei (alias Poon Sow Mei) Dr. Lan Hong Tsung, David	6/6 6/6

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

Name of Alternate Director	Attendance
Mr. Ma Lai Chee, Gerald	2/6

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

Audit Committee

The Board has established an Audit Committee with clear terms of reference to assist it in discharging its responsibilities. The role of the Audit Committee is to, among other things, safeguard the assets of the Manager and Fortune REIT, maintain adequate accounting records, develop and maintain an effective system of internal controls and risk management, ensure integrity of financial statements and provide arrangements whereby concerns on financial improprieties or, other matters raised by “whistle-blowers” are investigated and appropriate follow up action taken. The Audit Committee meets with the internal and external Auditors, without the presence of the management, at least once annually. Both the external Auditors and the internal Auditors have confirmed that for the Reporting Year, they had received full co-operation of the management and no restrictions have been placed on the scope of audit. The Audit Committee also, among other things, monitors the procedures established to regulate transactions with “connected person” (as defined in the REIT Code) and transactions with “interested person/ party” (as defined in the SGX-ST Listing Manual and the Code on Collective Investment Schemes, Appendix 6 – Property Funds).

The Audit Committee presently comprises three INEDs, namely Mr. Lim Lee Meng, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Dr. Lan Hong Tsung, David. Mr. Lim Lee Meng is the Chairman of the Audit Committee. All members of the Audit Committee have 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.

During the Reporting Year, the Audit Committee has:

- (i) reviewed the internal and external audit plans, including the nature and scope of work before commencement of these audits;
- (ii) set up with the Group’s internal and external Auditors on a quarterly basis to discuss their findings as set out in their respective reports;
- (iii) reviewed and approved the consolidated statements of profit or loss and other comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows and independent Auditors’ reports;
- (iv) reviewed the aggregate amount of fees paid to the external Auditors for the Reporting Year and the breakdown of the fees paid in total for audit and non-audit services respectively. It is satisfied that such non-audit services would not affect the independence of the external Auditors. The external Auditors have also affirmed their independence in this respect to the Audit Committee. The Audit Committee, with the concurrence of the Board, has recommended the re-appointment of Deloitte & Touche LLP and Deloitte Touche Tohmatsu as external Auditors at the forthcoming Annual General Meeting (“AGM”) of the Unitholders. Fortune REIT complies with Rules 712 and 715 of the SGX-ST Listing Manual in relation to the external Auditors. Rule 716 of the SGX-ST Listing Manual is not applicable as the same auditing firm is appointed for Fortune REIT and its subsidiaries;
- (v) reviewed on a half-yearly basis, dealings by the Manager and Directors pursuant to the Code Governing Dealings in Units by Directors or the Manager (the “Units Dealing Code”) and the conduct and performance of the Directors or members of the governing bodies of the special purpose vehicles of Fortune REIT; and
- (vi) reviewed the independence of INEDs annually and is satisfied that none of them are related and have any relationship with the Manager or its related companies or its officers who could interfere or to be reasonably perceived to interfere with the exercise of their independent judgments.

Corporate Governance Policies

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

Members of the Audit Committee	Attendance
Mr. Lim Lee Meng	5/5
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	5/5
Dr. Lan Hong Tsung, David	5/5

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

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

During the Reporting Year, the Audit Committee was also kept apprised, via timely updates by the external Auditors and at each Audit Committee meeting, of changes to accounting standards and issues which have a direct impact on the Fortune REIT's financial statements.

The Audit Committee has put in place a whistle blowing policy, which has been extended to persons other than staff of the Manager. Under this policy, the Audit Committee reviews arrangements by which staff of the Manager and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The policy provides a communication channel for all employees of the Manager, as well as any other persons, who may in confidence raise concerns about possible improprieties and obstructive action within the Manager. The policy also protects complainants from reprisals or victimization when they whistle blow in good faith and without malice. The objective is to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. Details of the whistle-blowing programme

and arrangements have been made available to all employees of the Manager. The description of the policy is also available on the Manager's website to facilitate participation by other persons. There have been no whistle-blowing incidents reported during the Reporting Year.

Disclosures Committee

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

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

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

Members of the Disclosures Committee	Attendance
Ms. Yeung, Eirene	5/5
Ms. Chiu Yu, Justina	5/5
Mr. Lim Lee Meng	5/5

Designated Committee

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

The Designated Committee presently comprises three members, namely Mr. Ip Tak Chuen, Edmond, a Non-Executive Director, Ms. Chiu Yu, Justina, Deputy CEO and an Executive Director, and Mr. Lim Lee Meng, an INED. Ms. Chiu Yu, Justina is the Chairman of the Designated Committee. No Designated Committee meeting was held in the Reporting Year.

Remuneration Matters

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

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

Internal Controls

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

The Manager has engaged BDO Financial Services Limited, an independent third party, which is a member firm of BDO International, to conduct internal audit reviews over Fortune REIT's operations. 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 Auditors report directly to the Audit Committee on audit findings 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 Auditors have adequate resources to perform their functions and have discharge their duties to the best of their ability and are independent of the activities that they audit. The internal Auditors have carried out their functions according to the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

Risk Assessment and Management of Business Risk

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

The Audit Committee and the Board meets quarterly, or more often if necessary, and reviews the financial performance of Fortune REIT. The Board also reviews the risks to the assets and operations of Fortune REIT, and acts upon any comments from Auditors. In assessing business risk, the Board with the concurrence of the Audit Committee, 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 Auditors assist and guide the management in the formulation of risk policies and processes to effectively identify, evaluate, and manage significant risks.

The Manager has established a risk identification and management process. In Fortune REIT, risks are proactively identified and addressed. The risk profiles are reported to the Audit Committee and the Board quarterly to highlight changes in the risk assessment, quantitative and qualitative factors affecting the inherent risks and effectiveness of mitigatory controls supporting the residual risks. The ownership of these risks lies with the respective business units with stewardship residing with the Board.

Action plans to manage the risks are continually being monitored and refined by the management and the Board. Internal Auditors conduct audits to review the risk management framework and assess the effectiveness of the material internal control systems in Fortune REIT including material financial, operational and compliance controls. Any material non-compliance or lapses in internal controls

Corporate Governance Policies

together with corrective measures are reported to the Audit Committee. Additionally, in performing its audit of the financial statements, the external Auditors perform tests over operating effectiveness of certain controls that the Auditors intend to rely on which are relevant to Fortune REIT's preparation of its financial statements. The external Auditors report any significant deficiencies in such internal controls to the Audit Committee.

Based on the framework established and the reviews conducted by the internal and external Auditors, the Board opines, with the concurrence of the Audit Committee, that there are adequate internal controls and risk management systems in place within the Group in addressing material financial, operational and compliance and information technology controls risks in its current business environment, pursuant to Listing Rule 1207(10) of the SGX-ST Listing Manual.

The Board has received assurance from the CEO and Senior Finance Manager of the Manager that the financial records have been properly maintained and that the financial statements give a true and fair view of the Fortune REIT's operations and finances. The Board has also received assurance from the CEO and Senior Finance Manager of the Manager regarding the effectiveness of the risk management and internal control systems of the Manager.

Conflicts of Interest

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

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

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

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

Under the Trust Deed, any Unitholder shall be prohibited from voting its own Units at, or being counted in the quorum for, a meeting at which it has a material interest in the business to be conducted and that interest is different from the interests of other Unitholders (as determined by the Manager, where the Unitholder concerned is not a connected person related to the Manager, or the Trustee, where the Unitholder concerned is not a connected person related to the Trustee, if appropriate, in its absolute opinion) including an issue of new Units where a Unitholder may increase its holdings of Units by more than its pro rata share.

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

The Manager has adopted the Units Dealing Code governing dealings in the securities of Fortune REIT by Directors, the Manager and senior executives, officers or other employees of the Manager (collectively, the "Management Persons"), on terms no less exacting than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Hong Kong Listing Rules. Pursuant to the Units Dealing Code, Management

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

Management Persons who are aware of or privy to any negotiations or agreements related to intended acquisitions or disposals which constitute notifiable transactions under Chapter 14 of the Hong Kong Listing Rules or any connected party transactions under the REIT Code or any inside 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 inside information should caution those Management Persons who are not so privy that there may be unpublished inside 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 inside information, it must refrain from dealing in the securities of Fortune REIT as soon as it becomes aware of them or privy to until proper disclosure of the information in accordance with the Applicable Rules is made.

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

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

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

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

In addition to the Units Dealing Code, the Manager has also adopted a policy for dealings in Fortune REIT's units pursuant to the provisions of the Listing Rules of the SGX-ST at which Management Persons are prohibited from dealing in Fortune REIT's units:

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

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

By virtue of an undertaking to the MAS, the Manager will:

- (i) 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) not deal in the units during the period commencing one month before the public announcement of Fortune REIT's annual, semi-annual and as applicable, quarterly results and (where applicable) property valuation, and ending on the date of announcement of the relevant results.

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

There are procedures in place for monitoring the disclosure of interests by Directors, the chief executive of the Manager (the "Chief Executive") and the Manager. The relevant provisions of the SFO and the applicable Singapore rules and regulations

Corporate Governance Policies

shall be deemed to apply to the Manager, the Directors, the Chief Executive and each Unitholder and all persons claiming through or under him.

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

Communication between Fortune REIT's Hong Kong and Singapore Offices

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

Communication with Unitholders

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

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

General Meetings

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

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

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

Fortune REIT has been granted a waiver from having to comply with the requirements of Rule 730A(1) of the SGX-ST Listing Manual. The waiver allows Fortune REIT to hold its annual general meetings on an alternate year basis in Hong Kong and Singapore.

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

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

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

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

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

Reporting

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

It is the aim of the Board to provide Unitholders with a balanced and comprehensive assessment of Fortune REIT’s financial position and prospects. The management will provide the Board with complete and adequate information in a

timely manner through regular updates on Fortune REIT’s financial results as well as market trends and business development involving Fortune REIT.

Matters to be Decided by Unitholders by Extraordinary Resolution

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

Corporate Governance Policies

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 2013. They are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the ability of Fortune REIT to continue as a going concern.

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

Compliance with the Compliance Manual

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

Review of Annual Report

The annual report of Fortune REIT for the year ended 31 December 2013 has been reviewed by the Audit Committee and the Disclosures Committee.

New Units Issued

As at 31 December 2013, the total number of issued units of Fortune REIT was 1,858,891,124. As compared with the position as at 31 December 2012, a total of 161,065,146 new units were issued during the Reporting Year in the following manner:

- On 3 January 2013, 2,399,436 new units were issued to the Manager at a price of HK\$6.3684 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's

base fee of approximately HK\$15.2 million payable by Fortune REIT for the period from 1 October 2012 to 31 December 2012.

- On 2 April 2013, 2,195,067 new units were issued to the Manager at a price of HK\$6.8096 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's base fee of approximately HK\$14.9 million payable by Fortune REIT for the period from 1 January 2013 to 31 March 2013.
- On 2 July 2013, 2,310,051 new units were issued to the Manager at a price of HK\$7.184 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's base fee of approximately HK\$16.6 million payable by Fortune REIT for the period from 1 April 2013 to 30 June 2013.
- On 6 August 2013, 142,962,000 new units were issued at a price of HK\$6.82 per unit pursuant to the Unit Placement as set out in the announcement dated 30 July 2013.
- On 4 October 2013, 2,622,346 new units were issued to the Manager at a price of HK\$6.398 per unit (being ascribed in the Trust Deed) as payment in full for the Manager's base fee of approximately HK\$16.8 million payable by Fortune REIT for the period from 1 July 2013 to 30 September 2013.
- On 9 October 2013, 8,576,246 new units were issued to the Manager at a price of HK\$6.82 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's acquisition fee of HK\$58.49 million payable by Fortune REIT relating to the acquisition of Fortune Kingswood.

Repurchase, Sale or Redemption of Units

During the Reporting Year, other than the disposal of 6,120,000 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 2013.

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	Rental deposit received as at
			31 December 2013 HK\$'000	31 December 2013 HK\$'000
AMTD Strategic Capital Limited	Subsidiary of a significant holder ¹	Leasing transactions	6,523	1,877
ARA Asset Management (Fortune) Limited	Manager	Leasing transactions	562	149
A.S. Watson Group (HK) Limited	Subsidiary of an associate of a significant holder ²	Leasing and licensing transactions	78,493	–
A.S. Watson Retail (HK) Limited	Subsidiary of an associate of a significant holder ²	Leasing and licensing transactions	9,446	247
BIGBOXX.com Limited	Subsidiary of an associate of a significant holder ²	Leasing transactions	1,932	–
Cheung Kong Property Development Limited	Subsidiary of a significant holder ¹	Licensing transactions	38,021	–
Cheung Kong (Holdings) Limited	Significant holder	Licensing transactions	99	–
Citybase Property Management Limited	Subsidiary of a significant holder ¹	Leasing transactions	3,074	982
Hutchison Global Communications Limited	Subsidiary of an associate of a significant holder ²	Licensing transactions	1,192	32
Hutchison International Limited	Subsidiary of an associate of a significant holder ²	Leasing transactions	2,670	–
Hutchison Telephone Company Limited	Subsidiary of an associate of a significant holder ²	Licensing transactions	6,950	1,467
Kingswood Property Services Limited	Subsidiary of a significant holder ¹	Leasing transactions	145	–
PARKnSHOP (HK) Limited	Subsidiary of an associate of a significant holder ²	Leasing and licensing transactions	43,873	232
Towerich Limited	Subsidiary of a significant holder ¹	Licensing transactions	51	13
Total			193,031	4,999

Notes:

1. Significant holder being Cheung Kong.
2. The connected parties are the subsidiaries of Hutchison Whampoa Limited (“HWL”), which is 49.9% owned by Cheung Kong and is defined as an associate under the REIT Code.
3. The connected party is an associate of a significant holder of Fortune REIT, namely Cheung Kong.

Connected Party Transactions

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 2013 HK\$'000
Cayley Property Management Limited	Subsidiary of an associate of a significant holder ²	Property management and operations, project management fee and carpark lease agency fee	834
Citybase Property Management Limited	Subsidiary of a significant holder ¹	Property management and operations	870
E-Park Parking Management Limited	Subsidiary of a significant holder ¹	Carpark lease agency fee	4,472
Goodwell-Fortune Property Services Limited	Subsidiary of a significant holder ¹	Property and lease management fee and marketing service fee	53,881
Goodwell Property Management Limited	Subsidiary of a significant holder ¹	Property management and operations	129
Metro Broadcast Corporation Limited	Associate of a significant holder ¹	Advertising and promotion expenses	736
Whampoa Property Management Limited	Subsidiary of an associate of a significant holder ²	Property management and operations and project management fee	869
Total			61,791

Notes:

1. Significant holder being Cheung Kong.
2. The connected parties are the subsidiaries of HWL, which is 49.9% owned by Cheung Kong and is defined as an associate under the REIT Code.

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 2013 HK\$'000
ARA Asset Management (Fortune) Limited	Manager	Manager's fee	157,745
HSBC Institutional Trust Services (Singapore) Limited	Trustee	Trustee's fee	8,033
Jones Lang LaSalle	Principal valuer	Valuation fee	777
Total			166,555

Connected Party Transactions – Assets Acquisition

On 9 October 2013, Fortune REIT completed the acquisition of Fortune Kingswood from a subsidiary of Cheung Kong through acquisition of the entire equity interest in Tin Shui Wai Development Limited (“**Tin Shui Wai**”) for a total cash consideration of HK\$5,849 million plus adjustments on the net current assets/liabilities of Tin Shui Wai as at completion date of the acquisition.

The above acquisition was partly financed by net proceeds from the placement of new units which was completed on 6 August 2013 (the “**Unit Placement**”) as well as drawdown of new bank borrowings under the facility agreements dated 7 October 2013.

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 2013 HK\$'000	Rental deposit received as at 31 December 2013 HK\$'000
The Hongkong and Shanghai Banking Corporation Limited (“ HSBC ”)	Trustee Connected Persons	Leasing and licensing transactions	7,675	2,224
Hang Seng Bank Limited	Trustee Connected Persons	Leasing and licensing transactions	9,615	3,873
HSBC Life (International) Limited	Trustee Connected Persons	Licensing transactions	17	–
Total			17,307	6,097

Note:

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

Provision of Ordinary Banking and Financial Services

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

Connected Party Transactions

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

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

Name of Connected Party	Relationship with Fortune REIT	Nature of the connected party transaction	Aggregate annual income ¹ HK\$'000
AMTD Strategic Capital Limited	Subsidiary of a significant holder ²	Tenancy at Hampton Loft	5,405
A.S. Watson Group (HK) Limited	Subsidiary of an associate of a significant holder ³	Tenancies at Fortune City One, Ma On Shan Plaza, Metro Town, Fortune Metropolis, Belvedere Square, Waldorf Avenue, Caribbean Square, Provident Square, Jubilee Square, Smartland, Tsing Yi Square, Nob Hill Square and Rhine Avenue	55,127
A.S. Watson Retail (HK) Limited	Subsidiary of an associate of a significant holder ³	Tenancies at Fortune City One, Ma On Shan Plaza and Metro Town	3,008
BIGBOXX.com Limited	Subsidiary of an associate of a significant holder ³	Tenancy at Belvedere Square	1,091
Cheung Kong Property Development Limited	Subsidiary of a significant holder ²	Licence at Fortune Metropolis	27,377
Citybase Property Management Limited	Subsidiary of a significant holder ²	Tenancy at Hampton Loft	2,486
Hutchison International Limited	Subsidiary of an associate of a significant holder ³	Tenancy at Belvedere Square	1,751
Hutchison Telephone Company Limited	Subsidiary of an associate of a significant holder ³	Licence at Ma On Shan Plaza	1,698
HSBC	Trustee Connected Persons	Tenancies at Fortune City One and Fortune Kingswood	6,989
Hang Seng Bank Limited	Trustee Connected Persons	Tenancies at Fortune City One and Ma On Shan Plaza	6,979
PARKnSHOP (HK) Limited	Subsidiary of an associate of a significant holder ³	Tenancies at Fortune City One, Fortune Kingswood, Ma On Shan Plaza, Metro Town, Belvedere Square, Waldorf Avenue, Caribbean Square, Provident Square, Smartland and Rhine Avenue	29,938
Total			141,849

Notes:

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

Confirmation by the INEDs

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

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

Report from Auditor of Fortune REIT

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

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

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

Disclosure of Interests

Unit Capital

The total number of issued units as at 31 December 2013 was 1,858,891,124 units.

Holdings of Significant Unitholders and Other Unitholders

As at 31 December 2013, each of the following persons was considered a “significant Unitholder”, and hence a “connected person” of Fortune REIT, for the purpose of the REIT Code:

Name	Direct interest		Deemed interest	
	Number of Units Held Long Position	Percentage of Unit Holdings	Number of Units Held Long Position	Percentage of Unit Holdings
Focus Eagle Investments Limited ¹	413,074,684	22.22%	–	–
Cheung Kong ¹	–	–	525,630,684	28.28%
Schroders Plc ²	–	–	238,863,000	12.85%

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 2013:

Name	Direct interest		Deemed interest	
	Number of Units Held Long Position	Percentage of Unit Holdings	Number of Units Held Long Position	Percentage of Unit Holdings
Ballston Profits Limited ^{1, 3}	112,556,000	6.06%	–	–
HWL ¹	–	–	112,556,000	6.06%

Notes:

- Focus Eagle Investments Limited was an indirect wholly-owned subsidiary of Cheung Kong; and Ballston Profits Limited was an indirect wholly-owned subsidiary of HWL, which in turn was 49.9% owned by Cheung Kong. Therefore, Cheung Kong was deemed to hold 525,630,684 units, of which: (i) 413,074,684 units were held by Focus Eagle Investments Limited; and (ii) 112,556,000 units were held by Ballston Profits Limited; HWL was deemed to hold 112,556,000 units, which were held by its indirect wholly-owned subsidiary, Ballston Profits Limited.
- Schroders Plc was deemed to be interested in 238,863,000 units of which:
 - 97,403,000 units were held by Schroder Investment Management Limited;
 - 77,411,000 units were held by Schroder Investment Management (Singapore) Limited;
 - 63,886,000 units were held by Schroder Investment Management (Hong Kong) Limited;
 - 120,000 units were held by Schroders Channel Islands Limited; and
 - 43,000 units were held by Schroder Investment Management North America Limited.
- A director of Ballston Profits Limited, Mr. Robin Cheng Khoong Sng is the spouse of Mrs. Sng Sow-Mei (alias Poon Sow Mei).

Interests of the Manager

As at 31 December 2013, the Manager held 16,792,828 units, or approximately 0.90% of the issued units of Fortune REIT.

Interests of the Directors and Senior Executives

Details of the unitholding interests of the Directors and senior executives of Fortune REIT as at 31 December 2013 were as follows:

Name	Direct interest		Deemed interest	
	Number of Units Held Long Position	Percentage of Unit Holdings	Number of Units Held Long Position	Percentage of Unit Holdings
Lim Hwee Chiang ¹	–	–	2,100,000	0.11%
Sng Sow-Mei (alias Poon Sow Mei)	220,000	0.01%	–	–
Lan Hong Tsung, David	100,000	0.005%	–	–

Note:

1. Mr. Lim Hwee Chiang was deemed to have an interest in the 2,100,000 units held by Citibank Nominees Singapore Pte. Ltd. (as nominee for JL Philanthropy Ltd). Mr. Lim is the settlor of JL Charitable Settlement which is the beneficiary of JL Philanthropy Ltd.

Holdings of the Other Connected Persons

HSBC Bank PLC, being a connected person of Fortune REIT by virtue of its being an associated company of the Trustee, held 1,530,000 units, or approximately 0.08% of the issued units of Fortune REIT as at 31 December 2013.

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 2013.

To the best knowledge of the Manager and save as disclosed, the following sets out changes in the beneficial interest of certain connected persons of Fortune REIT, in compliance with rule 8.2(a) of the REIT Code, by reference to comparison of their respective beneficial interests as at 31 December 2013 and 31 December 2012:

- (a) Schroders Plc was beneficially interested in 238,863,000 units as at 31 December 2013 and 162,586,000 units as at 31 December 2012;
- (b) The Manager was beneficially interested in 16,792,828 units as at 31 December 2013 and 4,809,682 units as at 31 December 2012;
- (c) Mr. Lim Hwee Chiang, a director of the Manager, was beneficially interested in 2,100,000 units as at 31 December 2013 and 6,909,682 units as at 31 December 2012;
- (d) Dr. Lan Hong Tsung, David, a director of the Manager, was beneficially interested in 100,000 units as at 31 December 2013 and did not hold any beneficial interest in any unit as at 31 December 2012; and
- (e) HSBC Bank PLC was beneficially interested in 1,530,000 units as at 31 December 2013 and did not hold any beneficial interest in any unit as at 31 December 2012.

Valuation Report

Our Ref 2/13/00268
8 January 2014

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

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

Dear Sirs

Market Valuation in respect of 17 Retail Properties for Fortune Real Estate Investment Trust ("Fortune REIT")

Instructions

We refer to the instruction from ARA Asset Management (Fortune) Limited (the "**Manager**"), acting as the manager of Fortune Real Estate Investment Trust (Hong Kong) ("**Fortune REIT**"), and HSBC Institutional Trust Services (Singapore) Limited (the "**Trustee**") to conduct property valuations ("**Valuation**") for the Fortune REIT's property portfolio (the "**Portfolio**") as at 31 December 2013 for the Year End Report in compliance with the relevant requirements set out in the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong (SFC), the trust deed of Fortune REIT and, where applicable, the Listing Rules of The Stock Exchange of Hong Kong.

The Portfolio as identified to us for this valuation is listed in below.

We confirm that we have inspected the Portfolio, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing our opinion of market value of the Portfolio, with the benefit of existing tenancies, as at 31 December 2013 (the "**Date of Valuation**").

The Portfolio

The Portfolio comprises the following property interests:

- 1 Fortune City One**
Fortune City One, 1 Ngan Shing Street, Fortune City One Plus, 2 Ngan Shing Street, Fortune City One Market, 8 Lok Shing Street and Various Ground Floor Shops of Residential Towers, City One Shatin, Shatin, New Territories, Hong Kong
- 2 Fortune Kingswood**
Fortune Kingswood as well as other retail, kindergarten, parking lots and ancillary spaces to such areas (including loading bays and external walls), reserve shares and common areas within Kingswood Development, Tin Shui Wai, Yuen Long, New Territories
- 3 Ma On Shan Plaza**
Ma On Shan Plaza, Bayshore Towers, 608 Sai Sha Road, Ma On Shan, Shatin, New Territories, Hong Kong
- 4 Metro Town**
The Shopping Centre of Metro Town, 8 King Ling Road, Tseung Kwan O, New Territories, Hong Kong
- 5 Fortune Metropolis**
Fortune Metropolis, The Metropolis, 6-10 Metropolis Drive, Hung Hom, Kowloon, Hong Kong
- 6 Belvedere Square**
Various Shops, The Clinics, the Kindergartens, a Market, various Car Parking Spaces and Motor Cycle Spaces, Common Areas, Belvedere Garden Phase 1, Nos. 530-590 Castle Peak Road – Tsuen Wan; Belvedere Garden Phase 2, No. 620 Castle Peak Road – Tsuen Wan; Belvedere Garden Phase 3, Nos. 625 Castle Peak Road – Tsuen Wan, Tsuen Wan, New Territories, Hong Kong
- 7 Waldorf Avenue**
Shops on Level 3 and Various Carparks, Waldorf Garden, 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong
- 8 Caribbean Square**
Caribbean Square, Caribbean Coast, 1 Kin Tung Road, Tung Chung, Lantau Island, New Territories, Hong Kong
- 9 Provident Square**
Portion of Basement, Portion of Ground Floor and Portion of Upper Ground Floor (but excluding the Carparking Spaces, Driveways and Appurtenant Areas, the Common Areas & Facilities thereof and therein) and Sub-Basement, 21-53 Wharf Road, North Point, Hong Kong
- 10 Jubilee Square**
Jubilee Square, Jubilee Garden, 2-18 Lok King Street, Shatin, New Territories, Hong Kong
- 11 Smartland**
Various Portions in Smartland, East Asia Gardens, 16 Tsuen Wah Street, Tsuen Wan, New Territories, Hong Kong
- 12 Tsing Yi Square**
Various Portions in Tsing Yi Square, Tsing Yi Garden, 7-19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong
- 13 Nob Hill Square**
Nob Hill Square, Nob Hill, 8 King Lai Path, Kwai Chung, New Territories, Hong Kong
- 14 Hampton Loft**
Hampton Loft, Hampton Place, 11 Hoi Fan Road, Tai Kok Tsui, Kowloon, Hong Kong
- 15 Centre de Laguna**
Centre de Laguna, 93 Cha Kwo Ling Road, Kindergarten on Ground Floor, 99 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong
- 16 Lido Avenue**
Shops on Ground Floor, Lido Garden, 41-63 Castle Peak Road – Sham Tseng, Tsuen Wan, New Territories, Hong Kong
- 17 Rhine Avenue**
Shops on Ground Floor, Rhine Garden, 38 Castle Peak Road – Sham Tseng, Tsuen Wan, New Territories, Hong Kong

Valuation Report

Basis of Valuation

All work is carried out in accordance with the "HKIS Valuation Standards 2012 Edition" published by The Hong Kong Institute of Surveyors ("HKIS"). If the HKIS Valuation Standards are silent on subjects requiring guidance, we refer to "RICS Valuation – Professional Standards" published by the Royal Institution of Chartered Surveyors ("RICS") and the "International Valuation Standards" published by the International Valuation Standards Council ("IVSC"), as appropriate, subject to variation to meet local established law, custom, practice and market conditions with the RICS Valuation – Professional Standards prevailing over IVSC's International Valuation Standards to the extent of any inconsistency. Unless otherwise stated, our valuations are undertaken as External Valuers as defined in the HKIS Valuation Standards.

Our valuation is made on the basis of Market Value adopted by the HKIS, set out as:

"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Our valuation presented in the report would represent 100% interest of the Portfolio and not the share holdings of the company holding the Portfolio interest hereof.

Valuation Methodologies

We have made use of the Income Capitalisation Method cross-referenced with the Direct Comparison Method.

Income Capitalisation

The income capitalisation method is based on the capitalisation of the current passing rental income and potential reversionary income over the remaining tenure of the Portfolio from the date of valuation at appropriate investment yields to arrive at the capital value. The appropriate adjustments/deductions for rent free period, ongoing vacancy voids/marketing periods and non recoverable expenses for the vacant space have been allowed.

The income capitalisation method can more accurately reflect these property specific factors by utilising various specific assumptions which have been derived via analysis of market evidence. The ability to apply these assumptions in the capitalisation method is by far more appropriate for valuing an investment property where investors' emphasis on delivering returns is of paramount importance.

Direct Comparison

The direct comparison method is the most widely used method of valuation in Hong Kong and is based on comparing the properties to be valued directly with other comparable properties which recently changed hands or leased. These premises are generally located in the surrounding areas or in another market which is comparable to the properties. However, because of the heterogeneous nature of real estate properties, appropriate adjustments are usually required to allow for any qualitative and quantitative differences that may affect the price/rental likely to be achieved by the properties under consideration.

Factors such as tenants covenants, trade mix are difficult to be quantified in the overall unit value of the comparables. Furthermore, good comparables may not be readily available in the market. In the light of the characteristics of the Portfolio, we have therefore placed more weighting on the reliance on the income capitalisation method in arriving at our valuation conclusion.

Valuation Reconciliation

The results of the two valuation methods will be reconciled and the assessed value will be analysed in terms of estimated net property yield.

Valuation Assumptions

Our report is qualified by certain assumptions, definitions and limiting conditions.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the Portfolio nor for any expenses or taxation which may be incurred in effecting sales. Unless otherwise stated, it is assumed that the Portfolio is free of encumbrances, restrictions and outgoings of an onerous nature which could affect the capital values of the Portfolio.

Title Investigation and Encumbrances

We have conducted land searches of the Portfolio with the Land Registry. However, we have not examined the original documents to verify ownership or to ascertain the existence of any lease amendments, which may not appear on the copies handed to us. All documents and leases have been used for reference only and all dimensions, measurements and areas are approximate.

Source of Information

We have relied to a considerable extent on the information provided by the Manager and have accepted advice given to us on such matters as identification of the Portfolio, planning approvals, statutory notices, easements, tenure, occupation, floor plans, floor areas, tenancy schedule and all other relevant matters.

In the course of our valuation, we have also made reference to inter alia, the following information provided by the Manager:

1. Copy of Rent Roll as at 31 October 2013, 30 November 2013, and 31 December 2013;
2. Copy of Other Retail and Car Park incomes and Car Park expenses from January 2013 to December 2013; and
3. Copy of layout plans of the Portfolio.

Dimensions, measurements and areas included in the report are based on information contained in copies of documents provided to us and are therefore only approximations. No on site measurements have been taken. We have not been instructed to independently verify the information provided to us. Our valuation is totally dependent on the adequacy and accuracy of the information supplied and/or the assumptions made. Should these prove to be incorrect or inadequate, the accuracy of the valuation may be affected.

We have not seen original planning and/or development and occupation consents. We have assumed that the Portfolio has been erected, being occupied and used in accordance with such consents and that there are no outstanding statutory notices.

Property Inspection

We have inspected the exterior, and where possible the interior of the Portfolio between 26 November 2013 to 28 November 2013.

We have not conducted formal site and structural surveys and, as such, we cannot report that the Portfolio is free from rot, infestation or any other structural defects. We have not carried out a building survey, nor have we inspected those parts of the Portfolio which are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts. No tests have been carried out to any of the services.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the Portfolio, or has since been incorporated, and we are therefore unable to report that the Portfolio are free from risk in this respect. For the purpose of this valuation we have assumed that such investigations would not disclose the presence of any such material to any significant extent.

Site Investigation

We have not carried out any investigations on site in order to determine the suitability of ground conditions and services etc. for future redevelopment, nor did we undertake archaeological, ecological or environmental surveys. Our valuation is on the basis that these aspects are satisfactory and that where developments are contemplated, no extraordinary expenses or delays will be incurred during the construction period due to these, or to archaeological or ecological matters. In the course of our assessments, we have assumed that no contamination affecting the Portfolio or the neighbouring land. However, should it be established subsequently that contamination exists at the Portfolio or on any neighbouring land, or that the premises have been or are being put to any contaminative use, we reserve the right to adjust the values reported herein.

Plant and Machinery

Our valuation normally includes all plant and machinery that form part of the building services installations. However, process plant, machinery and equipment which may have been installed wholly in connection with the occupiers' commercial processes, together with furniture and furnishings, tenants' fixtures and fittings are excluded in our valuation.

Telecommunication Facilities

We have assumed that all telecommunication facilities at the Portfolio are permitted and that all necessary approvals have been obtained from the relevant authorities.

Disclosure of Interest

Jones Lang LaSalle is unaware of any of our business, relationship or interest is in real, potential or apparent conflict with the performance required for the above-mentioned assignment.

Satisfaction of Property Valuer Criteria in REIT Code

Jones Lang LaSalle and the qualification of directors of our firm, are in a position to fulfill and comply fully with paragraphs 6.4, 6.5, 6.6 and 6.7 of the Code on Real Estate Investment Trusts ("REIT Code").

Valuation Report

Valuation

A summary of our opinion of the market value of each property, subject to the existing tenancies, as at 31 December 2013, are as follows:

No.	Property name	Gross Rentable Area (sq.ft.)	No. of Parking Lots	Market Value as at 31 December 2013
1	Fortune City One	414,469	653	HK\$6,253,000,000
2	Fortune Kingswood	665,244	622	HK\$6,028,000,000
3	Ma On Shan Plaza	310,084	290	HK\$4,342,000,000
4	Metro Town	180,822	74	HK\$2,726,000,000
5	Fortune Metropolis	332,168	179	HK\$2,059,000,000
6	Belvedere Square	276,862	329*	HK\$1,693,000,000
7	Waldorf Avenue	80,842	73	HK\$1,435,000,000
8	Caribbean Square	63,018	117	HK\$875,000,000
9	Provident Square	180,238	N/A	HK\$856,000,000
10	Jubilee Square	170,616	97	HK\$768,000,000
11	Smartland	123,544	67	HK\$599,000,000
12	Tsing Yi Square	78,836	27	HK\$524,000,000
13	Nob Hill Square	91,779	43	HK\$406,000,000
14	Hampton Loft	74,734	35	HK\$250,000,000
15	Centre de Laguna	43,000	N/A	HK\$245,000,000
16	Lido Avenue	9,836	N/A	HK\$169,000,000
17	Rhine Avenue	14,604	N/A	HK\$110,000,000
	Total	3,110,696	2,606	HK\$29,338,000,000

* including 15 motor cycle parking spaces

We are of the opinion that the market value of the unencumbered leasehold interest of the Portfolio, subject to the existing tenancies, as at 31 December 2013, was in the sum of **HK\$29,338,000,000 (HONG KONG DOLLARS TWENTY NINE BILLION THREE HUNDRED AND THIRTY EIGHT MILLION)**.

Please refer to the attached valuation reports for property particulars of each of the properties.

Conversion Factors

1 square metre = 10.764 square feet

1 metre = 3.2808 feet

Yours faithfully

For and on behalf of

Jones Lang LaSalle Limited

Dorothy Chow

BSc (Hons), MSc, MHKIS, MRICS, RPS (GP)

National Director

Licence No.: E-182969

Fortune City One

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

Description	<p>City One Shatin is a comprehensive residential cum commercial development, completed by phases between 1981 and 1989.</p> <p>The property comprises various commercial areas and parking lots within City One Shatin, which are set out below:-</p> <ul style="list-style-type: none"> - The free standing commercial podium known as Fortune City One Plus (Commercial Block A) at the Ground Floor, 4th Floor and the Roof; - The free standing commercial podium known as Fortune City One (Commercial Block B) at the Ground Floor, 1st Floor and portion of the Roof, Roof Garden, Centre Garden and kiosks thereof; - The wet market and kindergarten on the Ground Floor of residential tower blocks 34-36; - Various single shops and non-domestic units dispersed throughout the development on the Ground Floor level of 12 individual tower blocks; and - A total of 653 parking lots. <p>The total gross rentable area of the property (excluding parking lots) is approximately 38,505.11 Sq.m. (414,469 Sq.ft.).</p>
Land Tenure	<p>Sha Tin Town Lot No. 1 is held under New Grant No. ST11064 for a term of 99 years commencing from 1 July 1898 The Lease has been extended to expire on 30 June 2047. The Government rent payable is at 3% of the rateable value of the property.</p>
Monthly Rental and Other Incomes as at 31 December 2013	<p>Approximately HK\$22,162,900, exclusive of rates, government rent, management fees and air-conditioning charges.</p>
Average Monthly Car Parking Net Income for January 2013 to December 2013	<p>Approximately HK\$646,400</p>
Market value in Existing State as at 31 December 2013	<p>HK\$6,253,000,000</p>
Estimated Net Property Yield	<p>4.4%</p>

Fortune Kingswood

Fortune Kingswood is commercial development (including Loading and Unloading Spaces), 604 Parking Spaces on Basement 1 and Basement 2 Floors and Common Areas and Common Service Facilities of Kingswood Ginza Phases 1 and 2, Nos. 12 and 18 Tin Yan Road, Tin Shui Wai, Yuen Long, New Territories (the "Kingswood Ginza Mall")

Portion A on Ground Floor and External Wall of Portion A on Ground Floor of Commercial Development, Remaining Portion of External Wall of Commercial Development, Reserve Shares and Common Areas and Common Service Facilities of Locwood Court, Kingswood Villas, No. 1 Tin Wu Road, Tin Shui Wai, Yuen Long, New Territories (the "Locwood Court Property")

Kindergarten Premises, 5 Kindergarten Car Parking Spaces (Nos. K1-K5), 2 Kindergarten Loading and Unloading Bays on Ground Floor and Common Areas and Common Service Facilities of Sherwood Court, Kingswood Villas, No. 3 Tin Wu Road, Tin Shui Wai, Yuen Long, New Territories (the "Sherwood Court Property")

Kindergarten and Common Areas and Common Service Facilities of Chestwood Court, Kingswood Villas, No. 8 Tin Shui Road, Tin Shui Wai, Yuen Long, New Territories (the "Chestwood Court Property")

Kindergarten A, Kindergarten B, Kindergarten Car Parking Spaces Nos. 1, 2, 3, 4, 5, 6, 7 and 8 at Basement and Common Areas and Common Service Facilities of Maywood Court, Kingswood Villas, No. 9 Tin Lung Road, Tin Shui Wai, Yuen Long, New Territories (the "Maywood Court Property")

Kindergarten Premises, 5 Kindergarten Car Parking Spaces on Ground Floor, 2 Kindergarten Loading & Unloading Bays on Ground Floor and Common Areas and Facilities of Kenswood Court, Kingswood Villas, No. 2 Tin Lung Road, Tin Shui Wai, Yuen Long, New Territories (the "Kenswood Court Property")

Common Areas and Common Service Facilities of Lynwood Court, Kingswood Villas, No. 3 Tin Kwai Road, Tin Shui Wai, Yuen Long, New Territories (the "Lynwood Court Property")

(hereinafter collectively referred to as the "Fortune Kingswood")

Valuation Report

Fortune Kingswood (Continued)

Description	<p>Kingswood Villas ("the Development") is a comprehensive residential development with associated commercial, hotel, recreational and car parking facilities completed in the 1990s. Fortune Kingswood comprises a commercial development (including loading and unloading spaces) known as Kingswood Ginza, a retail shop and 5 kindergartens with ancillary parking spaces, external walls and reserve shares in the Development.</p> <p>Details of the Fortune Kingswood are set out below:</p> <p>The Kingswood Ginza Mall Comprises the commercial development (including loading and unloading spaces) known as Kingswood Ginza which includes a shopping arcade on Ground, 1st and 2nd Floors, ancillary areas on 3rd and 5th floors, 604 car parking spaces on Basement 1 and 2 Floors and Common Areas and Common Service Facilities. This property excludes all those common areas and the hotel development.</p> <p>The Locwood Court Property Comprises a retail shop known as Portion A on Ground Floor together with two portions of external walls of the Commercial Development and Common Areas and Common Service Facilities in Locwood Court of Kingswood Villas. This property also includes the reserve shares of Locwood Court.</p> <p>The Sherwood Court Property Comprises a kindergarten premises, 5 kindergarten car parking spaces and 2 kindergarten loading and unloading bays on Ground Floor, and Common Areas and Common Service Facilities in Sherwood Court of Kingswood Villas.</p> <p>The Chestwood Court Property Comprises a kindergarten and Common Areas and Common Service Facilities in Chestwood Court of Kingswood Villas.</p> <p>The Maywood Court Property Comprises two kindergartens known as Kindergarten A and Kindergarten B, 8 kindergarten car parking spaces at Basement and Common Areas and Common Service Facilities in Maywood Court of Kingswood Villas.</p> <p>The Kenswood Court Property Comprises a kindergarten premises, 5 kindergarten car parking spaces and 2 kindergarten loading and unloading bays on Ground Floor and Common Areas and Facilities in Kenswood Court of Kingswood Villas.</p> <p>The Lynwood Court Property Comprises the Common Areas and Common Service Facilities of Lynwood Court. The total gross rentable area of the Fortune Kingswood is approximately 665,244 sq.ft. (61,802.7 sq.m.). There are 622 car parking spaces.</p>
Land Tenure	Tin Shui Wai Town Lot Nos. 1, 2, 3, 4, 5, 6 and 7 are held under New Grant No. 3466 from 1 July 1898 for 99 years and has been extended to expire on 30 June 2047. The current annual government rent payable for the Fortune Kingswood is 3% of the rateable value of the property.
Monthly Rental and Other Incomes as at 31 December 2013	Approximately HK\$19,048,200, exclusive of rates, government rent, management fees and air-conditioning charges.
Average Monthly Car Parking Net Income for January 2013 to December 2013	Approximately HK\$624,400
Market value in Existing State as at 31 December 2013	HK\$6,028,000,000
Estimated Net Property Yield	3.9%

Ma On Shan Plaza

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

Description	Ma On Shan Plaza is the commercial portion of a private residential cum commercial development, known as Bayshore Towers, completed in 1994. The property comprises the entire shopping centre on Levels 2 (including the atrium) and 3 of a 5-storey podium (including a Basement, Ground Floor and Level 1) and 290 parking lots on the Basement Floor of the development. The total gross rentable area of the property (excluding parking lots) is approximately 28,807.51 Sq.m. (310,084 Sq.ft.).
Land Tenure	Sha Tin Town Lot No. 382 is held under New Grant No. 12378 for a term commencing from 6 December 1991 to 30 June 2047. The Government rent payable for the property is at 3% of the rateable value of the property.
Monthly Rental and Other Incomes as at 31 December 2013	Approximately HK\$16,252,700, exclusive of rates, government rent, management fees and air-conditioning charges.
Average Monthly Car Parking Net Income for January 2013 to December 2013	Approximately HK\$453,700
Market value in Existing State as at 31 December 2013	HK\$4,342,000,000
Estimated Net Property Yield	4.6%

Metro Town

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

Description	Metro Town is a private residential cum commercial development completed in two phases in 2006 and 2007. The property comprises the commercial podium on the Ground Level, Level 1, Level 2, Level 3, Level 5 and the covered footbridge of a 5-storey commercial podium of the development. It also comprises a total of 74 commercial parking lots on Level 2 of the commercial podium of the development. The total gross rentable area of the property (excluding parking lots) is approximately 16,798.77 Sq.m. (180,822 Sq.ft.).
Land Tenure	Tseung Kwan O Town Lot No. 73 is held under New Grant No. SK9700 for a term of 50 years commencing from 11 February 2003. The Government rent payable for the property is at 3% of the Rateable Value for the time being of the property.
Monthly Rental and Other Incomes as at 31 December 2013	Approximately HK\$9,458,100, exclusive of rates, government rent, management fees and air-conditioning charges.
Average Monthly Car Parking Net Income for January 2013 to December 2013	Approximately HK\$237,300
Market value in Existing State as at 31 December 2013	HK\$2,726,000,000
Estimated Net Property Yield	4.3%

Fortune Metropolis

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

Description	Fortune Metropolis is the commercial portion of a commercial/office/hotel/serviced apartment development, known as The Metropolis, completed in 2001. The property comprises the three levels of retail premises on L7, L8 and L9 Floors and 179 parking lots on Level 5 and Level 6 of the development. The total gross rentable area of the property (excluding parking lots) is approximately 30,859.16 Sq.m. (332,168 Sq.ft.).
Land Tenure	Kowloon Inland Lot No. 11077 is held under a Conditions of Grant No. 12444 for a term commencing from 14 February 1997 to 30 June 2047. The Government rent payable for the property is at 3% of the rateable value of the property.
Monthly Rental and Other Incomes as at 31 December 2013	Approximately HK\$7,162,200, exclusive of rates, government rent, management fees and air-conditioning charges.
Average Monthly Car Parking Net Income for January 2013 to December 2013	Approximately HK\$446,500
Market value in Existing State as at 31 December 2013	HK\$2,059,000,000
Estimated Net Property Yield	4.4%

Valuation Report

Belvedere Square

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

Description	<p>Belvedere Garden is a comprehensive residential cum commercial development, completed in three phases in between 1987 and 1991.</p> <p>The property comprises various commercial areas, clinics, kindergartens, a market and various parking lots within Belvedere Garden, which are collectively referred to as Belvedere Garden Property. Details are set out below:-</p> <p>Belvedere Garden Phase 1 Shop Nos. 1 to 7 on Ground Floor, Clinic Nos. 1, 2, 3 and 4 on Mezzanine Floor, the Kindergarten on Mezzanine Floor, Car Parking Spaces Nos. 16, 22, 23, 24, 25, 26, 27, 28, 29, 32, 34, 35, 37, 38, 39, 40, 41, 42, 43, 44, 45, 47 and 50 to 68 on Ground Floor and Car Parking Spaces Nos. 12, 13, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 33, 34, 35, 36, 37, 40, 41, 43, 44, 47, 48, 49 and 51 on Basement 2.</p> <p>Belvedere Garden Phase 2 Shops Nos. 1 to 10 & 12 and the Kindergarten on the Ground Floor, Shops on the 1st Floor and Shops on the 2nd Floor and Car Parking Spaces Nos. 51-77, 114, 117, 118, 121, 126-135 and 137-147 on Ground Floor, Common Areas.</p> <p>Belvedere Garden Phase 3 Shops and Market on the Ground Floor of Belvedere Square, Shops on Basement 2, Kindergarten on the Podium and Car Parking Spaces Nos. 298, 303-306, 308-310, 324-326, 375-380 and 384-385 on Basement 2, Car Parking Spaces Nos. 1-36, 50-53, 55-116 and 118-192 on Basement 1, Common Areas. The total gross rentable area of the property (excluding parking lots) is approximately 25,721.11 Sq.m. (276,862 Sq.ft.). The property also comprises a total of 329 parking lots which include 314 private carparking spaces and 15 motorcycle spaces.</p>
Land Tenure	<p>Tsuen Wan Town Lot No. 308 is held under New Grant No. TW6583 for a term of 99 years less the last 3 days thereof commencing from 1 July 1898. The lease term has been extended to 30 June 2047.</p> <p>Tsuen Wan Town Lot No. 316 is held under New Grant No. 6639 for a term of 99 years less the last 3 days thereof commencing from 1 July 1898. The lease term has been extended to 30 June 2047.</p> <p>The Government rent payable is at 3% of the prevailing rateable value of the property.</p>
Monthly Rental and Other Incomes as at 31 December 2013	Approximately HK\$6,255,300, exclusive of rates, government rent, management fees and air-conditioning charges.
Average Monthly Car Parking Net Income for January 2013 to December 2013	Approximately HK\$346,800
Market value in Existing State as at 31 December 2013	HK\$1,693,000,000
Estimated Net Property Yield	4.7%

Waldorf Avenue

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

Description	Waldorf Garden is a private residential cum commercial development completed in 1982. The property comprises a retail floor on Level 3, bicycle parking area on Level 1, and 73 parking spaces on Levels 1 and 2 within a 4-storey podium of the development. The total gross rentable area of the property (excluding parking lots) is approximately 7,510.41 Sq.m. (80,842 Sq.ft.).
Land Tenure	Tuen Mun Town Lot No. 194 is held under New Grant No. 2344 for a term of 99 years from 1 July 1898. The lease term has been extended to 30 June 2047. The Government rent payable is at 3% of the prevailing rateable value of the property.
Monthly Rental and Other Incomes as at 31 December 2013	Approximately HK\$5,242,200, exclusive of rates, government rent, management fees and air-conditioning charges.
Average Monthly Car Parking Net Income for January 2013 to December 2013	Approximately HK\$171,300
Market value in Existing State as at 31 December 2013	HK\$1,435,000,000
Estimated Net Property Yield	4.5%

Caribbean Square

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

Description	Caribbean Square is the commercial portion of a private residential cum commercial development, known as "Caribbean Coast", completed between 2002 and 2008. The property comprises the commercial accommodation, the wet market and the kindergarten on ground floor within the development. It also comprises a total of 117 parking lots on the ground floor (i.e. 1st floor as stipulated in land search record) of Phase 6 of the development. The total gross rentable area of the property (excluding parking lots) is approximately 5,854.51 Sq.m. (63,018 Sq.ft.).
Land Tenure	Tung Chung Town Lot No. 5 is held under New Grant No. IS8102 for a term commencing from 26 June 1997 to 30 June 2047. The Government rent payable for the property is at 3% of the Rateable Value for the time being of the property.
Monthly Rental and Other Incomes as at 31 December 2013	Approximately HK\$3,427,100, exclusive of rates, government rent, management fees and air-conditioning charges.
Average Monthly Car Parking Net Income for January 2013 to December 2013	Approximately HK\$76,600
Market value in Existing State as at 31 December 2013	HK\$875,000,000
Estimated Net Property Yield	4.8%

Valuation Report

Provident Square

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

Description	Provident Square is the commercial portion of a private residential cum commercial development, known as Provident Centre, completed in between 1982 and 1984. The property comprises the portion of Basement, the portion of Ground Floor, the portion of Upper Ground Floor and the Sub-basement within Provident Garden. The total gross rentable area of the property is approximately 16,744.52 Sq.m. (180,238 Sq.ft.).
Land Tenure	Inland Lot No. 8465 is held under a Government Lease for a term of 75 years commencing from 5 September 1921 renewable for 75 years. The Government rent payable for the lot is HK\$11,430,828 per annum.
Monthly Rental and Other Incomes as at 31 December 2013	Approximately HK\$3,437,900, exclusive of rates, government rent, management fees and air-conditioning charges.
Market value in Existing State as at 31 December 2013	HK\$856,000,000
Estimated Net Property Yield	4.8%

Jubilee Square

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

Description	Jubilee Square is the commercial portion of a private residential cum commercial development, known as Jubilee Garden, completed in 1986. The property comprises a free-standing 7-storey shopping centre and a wet market on the 1st Floor of the podium of Jubilee Garden. It also comprises a total of 97 parking lots on the 1st Floor of the development. The total gross rentable area of the property (excluding parking lots) is approximately 15,850.61 Sq.m. (170,616 Sq.ft.).
Land Tenure	Sha Tin Town Lot No. 87 is held under New Grant No. ST11326 for a term of 99 years commencing from 1 July 1898. The lease is extended to expire on 30 June 2047. The Government rent payable is at 3% of the rateable value of the property.
Monthly Rental and Other Incomes as at 31 December 2013	Approximately HK\$2,625,300, exclusive of rates, government rent, management fees and air-conditioning charges.
Average Monthly Car Parking Net Income for January 2013 to December 2013	Approximately HK\$305,700
Market value in Existing State as at 31 December 2013	HK\$768,000,000
Estimated Net Property Yield	4.6%

Smartland

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

Description	Smartland is portion of the commercial portion of a residential cum commercial development, known as East Asia Gardens, completed in 1981. The property comprises various retail premises on the Ground and 1st Floors, the whole of 2nd Floor, the reserved podium roof on the 3rd Floor, portions of external walls (except the portion at A101 on Ground Floor) and 67 parking lots in the Basement Floor of a 4-storey podium (including the Basement). The total gross rentable area of the property (excluding parking lots) is approximately 11,477.52 Sq.m. (123,544 Sq.ft.).
Land Tenure	Tsuen Wan Town Lot No. 247 is held under New Grant No. 5591 for a term of 99 years commencing from 1 July 1898. The lease term has been extended to 30 June 2047. The Government rent payable is at 3% of the prevailing rateable value of the property.
Monthly Rental and Other Incomes as at 31 December 2013	Approximately HK\$2,302,400, exclusive of rates, government rent, management fees and air-conditioning charges.
Average Monthly Car Parking Net Income for January 2013 to December 2013	Approximately HK\$163,700
Market value in Existing State as at 31 December 2013	HK\$599,000,000
Estimated Net Property Yield	4.9%

Tsing Yi Square

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

Description	Tsing Yi Square is the commercial portion of a private residential cum commercial development, known as Tsing Yi Garden, completed in 1986. The property comprises various retail shops on the Ground Floor and 1st Floor and 27 parking lots within the development. The total gross rentable area of the property (excluding parking lots) is approximately 7,324.04 Sq.m. (78,836 Sq.ft.).
Land Tenure	Tsing Yi Town Lot No. 101 is held under New Grant No. TW6229 for a term of 99 years commencing from 1 July 1898. The lease term has been extended to 30 June 2047. The Government rent payable is at 3% of the rateable value of the property.
Monthly Rental and Other Incomes as at 31 December 2013	Approximately HK\$2,090,190, exclusive of rates, government rent, management fees and air-conditioning charges.
Average Monthly Car Parking Net Income for January 2013 to December 2013	Approximately HK\$33,400
Market value in Existing State as at 31 December 2013	HK\$524,000,000
Estimated Net Property Yield	4.9%

Valuation Report

Nob Hill Square

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

Description	Nob Hill Square is the commercial portion of a private residential cum commercial development, known as Nob Hill, completed in 2002. The property comprises commercial units on the Ground Floor, Mezzanine Floor, 1st and 2nd Floors and Car Parking Spaces No. C1 to C43 on the Mezzanine Floor of the 4-storey commercial podium within the development. The total gross rentable area of the property (excluding parking lots) is approximately 8,526.48 Sq.m. (91,779 Sq.ft.).
Land Tenure	Kwai Chung Town Lot No. 474 is held under New Grant No. 7071 for a term of 50 years commencing from 17 July 1998. The Government rent payable for the property is at 3% of the Rateable Value for the time being of the property.
Monthly Rental and Other Incomes as at 31 December 2013	Approximately HK\$1,527,100, exclusive of rates, government rent, management fees and air-conditioning charges.
Average Monthly Car Parking Net Income for January 2013 to December 2013	Approximately HK\$90,100
Market value in Existing State as at 31 December 2013	HK\$406,000,000
Estimated Net Property Yield	4.8%

Hampton Loft

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

Description	Hampton Loft is the commercial portion of a private residential cum commercial development, known as Hampton Place, completed in 2003. The property comprises the commercial units on the 5th floor and 6th floor of the development and a total of 35 commercial parking lots on the 1st floor of the development. The total gross rentable area of the property (excluding the parking lots) is approximately 6,942.96 Sq.m. (74,734 Sq.ft.).
Land Tenure	Kowloon Inland Lot No. 11107 is held under Conditions of Sale No. 12554 for a term of 50 years commencing from 13 December 1999. The Government rent payable is at 3% of the rateable value of the property.
Monthly Rental and Other Incomes as at 31 December 2013	Approximately HK\$953,400, exclusive of rates, government rent, management fees and air-conditioning charges.
Average Monthly Car Parking Net Income for January 2013 to December 2013	Approximately HK\$71,500
Market value in Existing State as at 31 December 2013	HK\$250,000,000
Estimated Net Property Yield	4.9%

Centre de Laguna

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

Description	Centre de Laguna is the commercial development within a private residential cum commercial development, known as Laguna City, completed in 1992. The property comprises the commercial accommodation on the Ground and Upper Ground Floors of the commercial development and a kindergarten on Ground Floor of Blocks 32 to 38 of the development. The total gross rentable area of the property is approximately 3,994.80 Sq.m. (43,000 Sq.ft.).
Land Tenure	Kowloon Inland Lot No. 6100 is held under a Conditions of Exchange No. 12071 for a term commencing from 31 October 1989 to 30 June 2047. The Government rent payable for the property is at 3% of the Rateable Value for the time being of the property.
Monthly Rental and Other Incomes as at 31 December 2013	Approximately HK\$979,800, exclusive of rates, government rent, management fees and air-conditioning charges.
Market value in Existing State as at 31 December 2013	HK\$245,000,000
Estimated Net Property Yield	4.8%

Lido Avenue

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

Description	Lido Garden is a private residential cum commercial development completed in 1989. The property comprises various retail units on Ground Floor of the development. The total gross rentable area of the property is approximately 913.79 Sq.m. (9,836 Sq.ft.).
Land Tenure	Tsuen Wan Marine Lot No. 4 is held under a Conditions of Sale No. 2309 for a term of 75 years, renewable for 24 years, commencing from 1 July 1898. The lease is extended to 30 June 2047. The Government rent payable is at 3% of the rateable value of the property.
Monthly Rental and Other Incomes as at 31 December 2013	Approximately HK\$693,200, exclusive of rates, government rent, management fees and air-conditioning charges.
Market value in Existing State as at 31 December 2013	HK\$169,000,000
Estimated Net Property Yield	4.9%

Rhine Avenue

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

Description	Rhine Garden is a private residential cum commercial development completed in 1992. The property comprises four retail units on Ground Floor and AHU Room on Podium Level 1 of the development. The total gross rentable area of the property is approximately 1,356.74 Sq.m. (14,604 Sq.ft.).
Land Tenure	Lot No. 261 in Demarcation District No. 390 is held under New Grant No. TW6771 for a term commencing from 1 September 1990 to 30 June 2047. The Government rent payable for the property is at 3% of the rateable value of the property.
Monthly Rental and Other Incomes as at 31 December 2013	Approximately HK\$387,500, exclusive of rates, government rent, management fees and air-conditioning charges.
Market value in Existing State as at 31 December 2013	HK\$110,000,000
Estimated Net Property Yield	4.2%

Report of the Trustee

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

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

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

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

To the best knowledge of the Trustee, the Manager has, in all material respects, managed Fortune REIT and its subsidiaries during the financial year covered by these financial statements in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed. The Trustee further confirms that, in its opinion, the Manager has, in all material respects, managed Fortune REIT in accordance with the provisions of the Trust Deed during the financial year ended 31 December 2013.

For and on behalf of the Trustee,

Antony Wade Lewis
Director

Singapore
24 January 2014

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 90 to 140, which comprise the consolidated and Fortune REIT’s statements of financial position as at 31 December 2013, and statements of profit or loss and other comprehensive income, statements of changes in net assets attributable to unitholders, statements of cash flows and distribution statement for the year then ended, and a summary of significant accounting policies and other explanatory information, are properly drawn up in accordance with the International Financial Reporting Standards and the Trust Deed so as to give a true and fair view of the disposition of the assets and liabilities of the Group and of Fortune REIT as at 31 December 2013 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 90 to 140 were approved and authorised for issue by the Manager on 24 January 2014.

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

Ang Meng Huat, Anthony
Director

24 January 2014

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 90 to 140, which comprise the consolidated and Fortune REIT's statements of financial position as at 31 December 2013, and the statements of profit or loss and other comprehensive income, statements of changes in net assets attributable to unitholders, statements of cash flows and distribution statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Manager's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the disposition of the assets and liabilities of Fortune REIT and of the Group as at 31 December 2013 and of their results and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report under Other Legal and Regulatory Requirements

In our opinion, the financial statements have been properly prepared in accordance with the relevant provisions of the Trust Deed and the relevant requirements of the CIS Code and REIT Code.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 January 2014

Deloitte & Touche LLP
Public Accountants and Chartered Accountants
Singapore
24 January 2014

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Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013

	Notes	Group		Fortune REIT	
		2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Revenue	6	1,317,463	1,113,696	641,518	550,646
Property operating expenses	7	(389,132)	(325,421)		
Net property income		928,331	788,275		
Manager's base fee		(70,505)	(57,947)	(70,505)	(57,947)
Foreign currency exchange gain		92	205	92	205
Interest income		4,465	6,011	3,223	3,159
Trust expenses	8	(107,127)	(30,619)	(131,056)	(48,803)
Change in fair value of investment properties		3,088,725	1,796,263	–	–
Change in fair value of derivative financial instruments		114,803	(4,613)	–	–
Gain on disposal of investment properties		897	–	–	–
Borrowing costs	9	(177,761)	(147,118)	–	–
Profit before taxation and transactions with unitholders	10	3,781,920	2,350,457	443,272	447,260
Income tax (expense)/credit	11	(132,516)	(112,078)	1,707	(533)
Profit for the year, before transactions with unitholders		3,649,404	2,238,379	444,979	446,727
Distributions to unitholders		(642,389)	(549,462)	(642,389)	(549,462)
Profit/(loss) for the year, after transactions with unitholders		3,007,015	1,688,917	(197,410)	(102,735)
Other comprehensive income – item that may be reclassified subsequently to profit or loss					
Net gain/(loss) on derivative financial instruments under cash flow hedge		35,293	(15,925)	–	–
Total comprehensive income/(expense) for year		3,042,308	1,672,992	(197,410)	(102,735)
Income available for distribution to unitholders		642,389	549,462		
Basic earnings per unit (HK cents)	12	206.71	132.07		

Distribution Statement

For the year ended 31 December 2013

	Notes	Group	
		2013 HK\$'000	2012 HK\$'000
Profit for the year, before transactions with unitholders		3,649,404	2,238,379
Adjustments:			
Manager's base fee		70,505	57,947
Acquisition fee		58,490	19,000
Change in fair value of investment properties		(3,088,725)	(1,796,263)
Change in fair value of derivative financial instruments		(114,803)	4,613
Gain on disposal of investment properties		(897)	–
Front end fees		23,929	18,184
Foreign currency exchange gain		(92)	(205)
Other non-tax deductible trust expenses		44,578	7,807
Income available for distribution	(i)	642,389	549,462
Distributions to unitholders			
18.00 HK cents (2012: 15.82 HK cents) per unit for the six months ended 30 June	(ii)	306,965	268,327
18.00 HK cents (2012: 16.53 HK cents) per unit for the six months ended 31 December	(iii)	335,424	281,135
Income available for distribution		642,389	549,462
Distribution per unit (HK cents)		36.00	32.35

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

Notes:

- (i) The distribution policy of Fortune REIT has been amended on 26 March 2010 pursuant to the extraordinary resolution passed on the same date for the purpose of allowing Fortune REIT to comply with the relevant Hong Kong regulatory requirements, including the Code on Real Estate Investment Trusts (the "**REIT Code**") issued by the Securities and Futures Commission of Hong Kong ("**SFC**"). The current distribution policy, as amended, obliges Fortune REIT to distribute to unitholders on a semi-annual basis, the higher of (a) 100% of its tax-exempt income (exclude dividends paid out of interest income and gains, if any, which are distributable at the discretion of ARA Asset Management (Fortune) Limited (the "**Manager**")) after deduction of applicable expenses ("**Net Tax-Exempt Income**"); and (b) 90% of consolidated net profit after tax (before transactions with unitholders) for the relevant financial period adjusted to eliminate the effects of certain adjustments in the REIT Code ("**Net Profit After Tax**").

Net Tax-Exempt Income and Net Profit After Tax for the year ended 31 December 2013 is HK\$642.4 million (2012: HK\$549.5 million) and HK\$601.6 million (2012: HK\$515.1 million), respectively. Accordingly, the income available for distribution, based on the Net Tax-Exempt Income, of HK\$642.4 million (2012: HK\$549.5 million) would be distributed to unitholders for the year ended 31 December 2013.

- (ii) The distribution per unit of 18.00 HK cents for the six months ended 30 June 2013 (six months ended 30 June 2012: 15.82 HK cents) is calculated based on the income available for distribution for the period of HK\$307.0 million (six months ended 30 June 2012: HK\$268.3 million) over 1,704,730,532 units (30 June 2012: 1,695,337,503 units), representing issued units as at 30 June 2013 of 1,702,420,481 units (30 June 2012: 1,692,187,125 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 2013 of 2,310,051 units (second quarter of 2012: 3,150,378 units). The distribution amounting to HK\$307.0 million (six months ended 30 June 2012: HK\$268.3 million) was paid on 29 August 2013 (six months ended 30 June 2012: 29 August 2012).
- (iii) The distribution per unit of 18.00 HK cents for the six months ended 31 December 2013 (six months ended 31 December 2012: 16.53 HK cents) is calculated based on the income available for distribution for the period of HK\$335.4 million (six months ended 31 December 2012: HK\$281.1 million) over 1,862,533,814 units (31 December 2012: 1,700,225,414 units), representing issued units as at 31 December 2013 of 1,858,891,124 units (31 December 2012: 1,697,825,978 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 2013 of 3,642,690 units (fourth quarter of 2012: 2,399,436 units). The distribution amounting to HK\$335.4 million (six months ended 31 December 2012: HK\$281.1 million) will be paid on 28 February 2014 (six months ended 31 December 2012: 28 February 2013).

Statements of Financial Position

As at 31 December 2013

	Notes	Group		Fortune REIT	
		2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
ASSETS AND LIABILITIES					
Non-current assets					
Investments in subsidiaries	13	–	–	6,293,502	5,470,134
Investment properties	14	29,338,000	20,208,000	–	–
Derivative financial instruments	15	66,906	–	–	–
Total non-current assets		29,404,906	20,208,000	6,293,502	5,470,134
Current assets					
Trade and other receivables	16	67,093	55,245	100,143	53,306
Bank balances and cash	17	858,175	578,022	514,978	438,309
Total current assets		925,268	633,267	615,121	491,615
Total assets		30,330,174	20,841,267	6,908,623	5,961,749
Non-current liabilities					
Derivative financial instruments	15	40,799	145,357	–	–
Borrowings	18	8,860,372	3,878,815	–	–
Deferred tax liabilities	19	346,377	192,886	–	–
Total non-current liabilities		9,247,548	4,217,058	–	–
Current liabilities					
Trade and other payables	20	540,665	410,827	9,559	7,906
Borrowings	18	970,000	940,000	–	–
Derivative financial instruments	15	21,368	–	–	–
Distribution payable		335,424	281,135	335,424	281,135
Provision for taxation		105,842	14,538	547	1,515
Total current liabilities		1,973,299	1,646,500	345,530	290,556
Total liabilities, excluding net assets attributable to unitholders		11,220,847	5,863,558	345,530	290,556
Net assets attributable to unitholders		19,109,327	14,977,709	6,563,093	5,671,193
Units in issue and to be issued ('000)					
	21	1,862,534	1,700,225		
Net asset value per unit (HK\$) attributable to unitholders	22	10.26	8.81		

Statements of Changes in Net Assets Attributable to Unitholders

For the year ended 31 December 2013

Group

	Units in issue and to be issued HK\$'000	Unit issue costs HK\$'000	Hedging reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Net assets attributable to unitholders as at 1 January 2012	6,391,413	(271,593)	(72,978)	7,180,928	13,227,770
OPERATIONS					
Profit for the year, before transactions with unitholders	-	-	-	2,238,379	2,238,379
Distribution paid and payable of 15.82 HK cents per unit for the six months ended 30 June 2012	-	-	-	(268,327)	(268,327)
Distribution payable of 16.53 HK cents per unit for the six months ended 31 December 2012	-	-	-	(281,135)	(281,135)
Change in fair value of derivative financial instruments under cash flow hedge	-	-	(15,925)	-	(15,925)
Total comprehensive income for the year	-	-	(15,925)	1,688,917	1,672,992
UNITHOLDERS' TRANSACTIONS					
Creation of units					
- Manager's acquisition fee paid in units	19,000	-	-	-	19,000
- Manager's base fee paid/payable in units	57,947	-	-	-	57,947
Increase in net assets resulting from unitholders' transactions	76,947	-	-	-	76,947
Net assets attributable to unitholders as at 31 December 2012	6,468,360	(271,593)	(88,903)	8,869,845	14,977,709
OPERATIONS					
Profit for the year, before transactions with unitholders	-	-	-	3,649,404	3,649,404
Distribution paid and payable of 18.00 HK cents per unit for the six months ended 30 June 2013	-	-	-	(306,965)	(306,965)
Distribution payable of 18.00 HK cents per unit for the six months ended 31 December 2013	-	-	-	(335,424)	(335,424)
Change in fair value of derivative financial instruments under cash flow hedge	-	-	29,898	-	29,898
Release to profit or loss	-	-	5,395	-	5,395
Total comprehensive income for the year	-	-	35,293	3,007,015	3,042,308
UNITHOLDERS' TRANSACTIONS					
Creation of units					
- Manager's acquisition fee paid in units	58,490	-	-	-	58,490
- Issuance of new units	975,001	-	-	-	975,001
- Manager's base fee paid/payable in units	70,505	-	-	-	70,505
Unit issue cost	-	(14,686)	-	-	(14,686)
Increase in net assets resulting from unitholders' transactions	1,103,996	(14,686)	-	-	1,089,310
Net assets attributable to unitholders as at 31 December 2013	7,572,356	(286,279)	(53,610)	11,876,860	19,109,327

Statements of Changes in Net Assets Attributable to Unitholders

For the year ended 31 December 2013

Fortune REIT

	Units in issue and to be issued HK\$'000	Unit issue costs HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Net assets attributable to unitholders as at 1 January 2012	6,391,413	(271,593)	(422,839)	5,696,981
OPERATIONS				
Profit for the year, before transactions with unitholders	–	–	446,727	446,727
Distribution paid and payable of 15.82 HK cents per unit for the six months ended 30 June 2012	–	–	(268,327)	(268,327)
Distribution payable of 16.53 HK cents per unit for the six months ended 31 December 2012	–	–	(281,135)	(281,135)
Total comprehensive expense for the year	–	–	(102,735)	(102,735)
UNITHOLDERS' TRANSACTIONS				
Creation of units				
– Manager's acquisition fee paid in units	19,000	–	–	19,000
– Manager's base fee paid/payable in units	57,947	–	–	57,947
Increase in net assets resulting from unitholders' transactions	76,947	–	–	76,947
Net assets attributable to unitholders as at 31 December 2012	6,468,360	(271,593)	(525,574)	5,671,193
OPERATIONS				
Profit for the year, before transactions with unitholders	–	–	444,979	444,979
Distribution paid and payable of 18.00 HK cents per unit for the six months ended 30 June 2013	–	–	(306,965)	(306,965)
Distribution payable of 18.00 HK cents per unit for the six months ended 31 December 2013	–	–	(335,424)	(335,424)
Total comprehensive expense for the year	–	–	(197,410)	(197,410)
UNITHOLDERS' TRANSACTIONS				
Creation of units				
– Manager's acquisition fee paid in Units	58,490	–	–	58,490
– Issuance of new units	975,001	–	–	975,001
– Manager's base fee paid/payable in units	70,505	–	–	70,505
Unit issue cost	–	(14,686)	–	(14,686)
Increase in net assets resulting from unitholders' transactions	1,103,996	(14,686)	–	1,089,310
Net assets attributable to unitholders as at 31 December 2013	7,572,356	(286,279)	(722,984)	6,563,093

Statements of Cash Flows

For the year ended 31 December 2013

	Group		Fortune REIT	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Operating activities				
Profit before taxation and transactions with unitholders	3,781,920	2,350,457	443,272	447,260
Adjustments for:				
Manager's base fee paid/payable in units	70,505	57,947	70,505	57,947
Acquisition fee paid in units	58,490	19,000	58,490	19,000
Change in fair value of investment properties	(3,088,725)	(1,796,263)	–	–
Change in fair value of derivative financial instruments	(114,803)	4,613	–	–
Gain on disposal of investment properties	(897)	–	–	–
Interest income	(4,465)	(6,011)	(3,223)	(3,159)
Interest expense	153,832	128,934	–	–
Front end fees	23,929	18,184	23,929	18,184
Operating cash flows before movement in working capital	879,786	776,861	592,973	539,232
Decrease/(increase) in trade and other receivables	19,606	(626)	(71,042)	(33,745)
Increase/(decrease) in trade and other payables	16,515	39,487	4,131	(10,409)
Cash generated from operations	915,907	815,722	526,062	495,078
Income tax (paid)/refund	(111,750)	(84,473)	739	(490)
Net cash from operating activities	804,157	731,249	526,801	494,588
Investing activities				
Acquisition of property companies/properties, net of cash acquired (Note 14)	(5,668,686)	(1,896,231)	–	–
Investment in a subsidiary	–	–	(823,368)	–
Upgrading of investment properties	(66,037)	(114,237)	–	–
Withdrawal of fixed deposits	–	150,000	–	150,000
Proceed from disposal of investment properties	2,047	–	–	–
Interest received	4,546	9,516	3,499	5,029
Net cash (used in)/from investing activities	(5,728,130)	(1,850,952)	(819,869)	155,029
Financing activities				
Drawdown of borrowings	5,155,000	2,040,000	–	–
Proceed from issue of new units (net of issue costs)	957,635	–	957,635	–
Repayment of borrowings	(102,047)	(420,000)	–	–
Distribution paid	(587,898)	(495,545)	(587,898)	(495,545)
Interest paid	(153,239)	(124,851)	–	–
Payment of front end fees	(65,325)	(33,600)	–	–
Net cash from/(used in) financing activities	5,204,126	966,004	369,737	(495,545)
Net increase/(decrease) in cash and cash equivalents	280,153	(153,699)	76,669	154,072
Cash and cash equivalents at beginning of the year	578,022	731,721	438,309	284,237
Cash and cash equivalents at end of the year	858,175	578,022	514,978	438,309
Represented by:				
Cash at bank and in hand	104,698	156,127	16,501	16,414
Fixed deposits with original maturity date less than 3 months	753,477	421,895	498,477	421,895
	858,175	578,022	514,978	438,309

Notes to the Financial Statements

For the year ended 31 December 2013

1 General

Fortune Real Estate Investment Trust ("**Fortune REIT**") is a real estate investment trust constituted by a trust deed entered into on 4 July 2003 (as amended) (the "**Trust Deed**") made between ARA Asset Management (Fortune) Limited, as the manager of Fortune REIT (the "**Manager**"), and HSBC Institutional Trust Services (Singapore) Limited, as the trustee of Fortune REIT (the "**Trustee**"). Fortune REIT was listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and The Stock Exchange of Hong Kong Limited (the "**SEHK**") on 12 August 2003 and 20 April 2010, respectively.

The registered offices and principal places of business of the Manager in Singapore and Hong Kong are 6 Temasek Boulevard, #16-02 Suntec Tower 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 #10-02, HSBC Building, Singapore 049320.

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

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

The consolidated and separate financial statements on pages 90 to 140 were authorised for issue by the Manager on 24 January 2014.

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

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

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

Marketing services fee

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

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

(b) Trustee's fees

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

1 General (Continued)

(c) Manager's fees

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

Base fee

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

Performance fee

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

(d) Acquisition fee and divestment fee

The Manager is entitled to receive the following fees:

Acquisition fee

Under the Trust Deed, the Manager will receive an acquisition fee (the "**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

In the current year, the Group has applied the following new and revised International Financial Reporting Standard ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") that are mandatorily effective for an accounting period that begins on or after 1 January 2013:

Amendments to IFRS	Annual Improvement to IFRSs 2009-2011 Cycle
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19 (revised 2011)	Employee Benefits
IAS 27 (revised 2011)	Separate Financial Statements
IAS 28 (revised 2011)	Investments in Associates and Joint Ventures
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

Notes to the Financial Statements

For the year ended 31 December 2013

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

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

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

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 (as revised in 2011) *Separate Financial Statements* and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify transitional guidance on the first-time application of the standards.

In the current year, the Group has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. IAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards on the Group is set out below.

Impact of the application of IFRS 10

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over an investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee, and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. Some guidance included in IFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

The application of these standards did not have significant impact on amounts reported in the financial statements.

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the financial statements as disclosed in Note 13.

IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

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

IFRS 13 Fair Value Measurement (Continued)

In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current Standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* have been extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative information provided for periods before the initial application of the Standard. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to IAS 1 *Presentation of Items of Other Comprehensive Income* for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income statement. Under the amendments to IAS 1, the “statement of comprehensive income” is renamed as the “statement of profit or loss and other comprehensive income”. The amendments to IAS 1 retain the opinion to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 requires items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments has been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised IFRSs issued but not effective

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

IFRS 9	Financial Instruments ³
Amendment to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures ³
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities ¹
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
IFRIC – Int 21	Levies ¹
Amendment to IAS 19	Defined Benefit Plans: Employee Contribution ²
Amendment to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle ⁴
Amendment to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle ²

1 Effective for annual periods beginning on or after 1 January 2014

2 Effective for annual periods beginning on or after 1 July 2014

3 Available for application – the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition. IFRS 9 was further amended in 2013 to include the new requirements for hedge accounting.

Notes to the Financial Statements

For the year ended 31 December 2013

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

IFRS 9 Financial Instruments (Continued)

Key requirements of IFRS 9 are described as follows:

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

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

The Manager anticipates that the application of IFRS 9 may not have significant impact on amounts reported in respect of the financial assets and financial liabilities.

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

The amendments to IFRS define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

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

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

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

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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 17, and the measurements that have same similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

3 Significant Accounting Policies (Continued)

(a) Basis of preparation of financial statements (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

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

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Fortune REIT and entities controlled by Fortune REIT and its subsidiaries. Control is achieved when Fortune REIT:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Fortune REIT reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when Fortune REIT, obtains control over the subsidiary and ceases when Fortune REIT loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date Fortune REIT gains control until the date when Fortune REIT ceases to control the subsidiary.

Profit or loss and each component of the other comprehensive income are attributed to the owners of Fortune REIT and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the unitholders of Fortune REIT and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. Income and expenses of the subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other 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 assets and liabilities, income, expenses and cashflow are eliminated in full on consolidation.

Notes to the Financial Statements

For the year ended 31 December 2013

3 Significant Accounting Policies (Continued)

(c) Investments in subsidiaries

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

(d) Investment properties

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

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

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

(e) Financial instruments

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

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

Financial assets

Financial assets are classified into "financial assets at fair value through profit or loss" and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

3 Significant Accounting Policies (Continued)

(e) Financial instruments (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

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

Impairment of financial assets

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

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

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

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

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group entity after deducting all of its liabilities. Unit issue costs are the transactions costs relating to issue of units in Fortune REIT which are accounted for as a deduction from the proceeds raised to the extent they are incremental costs directly attributable to the transactions that otherwise would have been avoided. Other transaction costs are recognised as an expense.

The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Notes to the Financial Statements

For the year ended 31 December 2013

3 Significant Accounting Policies (Continued)

(e) Financial instruments (Continued)

Financial liabilities at fair value through profit or loss

A financial liability carried at FVTPL when the financial liabilities are held for trading.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

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

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

Derivative financial instruments and hedging

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

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

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

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

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

3 Significant Accounting Policies (Continued)

(e) Financial instruments (Continued)

Derivative financial instruments and hedging (Continued)

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

Derecognition

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

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

(f) Leasing

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

(g) Revenue recognition

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

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. In the event that lease incentives, including rent free periods, are given to enter into operating leases, such incentives are recognised as accrued rent receivables. The aggregate benefit of incentives is recognised as a reduction of rental income on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2013

3 Significant Accounting Policies (Continued)

(h) Foreign currencies

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

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

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

(i) Borrowing costs

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

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

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

(j) Impairment of investments in subsidiaries

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

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

(k) Taxation

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

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

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

3 Significant Accounting Policies (Continued)

(k) Taxation (Continued)

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

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

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

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

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

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

4 Key Sources of Estimation Uncertainty

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

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

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

(a) Valuation of investment properties

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

Notes to the Financial Statements

For the year ended 31 December 2013

4 Key Sources of Estimation Uncertainty (Continued)

(b) Valuation of derivative financial instruments

As described in Note 15, the fair value of derivative financial instruments that are not quoted in active markets are determined by using certain valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by qualified personnel. All models are calibrated to ensure that outputs reflect actual data and comparative market prices.

5 Segmental Reporting

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

The Group owns 17 (2012: 16) properties as at 31 December 2013 which are located in Hong Kong. Revenue and net property income of each property (which constitutes an operating segment) is the measure reported to the Manager for the purposes of resource allocation and performance assessment. The accounting policies of the operating segments are the same as the Group's accounting policies. The Manager considers that all existing properties held by the Group, consisting of retail shopping malls, have similar economic characteristics and have similar nature in providing leasing service to similar type of retail tenants for rental income. In addition, the cost structure and the economic environment in which they operate are similar. Therefore, the Manager concluded that each of the properties or operating segments are aggregated into a single reportable segment and no further analysis for segment information is presented.

The major customers from whom more than 10% of the Group's revenue are derived consist of the subsidiaries of Hutchison Whampoa Limited ("HWL"), which is 49.9% owned by Cheung Kong (Holdings) Limited ("Cheung Kong") and is described as an associate of Cheung Kong in the published 2013 interim report of Cheung Kong, as disclosed in Note 30. For the year ended 31 December 2013, the Group's revenue from rental income and charge-out collections generated from the subsidiaries of HWL amounted to HK\$144.6 million (2012: HK\$126.7 million) in aggregate.

6 Revenue

	Group		Fortune REIT	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Dividend income from subsidiaries	–	–	641,518	550,646
Base rental	950,715	808,339	–	–
Charge-out collections	247,311	208,820	–	–
Other rental	116,051	94,426	–	–
Other income	3,386	2,111	–	–
	1,317,463	1,113,696	641,518	550,646

The other rental mainly includes contingent rents of HK\$10.5 million (2012: HK\$7.7 million), licence fees of HK\$49.2 million (2012: HK\$38.7 million) and car park revenue of HK\$54.6 million (2012: HK\$43.3 million).

7 Property Operating Expenses

	Group	
	2013 HK\$'000	2012 HK\$'000
Building management expenses	143,721	119,573
Utilities	48,313	43,255
Government rents and rates	54,607	43,772
Manager's performance fee	28,750	24,468
Property management fee	30,481	25,808
Carpark operating expenses	16,047	13,177
Advertising and promotion	16,520	11,706
Legal and other professional fees	7,648	8,078
Leasing commission and marketing services fee	24,841	18,961
Others	18,204	16,623
	389,132	325,421

8 Trust Expenses

	Group		Fortune REIT	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Trustee's fee	8,033	6,592	8,033	6,592
Acquisition fee	58,490	19,000	58,490	19,000
Amortisation of front end fees (Note)	–	–	23,929	18,184
Expenses for acquisition	36,545	1,215	36,545	1,215
Other charges	4,059	3,812	4,059	3,812
	107,127	30,619	131,056	48,803

Note:

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

9 Borrowing Costs

	Group	
	2013 HK\$'000	2012 HK\$'000
Interest expense on		
– term loans	81,269	60,054
– revolving loans	10,856	11,082
Equalisation of interest expense through interest rate swaps	59,980	56,240
Commitment fee	1,727	1,558
Amortisation of front end fees	23,929	18,184
	177,761	147,118

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For the year ended 31 December 2013

10 Profit Before Taxation and Transactions with Unitholders

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

	Group		Fortune REIT	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000 (Note)	2012 HK\$'000 (Note)
Audit fees to external auditors in respect of				
– Current year	2,901	1,799	805	666
– Prior year	–	(42)	–	7
Non-audit services fee to external auditors	1,749	824	1,177	40
Fee to internal auditor	330	330	–	–
Valuation fees (paid to principal valuer)	777	303	201	–
Bank charges	268	485	14	13
Public relation and non-deal roadshow expenses	1,538	1,554	624	700

Note:

The expenses are classified as Trust Expenses in Note 8.

11 Income Tax (Expense)/Credit

	Group		Fortune REIT	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Current tax:				
– Hong Kong	(108,464)	(89,341)	–	–
– Singapore	(545)	(533)	(545)	(533)
– Over provision in prior years	2,596	615	2,252	–
	(106,413)	(89,259)	1,707	(533)
Deferred taxation (Note 19)				
– Current year	(25,662)	(22,415)	–	–
– Under provision in prior year	(441)	(404)	–	–
	(26,103)	(22,819)	–	–
	(132,516)	(112,708)	1,707	(533)

Fortune REIT's subsidiaries in Hong Kong are subject to Hong Kong profits tax at 16.5% (2012: 16.5%).

Fortune REIT, which is established in Singapore, is subject to Singapore income tax at 17% (2012: 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.

11 Income Tax (Expense)/Credit (Continued)

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

(i) Tax-Exempt Income

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

(ii) Taxable Income

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

(iii) Non-Taxable Capital Gain

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

The income tax varied from the amount of income tax determined by applying the Hong Kong profits tax rate of 16.5% (2012: 16.5%) to the profit before taxation and transactions with unitholders as a result of the following differences:

	Group		Fortune REIT	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Profit before taxation and transactions with unitholders	3,781,920	2,350,457	443,272	447,260
Tax at the applicable income tax rate	624,017	387,825	73,140	73,798
Tax effect of expenses not deductible for tax purpose	39,616	21,401	33,239	17,576
Tax effect of income not taxable for tax purpose	(528,978)	(296,953)	(105,850)	(90,857)
Effect of different tax rates of overseas operations	16	16	16	16
Over provision in prior years	(2,155)	(211)	(2,252)	–
Taxation for the year	132,516	112,078	(1,707)	533

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

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For the year ended 31 December 2013

12 Earnings Per Unit

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

	Group	
	2013 HK\$'000	2012 HK\$'000
Profit for the year, before transactions with unitholders	3,649,404	2,238,379
Weighted average number of units outstanding during the year Number of units ('000)	1,765,444	1,694,842
Basic earnings per unit (HK cents)	206.71	132.07

The weighted average number of units outstanding during the year takes into account the 3,642,690 (2012: 2,399,436) units issuable as Manager's base fee for the period from 1 October 2013 to 31 December 2013 (2012: 1 October 2012 to 31 December 2012), which were issued to the Manager on 3 January 2014 (2012: 3 January 2013).

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

13 Investments in Subsidiaries

	Fortune REIT	
	2013 HK\$'000	2012 HK\$'000
Unquoted ordinary shares, at cost	3,103,540	3,103,540
Unquoted preference shares, at cost	3,189,752	2,366,384
Unquoted deferred shares, at cost	210	210
	6,293,502	5,470,134

13 Investments in Subsidiaries (Continued)

Particulars of the principal subsidiaries which are wholly owned by Fortune REIT as at 31 December 2013 and 2012 are as follows:

Name of company	Country/ Place of incorporation	Effective equity interest held by Fortune REIT		Nominal value of issued and fully paid capital			Principal activities
		2013	2012	Ordinary shares	Redeemable preference shares	Non- voting deferred shares	
		%	%	HK\$	HK\$	HK\$	
Direct subsidiaries							
Ace Courage Limited	British Virgin Islands ("BVI")	100	100	8	56,059	–	Property investment in Centre de Laguna
Art Full Resources Limited	Hong Kong	100	100	2	60,000	–	Property investment in Nob Hill Square
Brilliant Crystal Enterprises Limited	BVI	100	–	8	–	–	Financing
Full Belief Limited	BVI	100	100	8	109,000	–	Property investment in Hampton Loft
Genuine Joy Limited	BVI	100	100	8	328,000	–	Property investment in Caribbean Square
Max Dynamic Investments Limited	BVI	100	–	8	–	–	Financing
Partner Now Limited	BVI	100	100	8	30,810	–	Property investment in Lido Avenue
Poko Shine Limited	Hong Kong	100	100	2	336,000	–	Property investment in Ma On Shan Plaza
Proven Effort Limited	BVI	100	100	8	17,495	–	Property investment in Rhine Avenue
Quick Switch Limited	BVI	100	100	8	79,000	–	Property investment in Smartland
Smart Growth Enterprises Limited	BVI	100	–	8	823,368	–	Investment holding
Team Challenge Limited	BVI	100	100	8	95,620	–	Property investment in Tsing Yi Square
Vision Million Limited	BVI	100	100	8	810,000	–	Property investment in Fortune Metropolis
Waldorf Realty Limited	Hong Kong	100	100	210,000	–	210,000	Property investment in Waldorf Avenue
Yee Pang Realty Limited	Hong Kong	100	100	10,000	8,000	–	Property investment in Jubilee Square

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13 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
		2013	2012	Ordinary shares	Redeemable preference shares	Non-voting deferred shares	
		%	%	HK\$	HK\$	HK\$	
Indirect subsidiaries							
Bysean Limited	Hong Kong	100	100	2	–	–	Property investment in part of the Belvedere Square
Bysky Limited	Hong Kong	100	100	2	–	–	Property investment in part of the Belvedere Square
Fullforce Limited	Hong Kong	100	100	2	–	–	Property investment in part of the Belvedere Square
Maulden Investments Limited	BVI	100	100	8	–	–	Property investment in Provident Square
Mega Gain Resources Limited	Hong Kong	100	100	1	436,400	–	Property investment in Metro Town
Million Nice Development Limited	Hong Kong	100	100	2	–	–	Property investment in Fortune City One
Quebostar Limited	Hong Kong	100	100	100,000	–	–	Property investment in part of the Belvedere Square
Swinley Investments Limited	BVI	100	100	8	–	–	Financing
Tidmarsh Investments Limited	BVI	100	100	8	–	–	Property investment in part of the Belvedere Square
Tin Shui Wai Development Limited	Hong Kong	100	–	1,000	–	–	Property investment in Fortune Kingswood

13 Investments in Subsidiaries (Continued)

Notes:

(i) Information about the composition of the Group at the end of the reporting period is as follows:

Principal activity	Place of incorporation	Number of wholly-owned subsidiaries	
		2013	2012
Property investment	Hong Kong	11	10
Property investment	BVI	10	10
Financing	BVI	3	1
Investment holding or inactive	Hong Kong	5	5
Investment holding or inactive	BVI	8	7
		37	33

- (ii) All redeemable preference shares issued by the subsidiaries are held by Fortune REIT. The redeemable preference shares issued by the subsidiaries are redeemable at the option of the subsidiaries and they have the following terms:
- They do not carry any right to dividend;
 - They are not participating (i.e. there is no right to participate in the surplus profits of the subsidiary after payment of dividend to the holders of the ordinary shares);
 - They do not have any voting rights at general meetings of the subsidiary;
 - In the event of a winding up of the subsidiary, the holders of the redeemable preference shares have priority over the holders of the ordinary shares to repayment of capital and premium paid on the issue of such redeemable preference shares, but that the holders of the redeemable preference shares are not entitled to participate in the surplus assets (if any) of the subsidiary; and
 - Each redeemable preference share is redeemable at any time at the option of the subsidiary at a redemption price equal to the issue price thereof.
- (iii) The non-voting deferred shares issued by the subsidiaries, all of which are held by Fortune REIT, are subject to the following restrictions and provisions:
- They do not carry any right to dividend;
 - They do not have any voting rights at general meetings of the subsidiary; and
 - On a return of assets on winding up or otherwise, the assets of the subsidiary to be returned should be distributed as regards the first HK\$100,000,000,000 thereof among the holders of ordinary shares in proportion to the nominal amounts of ordinary shares held by them respectively and one half of the balance of such assets shall belong to and be distributed among the holders of the non-voting deferred shares and the other half thereof to and among the holders of the ordinary shares in proportion in each case to the nominal amount of the shares held by them respectively.
- (iv) The place of operations of the above property investment subsidiaries is Hong Kong.
- (v) Interests in all subsidiaries (2012: all subsidiaries except for Marvel Point Investments Limited and Mega Gain Resources Limited) were pledged as securities for the loan and credit facility granted by the banks to the subsidiaries as disclosed in Note 18.

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For the year ended 31 December 2013

14 Investment Properties

	Group	
	2013 HK\$'000	2012 HK\$'000
FAIR VALUE		
At beginning of year	20,208,000	16,388,000
During the year:		
Acquisition of investment properties (Note (i) and (ii))	5,976,388	1,900,000
Stamp duty incurred in relation to acquisition	–	9,500
Capital expenditure incurred in upgrading investment properties	66,037	114,237
Disposal of investment properties	(1,150)	–
Change in fair value of investment properties	3,088,725	1,796,263
At end of year	29,338,000	20,208,000

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	
					2013 HK\$'000	2012 HK\$'000
Fortune City One	Leasehold	149 years	33.5 years	No. 1 & 2 Ngan Shing Street, 6 Lok Shing Street, Shatin, New Territories, Hong Kong	6,253,000	5,365,000
Fortune Kingswood	Leasehold	149 years	33.5 years	Nos. 12 and 18 Tin Yan Road; Nos. 1 and 3 Tin Wu Road; No. 8 Tin Shui Road; Nos. 2 and 9 Tin Lung Road and No. 3 Tin Kwai Road, Tin Shui Wai, Yuen Long, New Territories, Hong Kong	6,028,000	–
Ma On Shan Plaza	Leasehold	55.5 years	33.5 years	No. 608 Sai Sha Road, Ma On Shan, Shatin, New Territories, Hong Kong	4,342,000	3,801,000
Metro Town	Leasehold	50 years	39 years	No. 8 King Ling Road, Tseung Kwan O, Hong Kong	2,726,000	2,380,000

14 Investment Properties (Continued)

Description of property	Tenure of land	Terms of leases	Remaining term of lease	Location	Valuation	
					2013 HK\$'000	2012 HK\$'000
Fortune Metropolis	Leasehold	50.5 years	33.5 years	No. 6-10 Metropolis Drive, Kowloon, Hong Kong	2,059,000	1,839,000
Belvedere Square	Leasehold	149 years	33.5 years	No. 530-590, 620 & 625, Castle Peak Road, Tsuen Wan, New Territories, Hong Kong	1,693,000	1,431,000
Waldorf Avenue	Leasehold	149 years	33.5 years	No. 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong	1,435,000	1,268,000
Caribbean Square	Leasehold	50 years	33.5 years	No. 1 Kin Tung Road, Tung Chung, New Territories, Hong Kong	875,000	716,000
Provident Square	Leasehold	150 years	58 years	No. 21-53 Wharf Road, North Point, Hong Kong	856,000	786,000
Jubilee Square	Leasehold	149 years	33.5 years	No. 2-18 Lok King Street, Fo Tan, Shatin, New Territories, Hong Kong	768,000	551,000
Smartland	Leasehold	149 years	33.5 years	No. 16 Tsuen Wah Street, Tsuen Wan, New Territories, Hong Kong	599,000	516,000
Tsing Yi Square	Leasehold	149 years	33.5 years	No. 7-19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong	524,000	463,000
Nob Hill Square	Leasehold	50 years	34.5 years	No. 8 King Lai Path, Kwai Chung, New Territories, Hong Kong	406,000	381,000

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14 Investment Properties (Continued)

Description of property	Tenure of land	Terms of leases	Remaining term of lease	Location	Valuation	
					2013	2012
					HK\$'000	HK\$'000
Hampton Loft	Leasehold	50 years	36 years	No. 11 Hoi Fan Road, Kowloon, Hong Kong	250,000	222,000
Centre de Laguna	Leasehold	58 years	33.5 years	93/99 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong	245,000	229,000
Lido Avenue	Leasehold	149 years	33.5 years	No. 41-63 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong	169,000	153,000
Rhine Avenue	Leasehold	57 years	33.5 years	No. 38 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong	110,000	107,000
					29,338,000	20,208,000

- (i) On 9 October 2013, Fortune REIT completed the acquisition of Fortune Kingswood from a subsidiary of Cheung Kong through acquisition of the entire equity interest in Tin Shui Wai Development Limited (“**Tin Shui Wai**”) for a cash consideration of HK\$5,849.0 million plus adjustments on the net current liabilities of Tin Shui Wai of HK\$176.5 million as at completion date of the acquisition.

The above acquisition was partly financed by net proceeds from the placement of new units which was completed on 6 August 2013 (the “**Unit Placement**”) as well as drawdown of a new bank borrowing as disclosed in Note 18 under the facility agreements dated 7 October 2013. Details of the acquisition are as follows:

	HK\$'000
Investment properties	5,976,388
Cash and cash equivalents	3,809
Trade and other receivables	31,535
Trade and other payables	(115,208)
Taxation	(224,029)
Total consideration, satisfied by cash	<u>5,672,495</u>
Net cash outflow arising on acquisition	
Cash consideration paid/payable	(5,672,495)
Cash and cash equivalents acquired	<u>3,809</u>
	<u>(5,668,686)</u>

14 Investment Properties (Continued)

- (ii) On 17 February 2012, Fortune REIT completed the acquisition of Belvedere Square and Provident Square from subsidiaries of HWL and Cheung Kong and an independent third party of Fortune REIT through direct acquisition of investment properties and acquisition of the entire equity interest in Recoup Investments Limited (“**Recoup**”) and 35% equity interest in Quebostar Limited (“**Quebostar**”) for a cash consideration of HK\$1,900.0 million plus adjustments on the net current assets of Recoup and Quebostar of HK\$31.8 million as at completion date of the acquisition.

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

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

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

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14 Investment Properties (Continued)

- (iii) In estimating the fair value of investment properties, it is the Group's policy to engage third party qualified external valuer to perform the valuation. The Manager works closely with the qualified external valuer to establish the appropriate valuation technique and inputs to the model.

On 31 December 2013 and 2012, independent valuations were undertaken by Jones Lang LaSalle Limited ("**Jones Lang LaSalle**") and Knight Frank Petty Limited ("**Knight Frank**") respectively. The firms are independent qualified professional valuers not related 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, which falls under Level 2 of the fair value hierarchy, the market rentals of all lettable units of the properties are assessed and capitalised at market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The market yield which is the capitalisation rate adopted is made by reference to the yields derived from analysing the sales transactions of similar commercial properties in Hong Kong and adjusted to take account of the valuers' knowledge of the market expectation from property investors to reflect factors specific to the Group's investment properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The adopted capitalisation rates in the valuation range from 4.3% – 5.0%. The capitalisation rate is one of the key parameters in the valuation method of income capitalisation and they involve professional judgment in relation to the adjustments made by the independent valuer.

- (iv) All of the Group's property interests in properties located in Hong Kong are either held under long leases or 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.

The carrying amount of investment properties shown above comprise:

	2013 HK\$'000	2012 HK\$'000
Land in Hong Kong:		
Long lease	856,000	786,000
Medium-term lease	28,482,000	19,422,000
	29,338,000	20,208,000

- (v) Certain properties with total fair value of HK\$27,135.0 million (2012: HK\$16,009.0 million) as at 31 December 2013 have been mortgaged as collaterals for credit facilities granted by the banks.

15 Derivative Financial Instruments

	Group	
	2013 HK\$'000	2012 HK\$'000
Derivative financial instruments are analysed as:		
Derivatives under hedge accounting:		
Cash flow hedges – interest rate swaps	(40,799)	(70,697)
Derivatives not under hedge accounting:		
Interest rate swaps	45,538	(74,660)
	4,739	(145,357)
Reflected on consolidated statement of financial position based on remaining contractual maturity as:		
Non-current Assets	66,906	–
Non-current Liabilities	(40,799)	(145,357)
Current Liabilities	(21,368)	–
	4,739	(145,357)

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

Derivatives under hedge accounting:

Contracts with notional amount of HK\$1,415.0 million (2012: HK\$1,415.0 million) as at 31 December 2013 will mature in April 2016 and are highly effective. These contracts have fixed interest payments at rates ranging from 2.000% to 2.017% per annum for the year ended 31 December 2013 and have floating interest receipts at three months Hong Kong Inter-bank Offered Rate (“HIBOR”) repricing every three months.

The change in fair value of the derivative financial instruments, amounting to a gain of HK\$29.9 million (2012: loss of HK\$15.9 million), is recognised in other comprehensive income for the year ended 31 December 2013.

Derivatives not under hedge accounting:

Contracts not under hedge accounting with notional amount of HK\$614.5 million (2012: HK\$614.5 million), HK\$800.5 million (2012: HK\$800.5 million), HK\$614.5 million (2012: HK\$614.5 million), HK\$800.5 million (2012: HK\$800.5 million) and HK\$800.0 million (2012: HK\$800.0 million) as at 31 December 2013 will mature in March 2014, December 2014, April 2018, April 2018 and August 2019, respectively. These contracts have fixed interest payments at rates ranging from 1.08% to 2.91% (2012: 1.08% to 2.91%) per annum and have floating interest receipts at three months HIBOR repricing every three months. The interest payments/receipts for contracts with notional amounts of HK\$614.5 million and HK\$800.5 million will commence from March 2014 and January 2015, respectively.

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15 Derivative Financial Instruments (Continued)

Derivatives not under hedge accounting: (Continued)

The change in fair value of the derivative financial instruments not under hedge accounting amounting to a gain of HK\$120.2 million (2012: loss of HK\$4.6 million), is recognised in the profit or loss for the year ended 31 December 2013. In addition, as certain interest rate swap contracts previously designated under hedge accounting were no longer highly effective, the respective cumulative losses from inception of the hedge until then that previously recognised in hedging reserve is released to profit or loss over the periods during which the interest payment in relation to the interest rate swap contracts affects the profit or loss. During the year, release of such cumulative losses from the hedging reserve amounted to HK\$5.4 million (2012: Nil). Accordingly, the total change in fair value of derivative financial instruments recognised in profit or loss was a net gain of HK\$114.8 million (2012: net loss of HK\$4.6 million).

The fair value of derivative financial instruments represented 0.02% (2012: 1.0%) of the net assets of Fortune REIT as at 31 December 2013.

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

The fair value of derivative financial instruments falls under Level 2 of the fair value hierarchy and is based on valuation of the instruments provided by the counterparty banks, which are determined using interest rates implied from observable market inputs such as market interest rates yield curves and contracted interest rates discounted at a rate that reflects the credit risk of various counterparties.

16 Trade and Other Receivables

	Group		Fortune REIT	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
(a) Trade receivables				
Outside parties	31,690	28,188	–	–
Related parties (Note 30)	3,480	1,815	–	–
	35,170	30,003	–	–
(b) Other receivables and prepayments				
Security deposits	23,154	21,704	–	–
Other receivables	7,028	2,455	6,182	2,061
Prepayments	1,741	1,083	93,961	51,245
	31,923	25,242	100,143	53,306
	67,093	55,245	100,143	53,306

16 Trade and Other Receivables (Continued)

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

	Group	
	2013 HK\$'000	2012 HK\$'000
0 – 30 days	35,130	29,356
31 – 90 days	10	594
Over 90 days	30	53
	35,170	30,003

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

Included in the Group's trade receivable balance are debtors with a carrying amount of HK\$5.3 million (2012: HK\$3.3 million) which are past due as at the reporting date for which the Group has not provided for doubtful debts as there has not been a significant change on credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

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

	Group	
	2013 HK\$'000	2012 HK\$'000
1 – 30 days	5,221	2,687
31 – 90 days	10	594
Over 90 days	30	53
	5,261	3,334

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

Fortune REIT's prepayments included front end fees of HK\$92.6 million (2012: HK\$51.2 million) as at 31 December 2013 in respect of its subsidiaries' bank borrowings.

Notes to the Financial Statements

For the year ended 31 December 2013

16 Trade and Other Receivables (Continued)

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

	Group and Fortune REIT	
	2013	2012
	HK\$'000	HK\$'000
Denominated in:		
Singapore dollars	6,098	1,638

17 Bank Balances and Cash

	Group		Fortune REIT	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at bank and in hand	104,698	156,127	16,501	16,414
Fixed deposits with original maturity date less than 3 months	753,477	421,895	498,477	421,895
Cash and cash equivalents	858,175	578,022	514,978	438,309
Effective interest rate per annum	1.33%	0.57%	1.22%	0.75%

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	
	2013	2012
	HK\$'000	HK\$'000
Denominated in:		
Singapore dollars	2,889	3,712

18 Borrowings

	Group	
	2013 HK\$'000	2012 HK\$'000
Secured term loans	7,334,253	3,930,000
Unsecured term loans	1,618,700	–
Secured revolving loans	970,000	940,000
Less: unamortised front end fees	(92,581)	(51,185)
	9,830,372	4,818,815
Carrying amount repayable:		
On demand or within one year	970,000	940,000
More than one year, but not more than two years	1,087,424	–
More than two years, but not more than five years	7,772,948	3,878,815
	9,830,372	4,818,815
Less: Amount due within one year shown under current liabilities	(970,000)	(940,000)
	8,860,372	3,878,815

- (i) In relation to the term loan of HK\$2,830.0 million and revolving credit facility of HK\$970.0 million under the facility agreement dated 11 April 2011 for a term of 5 years (the “**2011 Facilities**”), the amounts outstanding under the 2011 Facilities drawn down by certain subsidiaries as at 31 December 2013 was HK\$3,798.0 million (2012: HK\$3,770.0 million). The 2011 Facilities are secured by, *inter alia*, a mortgage over certain investment properties and the Trustee (in its capacity as Trustee of Fortune REIT) has provided a guarantee for the 2011 Facilities. The 2011 Facilities bear interest at HIBOR plus a margin of 0.91% per annum.
- (ii) In relation to the term loan of HK\$1,100.0 million and revolving credit facility of HK\$300.0 million under the facility agreement dated 14 February 2012 for a term of 3 years (the “**2012 Facilities**”), the amounts outstanding under the 2012 Facilities drawn down by a subsidiary as at 31 December 2013 was HK\$1,100.0 million (2012: HK\$1,100.0 million). The 2012 Facilities are secured by, *inter alia*, a mortgage over certain investment properties and the Trustee (in its capacity as Trustee of Fortune REIT) has provided a guarantee for the 2012 Facilities. The 2012 Facilities bear interest at HIBOR plus a margin of 2.00% per annum. The term loan of the 2012 Facilities was used to finance the acquisition of investment properties and subsidiaries as disclosed in Note 14 (ii).
- (iii) In relation to the term loans with aggregate amount of HK\$5,025.0 million under the facility agreements dated 7 October 2013 for terms between 3.5 years to 5 years (the “**2013 Facilities**”), the amounts outstanding under the 2013 Facilities drawn down by certain subsidiaries as at 31 December 2013 was HK\$5,025.0 million (2012: Nil). Term loans of HK\$3,406.3 million under the 2013 Facilities are secured by, *inter alia*, a mortgage over certain investment properties and the Trustee (in its capacity as Trustee of Fortune REIT) has provided a guarantee for the 2013 Facilities. The 2013 Facilities bear interest at HIBOR plus a margin of ranging from 1.30% to 1.70% per annum. The 2013 Facilities was used to partly finance the acquisition of subsidiary as disclosed in Note 14 (i).

Notes to the Financial Statements

For the year ended 31 December 2013

18 Borrowings (Continued)

- (iv) During the year, the Group has paid front end fees of HK\$65.3 million (2012: HK\$33.6 million) to the banks to secure the loan facilities. The front end fees are amortised over the respective loan periods. The movements in the front end fees and accumulated amortisation are as follow:

	Group	
	2013 HK\$'000	2012 HK\$'000
At beginning of year	75,400	41,800
Addition	65,325	33,600
At end of year	140,725	75,400
Movement in accumulated amortisation:		
At beginning of year	(24,215)	(6,031)
Amortised during the year	(23,929)	(18,184)
At end of year	(48,144)	(24,215)
Net book values	92,581	51,185

- (v) The effective interest rates:

	Weighted average effective interest rate		Principal amount	
	2013 %	2012 %	2013 HK\$'000	2012 HK\$'000
Interest bearing borrowing				
Fixed rate*	2.95	2.95	3,630,000	3,630,000
Variable rate	1.76	2.26	6,292,953	1,240,000
			9,922,953	4,870,000

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

19 Deferred Tax Liabilities

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

19 Deferred Tax Liabilities (Continued)

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

	Accelerated tax depreciation		Tax losses		Total	
	2013	2012	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group						
At beginning of year	196,253	173,434	(3,367)	(3,367)	192,886	170,067
Movements during the year	153,491	22,819	–	–	153,491	22,819
At end of year	349,744	196,253	(3,367)	(3,367)	346,377	192,886

Movements during the year included HK\$26,103,000 (2012: HK\$22,819,000) charged to profit or loss for the year.

The investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and hence the presumption that the carrying amounts are recovered entirely through sale is not rebutted.

20 Trade and Other Payables

	Group		Fortune REIT	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(a) Trade payables				
Tenants' deposits				
– Outside parties	383,324	287,244	–	–
– Related parties (Note 30)	11,096	7,416	–	–
Rental received in advance				
– Outside parties	17,101	14,762	–	–
	411,521	309,422	–	–
(b) Other payables				
Trustee's fee	2,512	1,728	2,512	1,728
Other expenses				
– Outside parties	50,612	45,680	2,092	2,494
– Related parties (Note 30)	58,789	40,084	–	–
– Manager (Note 30)	5,782	4,328	–	–
Interest payable	6,494	5,901	–	–
Others	4,955	3,684	4,955	3,684
	129,144	101,405	9,559	7,906
Total	540,665	410,827	9,559	7,906

Notes to the Financial Statements

For the year ended 31 December 2013

20 Trade and Other Payables (Continued)

Trade and other payables comprise deposits refundable to tenants upon termination or cancellation of operating lease arrangements and amounts outstanding for ongoing costs. The tenants' deposits are refundable to tenants within 30–45 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\$239.7 million (2012: HK\$181.4 million) as at 31 December 2013.

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

	Group and Fortune REIT	
	2013	2012
	HK\$'000	HK\$'000
Denominated in:		
Singapore dollars	1,536	1,907

21 Units In Issue and to be Issued

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

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

21 Units in Issue and to be Issued (Continued)

Accordingly, the issued units as at 31 December 2013 and 2012 are compound instruments in accordance with IAS 32. The Manager considers the equity component of the issued units to be insignificant and that the net assets attributable to unitholders presented on the statements of financial position as at 31 December 2013 and 2012 mainly represents financial liabilities.

	Number of units '000	HK\$'000
Balance as at 1 January 2012	1,684,018	6,391,413
Issue of new units during the year:		
As payment of acquisition fee for the acquisition of Belvedere Square and Provident Square (Note (i))	4,809	19,000
As payment of Manager's base fee for the period from 1 January to 30 September 2012	8,999	42,667
Balance in issue as at 31 December 2012	1,697,826	6,453,080
New units to be issued:		
As payment of Manager's base fee for the period from 1 October to 31 December 2012 (Note (ii))	2,399	15,280
Balance as at 1 January 2013	1,700,225	6,468,360
Issue of new units during the year:		
Unit Placement (Note (iii))	142,962	975,001
As payment of acquisition fee for the acquisition of Fortune Kingswood (Note (iv))	8,576	58,490
As payment of Manager's base fee for the period from 1 January to 30 September 2013	7,128	48,321
Balance in issue as at 31 December 2013	1,858,891	7,550,172
New units to be issued:		
As payment of Manager's base fee for the period from 1 October to 31 December 2013 (Note (ii))	3,643	22,184
Balance as at 31 December 2013	1,862,534	7,572,356

Notes:

- (i) On 17 February 2012, Fortune REIT issued 4,809,152 units to the Manager at HK\$3.9508 per unit as acquisition fee for the acquisition of investment properties and subsidiaries as disclosed in Note 14. The acquisition fee of HK\$19.00 million was calculated at 1.0% of the consideration paid for the acquired properties of HK\$1,900 million and were paid by way of units.
- (ii) Manager's base fee paid to the Manager is in the form of units. On 3 January 2014, Fortune REIT issued 3,642,690 units at an issue price of HK\$6.0901 per unit to the Manager as base fee for the period from 1 October to 31 December 2013. On 3 January 2013, Fortune REIT issued 2,399,436 units at an issue price of HK\$6.3684 per unit to the Manager as base fee for the period from 1 October to 31 December 2012.
- (iii) On 6 August 2013, 142,962,000 units were issued at an issue price of HK\$6.82 per unit pursuant to the Unit Placement.
- (iv) On 9 October 2013, Fortune REIT issued 8,576,246 units to the Manager at HK\$6.82 per unit as acquisition fee for the acquisition of subsidiary as disclosed in Note 14. The acquisition fee of HK\$58.49 million was calculated at 1.0% of the consideration paid for the acquired property of HK\$5,849 million and were paid by way of units.

Notes to the Financial Statements

For the year ended 31 December 2013

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\$19,109.3 million (2012: HK\$14,977.7 million) and the total number of 1,862,533,814 (2012: 1,700,225,414) units in issue and to be issued, including the new units to be issued as payment of Manager's base fee.

23 Net Current Liabilities

As at 31 December 2013, the Group's net current liabilities, defined as current assets less current liabilities, amounted to HK\$1,048.0 million (2012: HK\$1,013.2 million).

24 Total Assets Less Current Liabilities

As at 31 December 2013, the Group's total assets less current liabilities amounted to HK\$28,356.9 million (2012: HK\$19,194.8 million).

25 Capital Risk Management Policies and Objectives

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

The capital structure of the Group consists of debts, which includes borrowings and net assets attributable to unitholders comprising issued and issuable units, reserves and retained profits. Fortune REIT and the Group are required to maintain the aggregate borrowing not exceeding 35% (2012: 35%) and 45% (2012: 45%) of the gross asset value of the Group in accordance with the CIS Code issued by MAS and the REIT Code issued by SFC, respectively. As at 31 December 2013, the Group's aggregate borrowings amounted to HK\$9,923 million (2012: HK\$4,870 million).

The management's strategy remains unchanged from prior year. The Group and Fortune REIT is in compliance with externally imposed capital requirements as at 31 December 2013 and 31 December 2012.

26 Financial Instruments

(a) Categories of financial instruments

	Group		Fortune REIT	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Financial assets				
<i>Loans and receivables</i>				
Trade and other receivables	65,352	54,162	6,182	2,061
Bank balances and cash	858,175	578,022	514,978	438,309
	923,527	632,184	521,160	440,370
<i>Fair value</i>				
Derivative financial instruments				
– Not under designated hedge accounting	66,906	–	–	–
Financial liabilities				
<i>Amortised cost</i>				
Other payables	85,870	62,001	7,465	4,042
Distribution payable	335,424	281,135	335,424	281,135
Borrowings	9,830,372	4,818,815	–	–
	10,251,666	5,161,951	342,889	285,177
<i>Fair value</i>				
Derivative financial instruments				
– In designated hedge accounting relationships	40,799	70,697	–	–
– Not under designated hedge accounting	21,368	74,660	–	–
	62,167	145,357	–	–

(b) Financial risk management objectives and policies

Details of the Group's and Fortune REIT'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.

Notes to the Financial Statements

For the year ended 31 December 2013

26 Financial Instruments (Continued)

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

Interest rate risk

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

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

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the Group's exposure to interest rates for derivative and non-derivative instruments at the end of the reporting period and assumed the stipulated changes taking place at the beginning of the 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 increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the effect from reasonably possible change in interest rates.

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

Increase in interest rates basis points by:

	Decrease in the Group's profit	
	2013	2012
	HK\$'000	HK\$'000
25 basis points	15,738	2,850
50 basis points	31,475	5,700
75 basis points	47,212	8,550

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

26 Financial Instruments (Continued)

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

Credit risk

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

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

The Group and Fortune REIT does 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 the Group and Fortune REIT is represented by the carrying value of each financial asset on the statements of financial position.

Foreign currency risk

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

The net carrying amounts of monetary assets denominated in currencies other than their functional currency arise from Singapore dollars ("S\$") denominated bank balances and deposits, other receivables and other payables amounting to HK\$7.5 million (2012: HK\$3.4 million) as at 31 December 2013. The foreign currency risk is managed by the Manager on an ongoing basis as well as to minimising the bank balance in Singapore dollars.

If HK\$ were to strengthen against S\$ by 5%, 10% and 15% (2012: 5%, 10% and 15%), the Group's and Fortune REIT's profit for the year would decrease by:

	Decrease in the Group's and Fortune REIT's result	
	2013	2012
	HK\$'000	HK\$'000
5%	373	172
10%	745	344
15%	1,118	516

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

Notes to the Financial Statements

For the year ended 31 December 2013

26 Financial Instruments (Continued)

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

Liquidity risk

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

As at 31 December 2013, the Group had bank loan facilities of HK\$10,223.0 million comprising a HK\$8,953.0 million term loan and a HK\$1,270.0 million revolving credit facilities. The term loan facilities were fully drawn and revolving credit facilities of HK\$970.0 million were drawn as at 31 December 2013. 2011 Facilities, 2012 Facilities and 2013 Facilities are repayable from 2015 to 2018. The revolving credit facility will be repaid on each maturity date and can be redrawn upon maturity. Taking into account the fair value of investment properties of HK\$29,338.0 million, presently available banking facilities of HK\$300.0 million and internal financial resources of the Group, the Manager is of the opinion that the Group has sufficient working capital for its present requirements within one year from the end of the reporting period. Hence, the consolidated financial statements have been prepared on a going concern basis.

Liquidity risk analysis

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

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

The Group's derivative financial instruments are interest rate swaps with notional amount totaling HK\$5,045 million (2012: HK\$5,045 million) as at 31 December 2013 with contracted net cash flows due within six years (2012: seven years) from inception date.

26 Financial Instruments (Continued)

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

Group

	Weighted average interest rate %	On demand or less than 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 2 years HK\$'000	2 years to 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount as at 31 December 2013 HK\$'000
2013							
Non-derivative-net settlement							
Tenants' deposits	–	51,435	103,278	141,498	98,209	394,420	394,420
Other payables	–	85,870	–	–	–	85,870	85,870
Bank borrowings – variable rate	1.70	171,592	126,222	1,243,291	8,853,429	10,394,534	9,830,372
Distribution Payable	–	335,424	–	–	–	335,424	335,424
Cash outflow		<u>644,321</u>	<u>229,500</u>	<u>1,384,789</u>	<u>8,951,638</u>	<u>11,210,248</u>	<u>10,646,086</u>
Derivative liabilities-net settlement							
Derivative financial instruments, cash outflow		13,661	30,099	19,364	4,037	67,161	62,167

	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	2 years to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount as at 31 December 2012 HK\$'000
2012								
Non-derivative – net settlement								
Tenants' deposits	–	29,663	83,581	100,635	74,828	5,953	294,660	294,660
Other payables	–	62,001	–	–	–	–	62,001	62,001
Bank borrowings – variable rate	1.39	118,834	57,375	76,152	4,835,198	–	5,087,559	4,818,815
Distribution Payable	–	281,135	–	–	–	–	281,135	281,135
Cash outflow		<u>491,633</u>	<u>140,956</u>	<u>176,787</u>	<u>4,910,026</u>	<u>5,953</u>	<u>5,725,355</u>	<u>5,456,611</u>
Derivative liabilities – net settlement								
Derivative financial instruments, cash outflow		14,926	45,408	53,357	66,365	5,386	185,442	145,357

Notes to the Financial Statements

For the year ended 31 December 2013

26 Financial Instruments (Continued)

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

Fortune REIT

	On demand or less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount as at 31 December 2013 HK\$'000
2013			
Other payables	7,465	7,465	7,465
Distribution payable	335,424	335,424	335,424
	342,889	342,889	342,889

	On demand or less than 3 months HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount as at 31 December 2012 HK\$'000
2012			
Other payables	4,042	4,042	4,042
Distribution payable	281,135	281,135	281,135
	285,177	285,177	285,177

(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 derivative instruments is based on valuation of the instruments provided by the counterparty banks, which are determined using interest rates implied from observable market inputs such as market interest rates yield curves and contracted interest rates discounted at a rate that reflects the credit risk of various counterparties.

27 Operating Lease Arrangements

	Group	
	2013 HK\$'000	2012 HK\$'000
Minimum lease income under operating leases included in revenue	950,175	808,339

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

	Outside parties		Related parties		Total	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Within one year	897,577	621,071	144,280	96,241	1,041,858	717,312
In the second to fifth year inclusive	707,083	453,235	131,818	70,431	838,901	523,666
Over five years	15,057	9,876	–	264	15,057	10,140
	1,619,717	1,084,182	276,098	166,936	1,895,816	1,251,118

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

28 Capital Commitment

As at 31 December 2013, the Group had capital commitments in respect of investment properties which were authorised but not contracted for of HK\$150.0 million (2012: HK\$116.7 million) and contracted but not provided for of HK\$43.7 million (2012: HK\$33.2 million).

29 Major Non Cash Transactions

During the year, Manager's base fee and acquisition fee for the year ended 31 December 2013 of HK\$70.5 million and HK\$58.49 million were and will be settled by the issuance of 10,770,154 units and 8,576,246 units, respectively.

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

Notes to the Financial Statements

For the year ended 31 December 2013

30 Connected and Related Party Transactions

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

	Notes	2013 HK\$'000	2012 HK\$'000
Rent and rental related income from			
AMTD Strategic Capital Limited	(a)	6,523	6,195
ARA Asset Management (Fortune) Limited	(f)	562	220
A.S. Watson Group (HK) Limited	(b)	78,493	115,848
A.S. Watson Retail (HK) Limited	(b)	9,446	–
BIGBOXX.com Limited	(b)	1,932	1,642
Big Sky Resources Limited	(a)	–	24
Cheung Kong Property Development Limited	(a)	38,021	29,126
Cheung Kong	(c)	99	513
Citybase Property Management Limited	(a)	3,074	3,423
Hang Seng Bank Limited	(d)	9,615	5,114
HSBC Life (International) Limited	(d)	17	–
Hutchison Global Communications Limited	(b)	1,192	994
Hutchison International Limited	(b)	2,670	1,977
Hutchison Telephone Company Limited	(b)	6,950	6,079
Hutchison Telecommunications Services Limited	(b)	–	174
Kingswood Property Services Limited	(a)	145	–
PARKnSHOP (HK) Limited	(b)	43,873	–
Metro Radio Broadcast Corporation Limited	(e)	–	15
The Hongkong and Shanghai Banking Corporation Limited (“HSBC”)	(d)	7,675	5,879
Towerich Limited	(a)	51	71
Carpark lease agency fee for the operations for the Group’s carpark			
Cayley Property Management Limited	(b)	203	133
E-Park Parking Management Limited	(a)	4,472	3,692
Property management and project management fee			
Cayley Property Management Limited	(b)	631	440
Citybase Property Management Limited	(a)	870	810
Goodwell-Fortune Property Services Limited	(a)	29,178	23,616
Goodwell Property Management Limited	(a)	129	129
Whampoa Property Management Limited	(b)	869	575
Marketing services fee			
Goodwell-Fortune Property Services Limited	(a)	24,703	17,937
Advertising and promotion expenses			
Metro Broadcast Corporation Limited	(e)	736	736
Trustee’s fee			
HSBC Institutional Trust Services (Singapore) Limited		8,033	6,592
Manager’s acquisition fee			
ARA Asset Management (Fortune) Limited	(f)	58,490	19,000
Manager’s base fee			
ARA Asset Management (Fortune) Limited	(f)	70,505	57,947
Manager’s performance fee			
ARA Asset Management (Fortune) Limited	(f)	28,750	24,468
Back-office support service fee			
Cheung Kong	(c)	–	605
Valuation and other fees			
Jones Lang LaSalle	(g)	777	–
Knight Frank	(g)	–	303

30 Connected and Related Party Transactions (Continued)

Trade receivables with connected and related companies are as follows:

		2013 HK\$'000	2012 HK\$'000
A.S. Watson Group (HK) Limited	(b)	–	37
A.S. Watson Retail (HK) Limited	(b)	95	–
Cheung Kong Property Development Limited	(a)	2,897	1,735
Hang Seng Bank Limited	(d)	15	–
Hutchison Telephone Company Limited	(b)	205	43
Kingswood Property Services Limited	(a)	48	–
PARKnSHOP (HK) Limited	(b)	220	–
		3,480	1,815

Other payables with connected and related companies are as follows:

		2013 HK\$'000	2012 HK\$'000
ARA Asset Management (Fortune) Limited	(f)	5,782	4,328
Cayley Property Management Limited	(b)	2,909	3,976
Citybase Property Management Limited	(a)	19,354	8,645
Citytruth Property Management Limited	(a)	532	685
E-Park Parking Management Limited	(a)	890	730
Goodwell-Fortune Property Services Limited	(a)	10,914	7,812
Goodwell Property Management Limited	(a)	21,581	14,565
Whampoa Property Management Limited	(b)	2,609	3,371
Metro Broadcast Corporation Limited	(e)	–	300
		64,571	44,412

Notes to the Financial Statements

For the year ended 31 December 2013

30 Connected and Related Party Transactions (Continued)

		2013	2012
		HK\$'000	HK\$'000
Deposits placed with the Group for the lease of the Group's properties			
AMTD Strategic Capital Limited	(a)	1,877	1,643
ARA Asset Management (Fortune) Limited	(f)	149	147
A.S. Watson Group (HK) Limited	(b)	–	435
A.S. Watson Retail (HK) Limited	(b)	247	–
Citybase Property Management Limited	(a)	982	972
Hang Seng Bank Limited	(d)	3,873	2,670
HSBC	(d)	2,224	629
Hutchison Global Communications Limited	(b)	32	–
Hutchison Telephone Company Limited	(b)	1,467	907
PARKnSHOP (HK) Limited	(b)	232	–
Towerich Limited	(a)	13	13
		11,096	7,416

Notes:

- (a) These companies are the subsidiaries of Cheung Kong (see Note (c)).
- (b) These companies are the subsidiaries of HWL, which is 49.9% owned by Cheung Kong and is described as an associate of Cheung Kong in the published 2013 interim report of Cheung Kong.
- (c) The company is the largest unitholder with approximately 28% holding of the outstanding units of Fortune REIT at the end of the reporting year.
- (d) These companies are the fellow subsidiaries of the Trustee.
- (e) The company is an associate of Cheung Kong.
- (f) The company is the Manager of Fortune REIT.
- (g) Jones Lang LaSalle and Knight Frank are the principal valuers of investment properties as at 31 December 2013 and 2012 respectively.

In addition, the Trustee (in its capacity as trustee of Fortune REIT) has provided guarantees for the 2011 Facilities, the 2012 Facilities and the 2013 Facilities.

Major Estate Agents and Contractors

Top Five Estate Agents and Contractors

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

Contractors	Nature of services	Value of contract HK\$ million	Percentage
Goodwell Property Management Limited	Building Management	79.9	25.3%
Goodwell-Fortune Property Services Limited	Property Management	68.6	21.7%
Citybase Property Management Limited	Building Management	60.5	19.2%
Ka Shun Contractors Limited	Projects and maintenance	25.6	8.1%
Whampoa Property Management Limited	Building Management	14.5	4.6%
Total		249.1	78.9%

Performance Table

	Year ended 31 December 2013	Year ended 31 December 2012	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2009
Net assets attributable to unitholders (HK\$'000)	19,109,327	14,977,709	13,227,770	10,333,688	8,832,662
Net asset value per unit (HK\$)	10.26	8.81	7.85	6.18	5.32
The highest traded price during the year (HK\$)	8.61	6.96	4.23	4.15	4.20
The highest premium of the trade price to net asset value ¹	N.A.	N.A.	N.A.	N.A.	N.A.
The lowest traded price during the year (HK\$)	5.89	3.70	3.19	2.92	2.02
The highest discount of the trade price to net asset value ¹	42.59%	58.00%	59.36%	52.75%	62.03%
The net yield per unit ²	5.79%	5.07%	6.97%	6.08%	9.65%

Notes:

1. The highest traded price is lower than the net asset value per unit as at the end of the period. Accordingly, premium of the trade 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 21 February 2014

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	824,879,427	1,888,973,888	2.2900
16 October 2009	Acquisition fee	6,371,875	20,390,000	3.2000
7 January 2010	Manager's base fee	2,830,232	8,695,890	3.0725
12 April 2010	Manager's base fee	2,357,120	8,506,849	3.6090
8 July 2010	Manager's base fee	2,645,356	9,290,227	3.5119
7 October 2010	Manager's base fee	2,434,504	9,392,318	3.8580
5 January 2011	Manager's base fee	2,567,653	10,056,986	3.9168
4 April 2011	Manager's base fee	2,582,245	9,838,356	3.8100
5 July 2011	Manager's base fee	3,115,131	11,733,764	3.7667
3 October 2011	Manager's base fee	3,398,666	11,862,707	3.4904
4 January 2012	Manager's base fee	3,321,723	12,392,022	3.7306
17 February 2012	Acquisition fee	4,809,152	19,000,000	3.9508
2 April 2012	Manager's base fee	3,360,308	13,685,527	4.0727
7 July 2012	Manager's base fee	3,150,378	14,411,408	4.5745
4 October 2012	Manager's base fee	2,488,475	14,569,775	5.8549
3 January 2013	Manager's base fee	2,399,436	15,280,570	6.3684
2 April 2013	Manager's base fee	2,195,067	14,947,532	6.8096
2 July 2013	Manager's base fee	2,310,051	16,595,408	7.1840
6 August 2013	Unit placement ²	142,962,000	975,000,840	6.8200
4 October 2013	Manager's base fee	2,622,346	16,777,775	6.3980
9 October 2013	Acquisition fee	8,576,246	58,490,000	6.8200
3 January 2014	Manager's base fee	3,642,690	22,184,351	6.0901
	Total units outstanding	1,862,533,814		

Unitholders' Statistics

Issued and Fully paid-up units (Continued)

Notes:

1. After volume discount.
2. The use of proceeds was in accordance with the stated use in the announcement dated 30 July 2013. The balance of the net proceeds from the unit placement has been fully used up for the acquisition of Fortune Kingswood on 9 October 2013.

There were 1,862,533,814 units (voting rights: one vote per unit) outstanding as at 21 February 2014. There is only one class of units in Fortune REIT.

Top 20 Unitholders

as at 21 February 2014

No.	Name	No. of Units	%
1	HKSCC Nominees Limited	1,116,486,757	59.94
2	Focus Eagle Investments Limited	230,774,684	12.39
3	DBSN Services Pte Ltd	133,886,932	7.19
4	DBS Nominees (Private) Limited	70,648,489	3.79
5	Citibank Nominees Singapore Pte Ltd	69,306,276	3.72
6	HSBC (Singapore) Nominees Pte Ltd	56,320,007	3.02
7	Raffles Nominees (Pte) Limited	12,898,467	0.69
8	United Overseas Bank Nominees (Private) Limited	9,822,000	0.53
9	Maybank Kim Eng Securities Pte Ltd	6,635,000	0.36
10	DB Nominees (Singapore) Pte Ltd	4,459,722	0.24
11	ABN AMRO Clearing Bank N.V.	3,890,000	0.21
12	DBS Vickers Securities (Singapore) Pte Ltd	3,792,845	0.20
13	Phillip Securities Pte Ltd	3,505,211	0.19
14	BNP Paribas Securities Services Singapore Branch	3,275,553	0.18
15	To Ching Wai	3,100,000	0.17
16	ABM AMRO Clearing Hong Kong Limited	3,000,000	0.16
17	Meren Pte Ltd	2,750,000	0.15
18	OCBC Securities Private Limited	2,025,120	0.11
19	Tan Chee Jin	2,000,000	0.11
20	The Bank of East Asia Nominees Pte Ltd	1,971,000	0.11
		<u>1,740,548,063</u>	<u>93.46</u>

Note:

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

Substantial Unitholders

as at 21 February 2014

	No. of Units	
	Direct Interest	Deemed interest
1 Focus Eagle Investments Limited	413,074,684	–
2 Ballston Profits Limited	112,556,000	–
3 Schroders Plc ²	–	238,863,000
4 Cheung Kong (Holdings) Limited (“Cheung Kong”) ³	–	525,630,684
5 Hutchison Whampoa Limited ⁴	–	112,556,000

Notes:

- The unitholding interests set out in this section were based on the confirmation of the relevant persons as at 31 December 2013 and any subsequent notifications of changes of interest received by the Manager on or before 21 February 2014.
- Schroders Plc was deemed to be interested in 238,863,000 units of which:
 - 97,403,000 units were held by Schroder Investment Management Limited;
 - 77,411,000 units were held by Schroder Investment Management (Singapore) Limited;
 - 63,886,000 units were held by Schroder Investment Management (Hong Kong) Limited;
 - 120,000 units were held by Schroders Channel Islands Limited; and
 - 43,000 units were held by Schroder Investment Management North America Limited.
- Cheung Kong is deemed to be interested in 525,630,684 units of which:
 - 413,074,684 units were held by Focus Eagle Investments Limited (a wholly-owned subsidiary of Cheung Kong); and
 - 112,556,000 units were held by Ballston Profits Limited (a wholly-owned subsidiary of Hutchison Whampoa Limited, which in turn is 49.9% owned by Cheung Kong).
- Hutchison Whampoa Limited is deemed to be interested in 112,556,000 units held by its wholly-owned subsidiary company, Ballston Profits Limited.

Size of Holdings

as at 21 February 2014

Size of Holdings	No. of Unitholders	%	No. of Units	%
1–999	102	4.06	4,588	0.00
1,000–10,000	1,132	45.05	5,982,128	0.32
10,001–1,000,000	1,243	49.46	93,533,339	5.02
1,000,001 and above	36	1.43	1,763,013,759	94.66
Total	2,513	100.00	1,862,533,814	100.00

Unitholders' Statistics

Directors' Unitholdings

As shown in the Register of Directors' holdings as at 21 January 2014

	No. of Units	
	Direct Interest	Deemed interest
1 Lim Hwee Chiang ¹	–	2,100,000
2 Sng Sow-Mei (alias Poon Sow Mei)	220,000	–
3 Lan Hong Tsung, David	100,000	–

Note:

1. Mr. Lim Hwee Chiang is deemed to have an interest in the 2,100,000 units held by Citibank Nominees Singapore Pte. Ltd. (as nominee for JL Philanthropy Ltd). Mr. Lim is the settlor of JL Charitable Settlement which is the beneficiary of JL Philanthropy Ltd.

Free Float

Based on information made available to the Manager as at 21 February 2014, approximately 58.8% of the units in Fortune REIT are held in public hands. Under Rule 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\$634,610 equivalent) ¹ each) HK\$ million
Base rent and charge-out collections	
AMTD Strategic Capital Limited	22.4
A.S. Watson Retail (HK) Limited	45.9
Cheung Kong Property Development Limited	43.2
Kingswood Property Services Limited	1.2
Hutchison International Limited	8.1
Hutchison Telephone Company Limited	18.1
PARKnSHOP (HK) Limited	221.6
Property management services	
Goodwell-Fortune Property Services Limited	268.5
Total	629.0

Saved as disclosed above, there was no additional related party transactions (excluding transactions of less than S\$100,000 (HK\$634,610 equivalent)¹ each) entered during the year ended 31 December 2013.

Note:

1. Exchange rate as at 2 January 2013.

Corporate Information

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Directors of the Manager

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LIM Hwee Chiang, *Non-Executive Director*
IP Tak Chuen, Edmond, *Non-Executive Director*
YEUNG, Eirene, *Non-Executive Director*
ANG Meng Huat, Anthony, *Executive Director and Chief Executive Officer*
CHIU Yu, Justina, *Executive Director and Deputy Chief Executive Officer*
LIM Lee Meng, *Lead Independent Director and Independent Non-Executive Director*
SNG Sow-Mei (alias POON Sow Mei), *Independent Non-Executive Director*
LAN Hong Tsung, David, *Independent Non-Executive Director*
MA Lai Chee, Gerald, *Alternate Director to IP Tak Chuen, Edmond*

Company Secretaries of the Manager

CHOO Yvonne
KOHSIKAPORN Busarakham

Trustee

HSBC Institutional Trust Services (Singapore) Limited

Legal Adviser as to Hong Kong Law

Baker & McKenzie

Legal Adviser as to Singapore Law

Allen & Gledhill LLP

Hong Kong Unit Registrar

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Singapore Unit Registrar

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

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

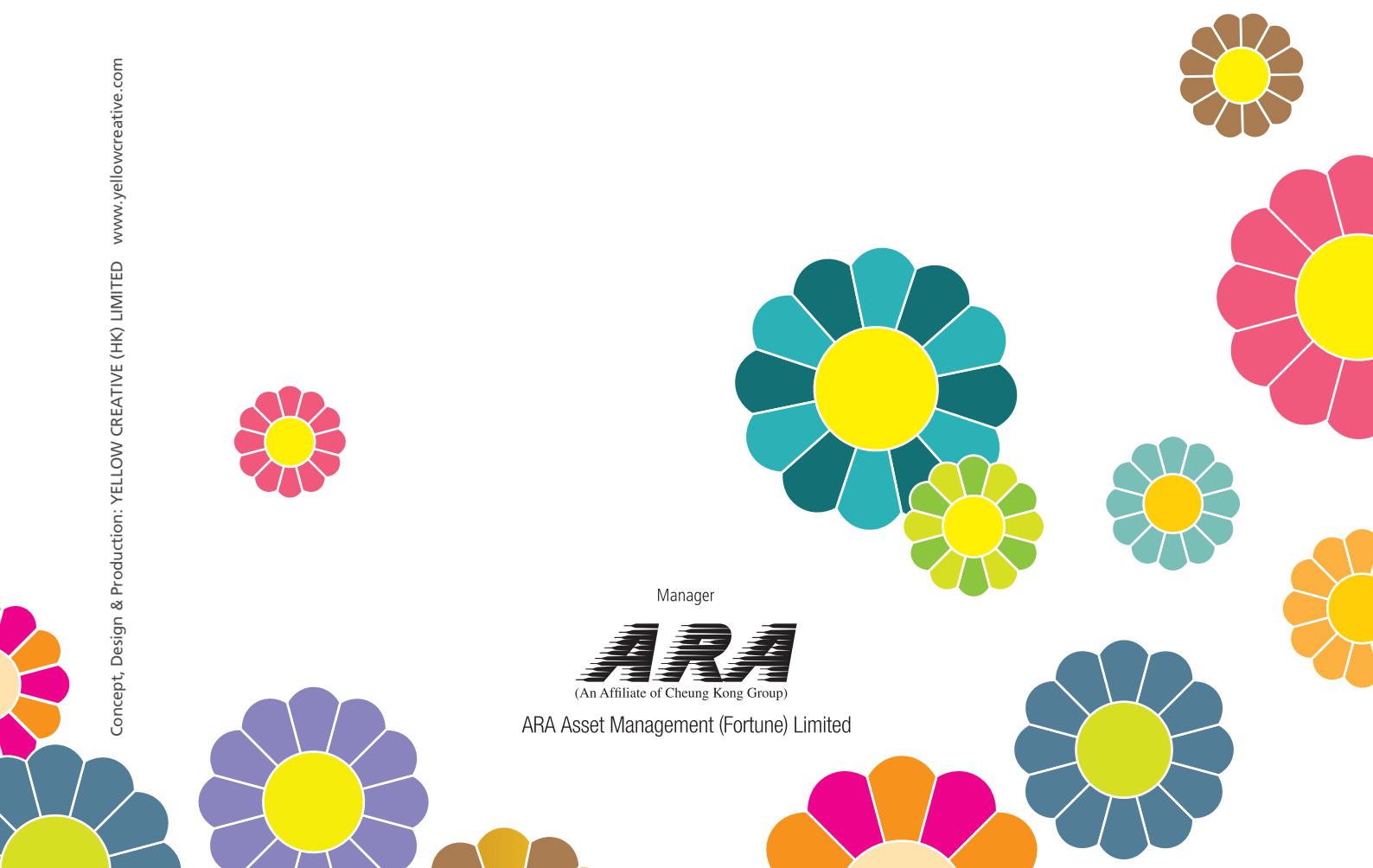
Deloitte & Touche LLP
Partner-in-charge: Cheng Ai Phing
Appointed on 10 December 2013

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Manager



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