



Annual Report 2008

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MALL THE METROPOLIS MALL THE MET
PORTLAND SMARTLAND SMARTLAND SMA
CENTER THE HOUSEHOLD CENTER THE HO
PROPERTY CITY ONE SHATIN PROPERTY CI
PROPERTY RHINE GARDEN PROPERTY RH
PROPERTY LIDO GARDEN PROPERTY LIDO
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RE JUBILEE COURT SHOPPING CENTRE JU

About Fortune REIT

Fortune Real Estate Investment Trust (“Fortune REIT”) was listed on Singapore Exchange Securities Trading Limited (“SGX-ST”) on 12 August 2003. It holds a portfolio of eleven retail malls and properties in Hong Kong, through the ownership of special purpose companies, which were valued at approximately HK\$8.6 billion as at 31 December 2008. Fortune REIT is managed by ARA Asset Management (Singapore) Limited (“ARASL” or the “Manager”).

About The Manager

ARA Asset Management (Singapore) Limited is a wholly-owned subsidiary of ARA Asset Management Limited (“ARA”), a corporation incorporated in Bermuda, which was listed on the Mainboard of the SGX-ST on 2 November 2007.

ARA, a real estate fund management company, is an affiliate of the multinational conglomerate, Cheung Kong Group. ARA’s business segments comprise:

- (i) management of real estate investment trusts (“REITs”), which includes Fortune REIT, Suntec Real Estate Investment Trust (“Suntec REIT”) listed in Singapore, Prosperity Real Estate Investment Trust (“Prosperity REIT”) listed in Hong Kong and AmFIRST Real Estate Investment Trust (“AmFIRST REIT”) listed in Malaysia;
- (ii) private real estate fund management; and
- (iii) specialist equity fund management and corporate finance advisory services.

The Manager is responsible for the management and administration of Fortune REIT, as well as the implementation of Fortune REIT’s business strategies. This includes proactively sourcing new acquisition opportunities, overseeing its asset management strategies and managing the financing, investor relations and other trust-related matters of Fortune REIT.



 CITY ONE SHATIN PROPERTY

 MA ON SHAN PLAZA

 THE METROPOLIS MALL

 WALDORF GARDEN PROPERTY

 SMARTLAND

 TSING YI SQUARE PROPERTY

 JUBILEE COURT SHOPPING CENTRE

 THE HOUSEHOLD CENTER

 CENTRE DE LAGUNA PROPERTY

 LIDO GARDEN PROPERTY

 RHINE GARDEN PROPERTY

Fortune REIT

Contents

- 02 Our Mission
- 04 Corporate Information
- 05 Key Performance Indicators
- 06 Financial Highlights
- 08 Chairman's Report
- 10 Manager's Report
- 16 Resilient & Diversified Tenant Mix

Fortune REIT's Portfolio

- 18 City One Shatin Property
- 20 Ma On Shan Plaza
- 22 The Metropolis Mall
- 24 Waldorf Garden Property
- 26 Smartland
- 27 Tsing Yi Square Property
- 27 Jubilee Court Shopping Centre
- 28 The Household Center
- 28 Centre de Laguna Property
- 29 Lido Garden Property
- 29 Rhine Garden Property
- 30 Marketing and Promotions
- 32 Board of Directors
- 34 Management Team
- 36 Investor Relations
- 37 Corporate Governance
- 44 Report and Financial Statements
- 88 Unitholders' Statistics
- 92 Additional Information



Our Mission

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



The Metropolis Mall

Corporate Information

Manager

ARA Asset Management (Singapore) Limited
#16-02, Suntec Tower Four,
6 Temasek Boulevard,
Singapore 038986
Telephone: +65 6835 9232
Fax: +65 6835 9672

Directors of the Manager

CHIU Kwok Hung, Justin, *Chairman and Director*
LIM Hwee Chiang, John, *Director*
IP Tak Chuen, Edmond, *Director*
YEUNG, Eirene, *Director*
LIM Lee Meng, *Independent Director*
CHENG Mo Chi, Moses, *Independent Director*
SNG Sow-Mei (alias POON Sow Mei),
Independent Director
MA Lai Chee, Gerald, Alternate Director to
IP Tak Chuen, Edmond

Audit Committee

LIM Lee Meng, *Chairman and Independent Director*
CHENG Mo Chi, Moses, *Independent Director*
SNG Sow-Mei (alias POON Sow Mei),
Independent Director

Company Secretary of the Manager

GOH Yvonne
LIM Siew Choo, Sharon

Trustee

HSBC Institutional Trust Services (Singapore) Limited

Legal Adviser

Allen & Gledhill LLP

Unit Registrar

Boardroom Corporate & Advisory Services Pte. Ltd.
3 Church Street
#08-01 Samsung Hub
Singapore 049483

Auditors

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

Stock Exchange

BBG: FRT SP Equity
RIC: FORT.SI

Website

www.fortunereit.com
www.ara-asia.com



Key Performance Indicators

Gearing

26.4%

Net property income

HK\$463.1M

Year-end occupancy

96.0%

Tenant retention

83.6%

Distribution yield

18.6%

Adjusted net asset value per Unit

HK\$7.58

Rental reversion

18.8%

Distribution per Unit

HK37.02 cents

Cost-to-revenue

25.0%

Year-end closing Unit price

HK\$1.99

Appraised property value

HK\$8,602M

Ma On Shan Plaza

Financial Highlights

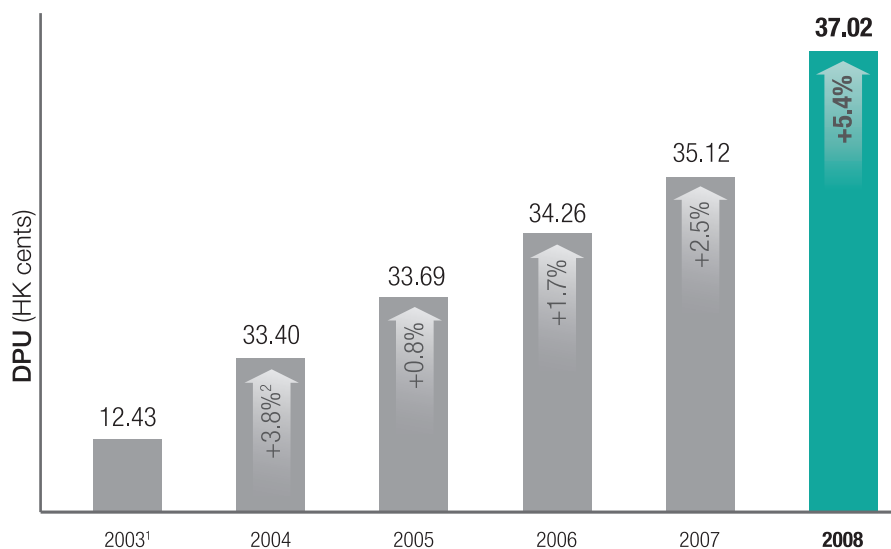
Profit and Loss Statement for the Financial Year	2008	2007	Variance
Revenue	HK\$637.0M	HK\$614.8M	3.6%
Net Property Income	HK\$463.1M	HK\$450.1M	2.9%
Income Available For Distribution	HK\$302.9M	HK\$284.9M	6.3%
Distribution Per Unit ("DPU")	HK\$0.3702	HK\$0.3512	5.4%

Balance Sheet as at 31 December	2008	2007	Variance
Investment Properties	HK\$8,602.0M	HK\$9,713.0M	(11.4%)
Total Assets	HK\$8,882.4M	HK\$9,992.0M	(11.1%)
Total Liabilities	HK\$2,726.0M	HK\$2,685.8M	1.5%
Unitholder's Equity	HK\$6,156.4M	HK\$7,306.2M	(15.7%)
Net Asset Value ¹ per Unit	HK\$7.58	HK\$9.04	(16.2%)
Gearing (Debt-to-Asset Ratio) (%) ²	26.4	23.5	–
Units In Issue ³	820.8M	812.3M	1.05%

Notes:

1. Adjusted net asset value per unit ("NAV") based on net assets of the Group excluding hedging reserves.
2. This excludes the front end fee and is calculated based on total debt to Deposited Property.
3. This includes the Units issued to the Manager on 9 January 2009 and 15 January 2008 as payment of management fee for the periods from 1 October 2008 to 31 December 2008 and from 1 October 2007 to 31 December 2007 respectively.

We are proud of delivering a continued DPU growth since our listing in 2003.

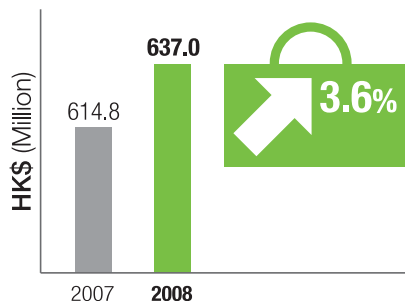


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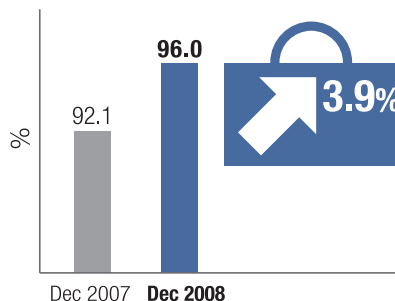
1. This includes income from 13 August 2003 to 31 December 2003.
2. Based on the annualised DPU of 2003.

Solid performance in 2008

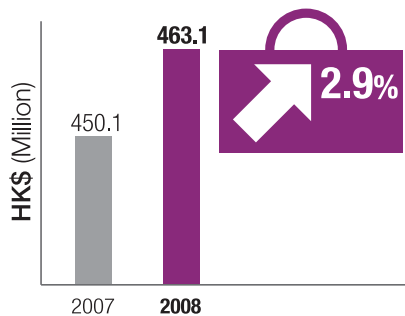
Total Revenue



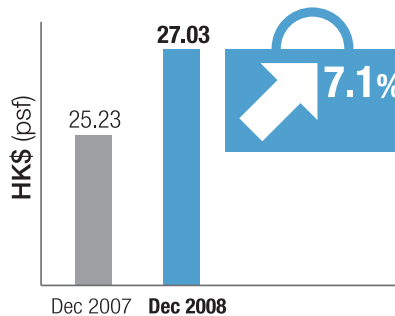
Occupancy



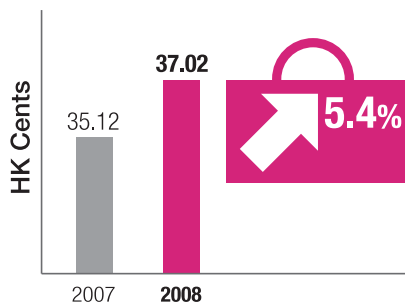
Net Property Income



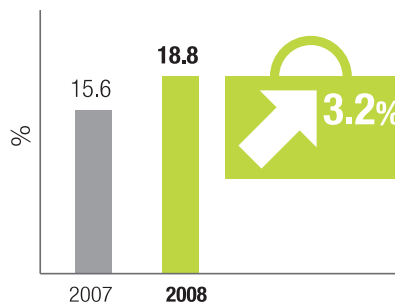
Passing Rent



DPU



Rental Reversion



Chairman's Report



Chiu Kwok Hung, Justin
Chairman

“ We believe that both the nature and diversity of our tenants and the typical dominance of respective malls in their trade areas will continue to add stability to Fortune REIT.”

The past year was a very successful one for Fortune REIT and its Unitholders, even amidst these times of economic uncertainty. We are proud to have been able to continuously reward our Unitholders with dividend growth every year since our initial public offering in 2003. DPU for 2008 grew by 5.4% from 2007 to 37.02 Hong Kong cents. The driving force behind our rising gross revenue and Net Property Income ("NPI") in 2008 can be contributed to strong organic growth at our malls, particularly at City One Shatin Property and Ma On Shan Plaza, along with excellent returns from the recently completed asset enhancement project at Waldorf Garden Property. Total revenue and NPI were up by 3.6% and 2.9% respectively and reach HK\$637.0 million and HK\$463.1 million. Notably, despite the economic slowdown in the fourth quarter of 2008, total revenue grew by 5.1% to HK\$166.2 million and NPI increased by 6.8% to HK\$121.3 million.

At present, the Fortune REIT portfolio consists of eleven suburban retail malls located in Hong Kong. Our malls serve a large domestic customer base cater to their non-discretionary spending needs by offering an array of retail shops, dining outlets, entertainment facilities and often times serving as a preferred gathering place for community and promotional events. Due to the resilient nature of the Fortune REIT portfolio, we have achieved a high occupancy rate of 96.0%, a strong rental reversion of 18.8% and an improved tenant retention rate of 83.6% in 2008. We believe that both the nature and diversity of our tenants and the typical dominance of respective malls in their trade areas will continue to add stability to Fortune REIT.

We believe in the importance of mitigating risk and upholding a strong balance sheet. Stable growth has been achieved while a conservative leverage ratio of 26.4% was maintained as at 31 December 2008. Fortune REIT remains well positioned to weather the tightening of credit markets in the year ahead, with no immediate refinancing pressure and no material exposure to interest rate risk. At the same time the current volatile market conditions may offer new investment opportunities in quality assets. We are closely monitoring the market and will continue our efforts in pursuing appropriate investment opportunities.

Although we anticipate 2009 to be a challenging year, we believe that our diverse asset portfolio in the Hong Kong suburban retail sector is relatively resistant to the impact of recession, possessing a solid foundation which will stand strong in the current economic environment. Our focus remains resolute and centred on achieving our ultimate goal of delivering stable and sustainable returns to our Unitholders with a continuously improving portfolio of retail assets. At Fortune REIT, we see clear opportunities to grow and move forward, even as today's economic uncertainties pose challenges to many landlords. In my view, the current financial environment is favourable to those who are prepared to withstand possible down cycles, as well as those who take advantage of opportunities which arise when the marketplace is tested.

I would like to thank management at all levels for their hard work and dedication over the past year. In particular, I would like to express my appreciation to Mr. Stephen Chu for his invaluable contribution and leadership as the chief executive officer in the past year. Our continued success would not be possible without their ingenuity, creativity and willingness to take on challenges. I would also like to thank my fellow Directors for their indispensable guidance, and our Trustee, business partners, service providers, tenants and shoppers for their continued support. Finally, we thank you, our Unitholders, for being a part of our growth and for your trust and confidence in Fortune REIT.



Chiu Kwok Hung, Justin
Chairman

ARA Asset Management (Singapore) Limited
As manager of Fortune REIT
18 March 2009

Manager's Report

Financial Review

Distribution

In 2008, Fortune REIT's portfolio of eleven malls and properties has continued to reward Unitholders with stable and sustainable growth. For the twelve months ended 31 December 2008 (the "Reporting Period"), total income available for distribution was HK\$302.9 million, representing an increase of 6.3% over the preceding year. DPU also rose by 5.4% year-on-year to HK\$0.3702. Based on the year-end closing Unit price of HK\$1.99, Fortune REIT's full year DPU represented an attractive tax-exempt yield of 18.6%. Unitholders receiving distributions made by Fortune REIT out of net tax-exempt income will not be liable for Singapore income tax on the distribution received. As of 31 December 2008, net assets attributable to Unitholders were HK\$6,156 million or HK\$7.58 per Unit¹.

Portfolio Valuation

As of 31 December 2008, Knight Frank Valuation and Professional Services Limited ("Knight Frank") appraised Fortune REIT's property portfolio at HK\$8,602 million, representing an overall decrease of 11.4% in value from HK\$9,713 million last year. This decrease is primarily due to an increase in capitalization rates being adopted for the portfolio valuation at the end of 2008. We believe the increase in capitalization rates represents a reflection of the property market downturn in Hong Kong in the second half of 2008.

Capital Structure Management

During the Reporting Period, Fortune REIT held loan facilities worth HK\$2,349 million and revolving facilities worth HK\$265 million. Both sets of facilities are for terms of five years commencing 28 June 2005 and bear interest at variable rates.

The Manager has adopted a proactive interest rate management policy to manage the risk associated with changes in interest rates on the loan facilities. Fortune REIT has no material exposure to interest rate risk in the near term as the term loan expires in June 2010, and its associated interest rate is fully hedged through plain vanilla swaps. Total borrowing costs stood at HK\$100.7 million for the Reporting Period, a decrease of 10.6% or HK\$12.0 million from the previous year. Lower borrowing costs were a direct result of lower interest rates in 2008 as compared with those in 2007. The weighted average borrowing cost was 4.2% and interest cover was a healthy 4.4 times for the Reporting Period.

By 2008 year-end, Fortune REIT's gearing ratio² was 26.4%, based on a total borrowing of HK\$2,349 million and total assets of HK\$8,882 million. With a conservative gearing ratio, a healthy interest cover and no immediate refinancing pressure, Fortune REIT remains well positioned to withstand the tightening of credit markets.



Notes:

1. Adjusted NAV per Unit based on net assets of the Group excluding hedging reserves.
2. According to the revised Property Fund Guidelines from the Monetary Authority of Singapore ("MAS"), "Borrowing Limit" is replaced with "Aggregate Leverage Limit" which comprises actual borrowings and deferred payments. Also, the maximum aggregate leverage limit allowed for a REIT is 35%. It can go up to 60% if a credit rating is obtained and disclosed to the public. As at 31 December 2008, there was no deferred payment incurred for Fortune REIT.

Portfolio Overview

Operating Environment

Following the economic upswing in 2007 and supported by higher salaries and bonus payments at the start of 2008, the Hong Kong retail property market enjoyed satisfactory growth in the first half of 2008. During this period, domestic consumption increased in spite of strong inflationary pressure and in the midst of a volatile stock market.

In the third quarter of 2008, however, the weakened economy and market turbulence, triggered by the global financial tsunami, started to negatively affect Hong Kong. GDP growth for 2008 decelerated to 2.5% according to Census and Statistics Department, Hong Kong. The retail property market also showed signs of consolidation. Some retailers slowed the pace of expansion, and were increasingly cautious towards new lease commitments which, in turn, put pressure on rental pricing. The overall rental for high street shops and prime shopping centres declined by 11.9% and 10.6% respectively in the second half of 2008 according to Jones Lang LaSalle.

For the coming year, we anticipate that the present financial turmoil will hinder economic growth for Hong Kong and weaken its labour market, translating into diminished domestic consumption growth. Hong Kong's retail sales may slowly dwindle in the year ahead. Nevertheless, Fortune REIT, which invests in decentralized retail properties in Hong Kong, maintains a more resilient position than the overall market and economic conditions in general.

Solid Underlying Performance

Notwithstanding the sluggish Hong Kong economy in the second half of 2008, strong growth continued to be exhibited by Fortune REIT's portfolio of retail malls for the entire Reporting Period. It underscored the defensive nature of the Hong Kong suburban retail sector in general and Fortune REIT in particular. Benefiting from a strong rental reversion of 18.8% during the Reporting Period, the portfolio average passing rent rose to a record high of HK\$27.03 per square foot ("psf") as at 31 December 2008, a 7.1% increase over a year ago. As a result of our ongoing tenant relations programme and the implementation of various targeted advertising and promotion events, the tenant retention rate stood at 83.6% for 2008.

Our proactive leasing strategies and expiry profile also proved to be fruitful during the Reporting Period. Fortune REIT experienced an improvement in occupancy across its portfolio. Portfolio occupancy of 96.0% was achieved as of 31 December 2008, an increase of 3.9% from last year. In



addition, about 42.7% of the portfolio's total gross rentable area ("GRA") was successfully leased during the Reporting Period. It provided a solid foundation for the portfolio to stand on in the more uncertain year ahead.

As at 31 December 2008, about 35% of the leasing contracts, by gross rental, in the Fortune REIT portfolio will expire in 2009. The Manager will put all efforts into maintaining high occupancy rate for all the properties in the portfolio in order to uphold a stable income for Fortune REIT.

Optimize Diversified Tenant Base

Fortune REIT's portfolio has a diverse tenant base, with a total of 840 tenants at the end of 2008. The top 10 tenants contributed to approximately 24.8% of the total portfolio gross rental income for 2008 and occupied approximately 26.6% of total GRA. No single tenant represents more than 8.8% of the portfolio's gross rental income. Our tenants originate from diverse trade sectors and include established chain stores such as Park'N Shop, Maxim's, 7-Eleven and Watsons. Part of the Manager's ongoing strategy is to increase footfall and patronage in our malls by enhancing and diversifying our tenant portfolios. This is done in line with planned tenancy expiries as well as asset enhancement projects.

Asset Enhancement Initiatives

Waldorf Garden Property was the beneficiary of one of Fortune REIT's successful asset enhancement initiatives. The two-phased project commenced in the second quarter of 2007, and was completed in the first quarter of 2008. About 40,000 square feet ("sf") or half of the entire property was renovated. As of 31 December 2008, the passing rent for Waldorf Garden Property had grown to HK\$50.5 psf, 68.3% higher than the passing rent of HK\$30.0 psf prior to the enhancement. Likewise, gross revenue from Waldorf Garden Property also increased by 38.1% from the previous year. This is a strong testament to our ability to identify excellent opportunities and to successfully execute initiatives to which we have committed.

We are planning a HK\$46 million asset enhancement project for our flagship property, City One Shatin Property, which is comprised of City One Plaza ("COP"), Ngan Shing Commercial Center ("NSCC") and a wet market. Prospective projects include enhancing the shopping ambiance and repositioning tenants' locations at the property. In COP and NSCC, the asset enhancement initiatives will be geared towards improving the shoppers' circulation and optimizing the trade mix, thereby increasing rental revenue. In the wet market, the common passageways will be upgraded with new ceilings, floorings and signages. Entrances to the wet market will be made more inviting by positioning the more popular stalls at the front. The whole renovation is divided into phases and well planned so as to minimize disruption to the existing rental stream. The renovation is expected to be completed in two to three years. Some projects have commenced in the fourth quarter of 2008, and are progressing well.



Effective Cost Management and Energy Efficiency

The Manager continued with its efforts in establishing an efficient cost-to-revenue ratio for the Reporting Period, and has achieved a stable ratio of 25.0%. Cost rationalization initiatives included optimizing the repair and maintenance schedules of all properties in order to provide quality facilities for tenants and shoppers. Another exciting project in 2008 was the installation of the automated Octopus payment system in all of our carparks. Not only have shoppers appreciated the convenience of the system, the overall operating expense of the carparks also decreased by 7.4% as a result.

As Fortune REIT becomes increasingly aware of its responsibility to the environment, we have implemented a comprehensive programme to improve energy efficiency at all of our properties. Our objective is to conserve energy without compromising the comfort, safety and reliability of our facilities. We have carried out energy efficiency audits at Jubilee Court Shopping Centre, Ma On Shan Plaza, Smartland and The Household Center where either power-saving light bulbs, air curtains or glazed barriers were installed wherever needed in order to prevent the unnecessary leakage of air-conditioned cool air in these properties, or the air-conditioning unit was replaced with a more energy efficient one to reduce energy consumption.

The energy efficiency audit programme is an ongoing exercise and will be extended to other Fortune REIT properties as well. To tie in with the asset enhancement initiatives at City One Shatin Property that were discussed earlier on, the aged chiller plants at the City One Shatin Property will be replaced in the first half of 2009. We estimate that this will reduce about 10% to 20% of energy consumption for the property.

Sustainable Growth

As retail property is a management intensive business, assets are always evolving with the community. We strive to ensure that our properties offer the appropriate diversity of tenants and provide a comfortable and safe shopping environment for our patrons, whilst controlling operating and capital expenditures at an optimal level. In 2009, we can expect a series of exciting asset enhancement programmes to be launched at City One Shatin Property, the largest property in our portfolio.

The resilient nature of our portfolio of suburban retail malls confirms that we are well-positioned to deliver stable and sustainable results through our proactive asset management, even in the midst of fluctuating economic conditions in the global markets.



We anticipate that there will be many challenges and opportunities in 2009. While the economic outlook is uncertain, we have a clear strategy in place, and the confidence to plan positively for the future. Using the strength and stability that we have been building upon over the past few years, together with the right strategies and a clear direction, we remain optimistic that we will accomplish what we set out to do in both the near future and the long term.



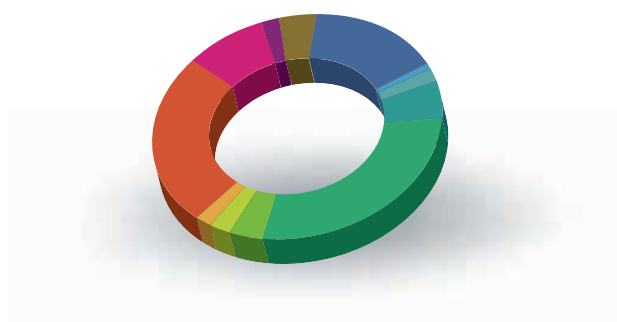
Justina Chiu
Chief Operating Officer

ARA Asset Management (Singapore) Limited
As manager of Fortune REIT
18 March 2009

Portfolio key statistics as at 31 December 2008	
Gross rentable area	1,669,778 sf
Car park lots	1,434
Number of tenants	840
Purchase price	HK\$6,546 million
Market valuation ¹	HK\$8,602 million
Actual occupancy	96.0%
Gross revenue ²	HK\$637.0 million
Net property income	HK\$463.1 million

Portfolio tenant trade mix analysis³

Banking & Real Estate Services	15.6%
Community Services	1.0%
Electronics & IT	2.0%
Fashion & Shoes	5.4%
Food & Beverages, Food Court	27.8%
Gifts & Specialty, Hobbies, Toys, Jewellery	4.0%
Homewares & Home Furnishings	2.4%
Leisure & Entertainment, Sports & Fitness	1.8%
Services & Education	25.0%
Supermarkets	9.1%
Wet Markets	1.9%
Others	4.0%

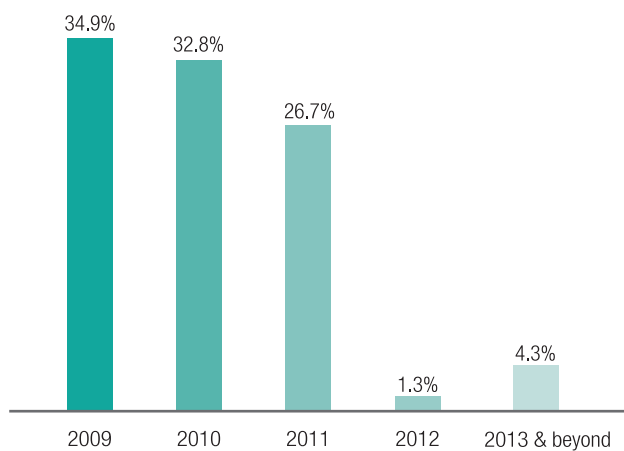


Portfolio top 10 tenants ⁴	Trade sector	% of total gross rental income	% of total gross rentable area
1) Park'N Shop	Supermarket	8.8	10.9
2) Bank of China (Hong Kong) Limited	Banking & Real Estate Services	3.3	1.5
3) Maxim's Chinese Restaurant	Food & Beverage, Food Court	2.6	3.5
4) Cheung Kong Property Development Limited	Banking & Real Estate Services	2.5	2.9
5) 7-Eleven	Services & Education	1.6	0.7
6) Fook Choi Seafood Restaurant	Food & Beverage, Food Court	1.4	2.0
7) Watsons	Services & Education	1.3	1.0
8) Midland Realty	Banking & Real Estate Services	1.2	0.4
9) Choi Fook Royal Banquet	Food & Beverages, Food court	1.1	1.1
10) Shui On Home	Services & Education	1.0	2.6
Total		24.8	26.6

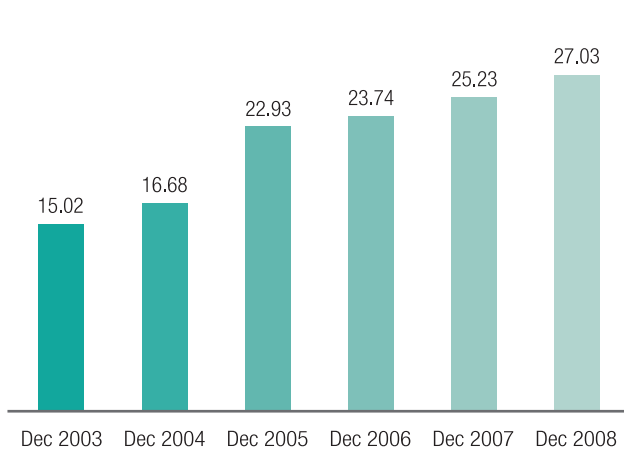
Notes:

- Valued by Knight Frank.
- Includes base rental, charge-out collections, licence fees, turnover rent, carpark revenues and other revenues.
- Based on gross rental for the month of December 2008. Gross rental includes base rental, charge-out collections, licence fees, atrium income and turnover rent.
- For the month of December 2008.

Portfolio lease expiry profile¹

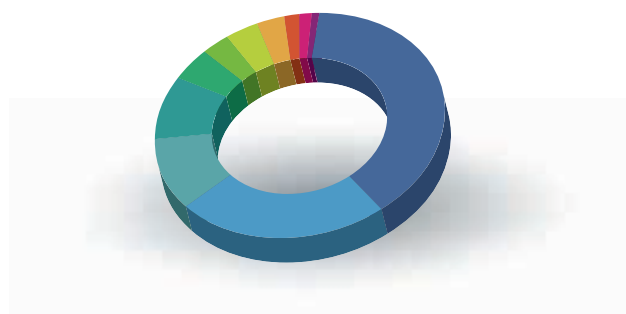


Portfolio average passing rent (HK\$ psf)



Portfolio analysis by net property income²

City One Shatin Property	38.5%
Ma On Shan Plaza	23.8%
The Metropolis Mall	10.9%
Waldorf Garden Property	9.1%
Smartland	4.3%
Tsing Yi Square Property	3.5%
Jubilee Court Shopping Centre	3.1%
The Household Center	3.1%
Centre de Laguna Property	1.8%
Lido Garden Property	1.2%
Rhine Garden Property	0.7%



Breakdown of portfolio income²

Gross rental ³	95.3%
Carpark income	4.3%
Other income	0.4%

Breakdown of portfolio property operating expenses²

Property management	35.2%
Utilities	17.6%
Repair and maintenance	10.5%
Government rents and rates	10.1%
Others	9.8%
Leasing commission	8.4%
Car park operating expenses	4.2%
Advertising and promotions	4.2%

Notes:

1. Based on gross rental for the month of December 2008.
2. For the financial year ended 31 December 2008.
3. Gross Rental Includes base rental, charge-out collections, licence fees, atrium income and turnover rent.

Resilient & Diversified Tenant Mix



Banking

Bank of China



Standard Chartered Bank

Restaurant & Food Court



Tasteful Kitchen



Food Court

Health Care

Watsons & Mannings

Supermarket

Park'N Shop

Convenience Store

Circle K

Spa & Leisure

Modern Beauty

ee

Fashion

Scorpion



Wet Market



International Christian School



Education

Daily



A-1 Bakery



Community Services

Immigration Office



Maxim's



Café de Coral

Fast Food

Fairwood



KFC

Fortune REIT's Portfolio

1 City One Shatin Property



Key statistics

as at 31 December 2008

Location	No 1 and 2 Ngan Shing Street, No 6 Lok Shing Street and Various Ground Floor Shops of the Residential Towers, City One Shatin, Shatin, New Territories, Hong Kong
Land title	Government Leasehold until 30 June 2047
Year of completion	1981 – 1989
Gross rentable area	414,469 sf
Car park lots	658
Number of tenants	248
Purchase price	HK\$2,559 million
Market valuation ¹	HK\$3,259 million
Actual occupancy	97.0%
Gross revenue ²	HK\$230.1 million
Net property income	HK\$178.3 million

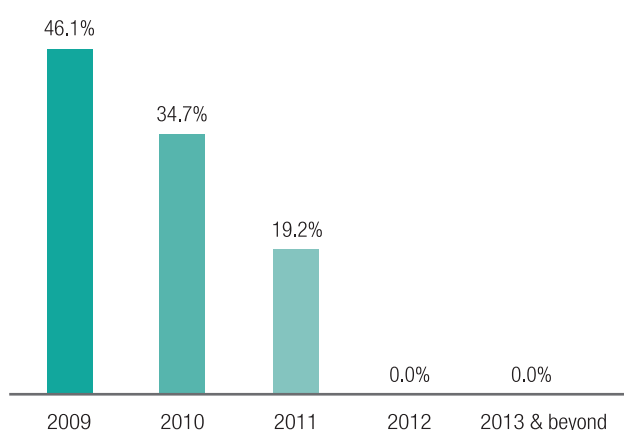
City One Shatin Property, located in Shatin, New Territories and south of the Shing Mun River, is the commercial constituent of the 10,642-unit City One Shatin residential development. The City One Shatin residential development was completed in the 1980's and is one of the largest residential developments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

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

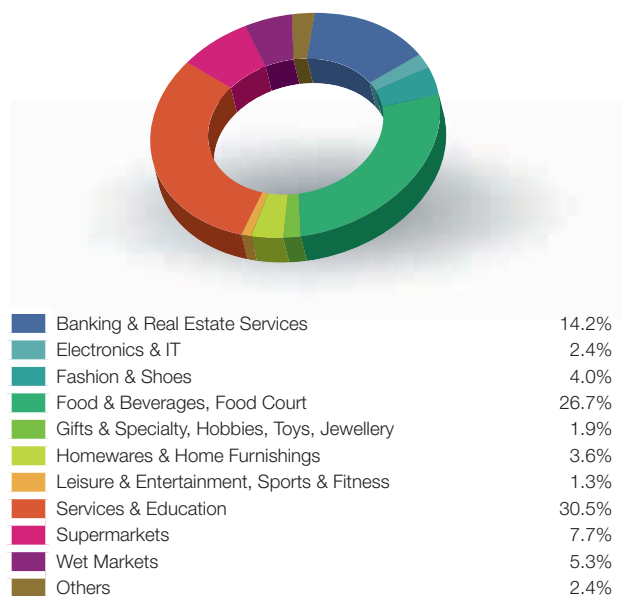
The main objective for this property is to increase rental income by optimizing the tenant mix of the mall, to create an exciting shopping environment, to maximize the leasable area and to create cost savings through asset enhancement.

Top 5 tenants	Trade sector	% of gross rental ²
1 Park'N Shop	Supermarkets	6.9%
2 Bank of China (Hong Kong) Limited	Banking & Real Estate Services	4.2%
3 Fook Choi Seafood Restaurant	Food & Beverage, Food Court	4.0%
4 Cambridge Nursing Home (City One) Limited	Services & Education	2.5%
5 McDonald's	Food & Beverage, Food Court	2.3%

Lease expiry profile³



Tenant trade mix analysis³



Notes:

1. Valued by Knight Frank.
2. Includes base rental, charge-out collections, licence fees, turnover rent, carpark revenues and other revenues.
3. Based on gross rental for the month of December 2008.

2 Ma On Shan Plaza



Key statistics

as at 31 December 2008

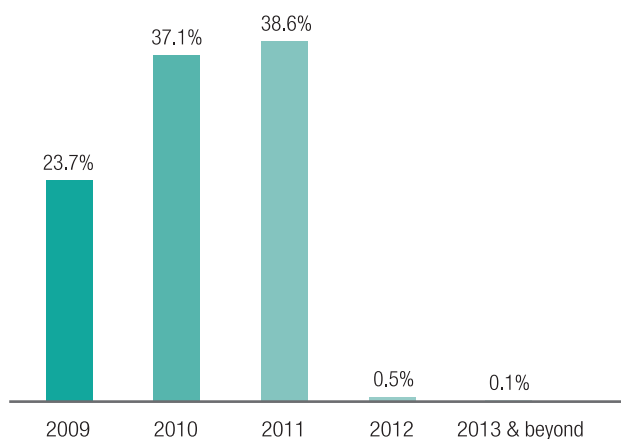
Location	No 608 Sai Sha Road, Ma On Shan, Shatin, New Territories, Hong Kong
Land title	Government Leasehold until 30 June 2047
Year of completion	1994
Gross rentable area	310,084 sf
Car park lots	290
Number of tenants	139
Purchase price	HK\$934 million
Market valuation ¹	HK\$1,766 million
Actual occupancy	99.9%
Gross revenue ²	HK\$145.7 million
Net property income	HK\$110.2 million

Ma On Shan Plaza is located in Ma On Shan, Shatin, New Territories, which is a well established new town, and home to about 194,000 people. Ma On Shan Plaza is directly connected to the 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.

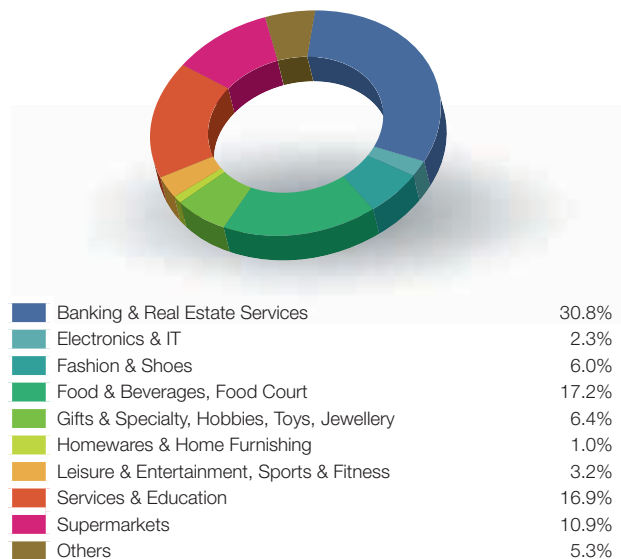
As Ma On Shan Plaza is almost fully occupied, the Manager's ongoing objective for this property is to capitalize on the increased shopper traffic arriving via the new Ma On Shan MTR Station. The Manager also plans on outfitting its tenant portfolio with higher paying trades, and creating a more efficient mall layout.

Top 5 tenants	Trade sector	% of gross rental ³
1 Park'N Shop	Supermarkets	10.9%
2 Maxim's Chinese Restaurant	Food & Beverage, Food Court	7.9%
3 Bank of China (Hong Kong) Limited	Banking & Real Estate Services	7.8%
4 The Bank of East Asia	Banking & Real Estate Services	3.3%
5 Shanghai Commercial Bank Limited	Banking & Real Estate Services	2.8%

Lease expiry profile³



Tenant trade mix analysis³



Notes:

1. Valued by Knight Frank.
2. Includes base rental, charge-out collections, licence fees, turnover rent, carpark revenues and other revenues.
3. Based on gross rental for the month of December 2008.

3 The Metropolis Mall



Key statistics

as at 31 December 2008

Location	No 6 – 10 Metropolis Drive, The Metropolis, Kowloon, Hong Kong
Land title	Government Leasehold until 30 June 2047
Year of completion	2001
Gross rentable area	332,168 sf
Car park lots	179
Number of tenants	126
Purchase price	HK\$1,464 million
Market valuation ¹	HK\$1,342 million
Actual occupancy	95.9%
Gross revenue ²	HK\$86.7 million
Net property income	HK\$50.6 million

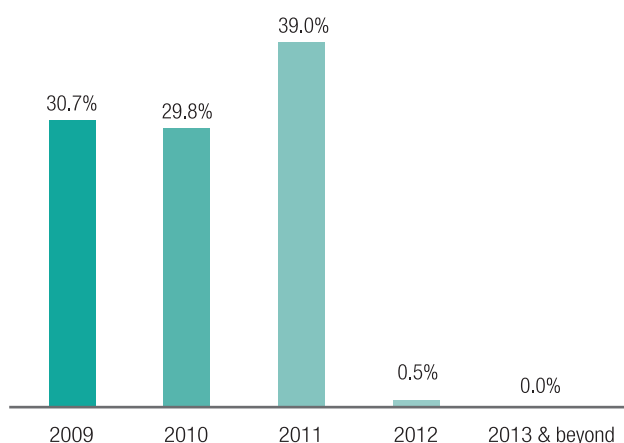
The Metropolis Mall, completed in 2001, is located in the established residential and commercial hub of Hung Hom in South Kowloon. It is the retail portion of The Metropolis, a 1.4 million sf complex comprising a retail mall, an office tower, a hotel and serviced apartments. It is directly connected to the Hung Hom MTR Station and is in close proximity to the East Tsim Sha Tsui Station. Moreover, The Metropolis Mall is served by the Hung Hom bus terminal and a taxi station, with the Kowloon entrance of the Cross Harbour Tunnel just minutes away.

The property serves a wide range of shoppers, including residents of the neighbouring apartment complexes, such as The Metropolis Residences, Harbour Place, The Royal Peninsula, Whampoa Garden, Whampoa Estate and Hung Hom Bay Centre. Its patronage also includes tourists and expatriates staying at the nearby 690-room Harbour Plaza Metropolis; concert-goers from the Hong Kong Coliseum, students from The Hong Kong Polytechnic University; office workers from The Metropolis Tower and visitors from Mainland China arriving via the Hung Hom MTR Station.

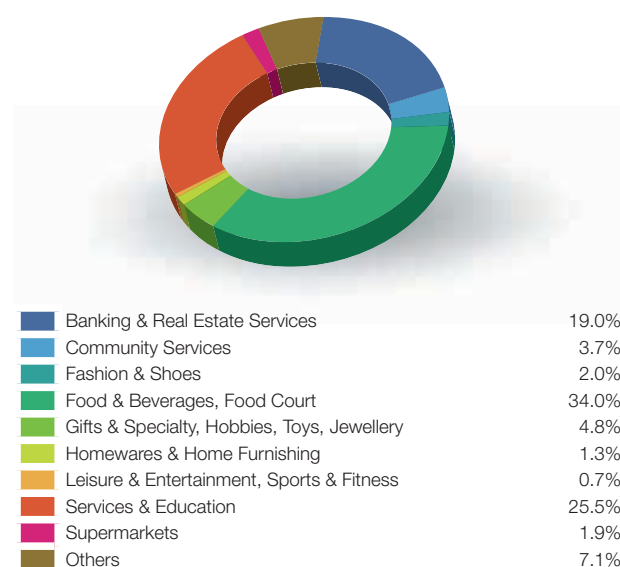
The Manager plans to reposition The Metropolis Mall as one which specializes in food and beverage, education and wedding trades. The main objective for The Metropolis Mall will be to capitalize on the growing numbers of families, young couples, hotel guests, students and concert-goers in the Hung Hom area, thereby increasing its patronage.

Top 5 tenants	Trade sector	% of gross rental ³
1 Cheung Kong Property Development Limited	Banking & Real Estate Services	16.5%
2 Choi Fook Royal Banquet	Food & Beverages, Food Court	7.3%
3 HKCT Group Limited	Services & Education	6.7%
4 Eden-Hong Kong Marriage Ceremony	Services & Education	5.0%
5 Evangelical Free Church of China	Community Services	4.2%

Lease expiry profile³



Tenant trade mix analysis³



Notes:

1. Valued by Knight Frank.
2. Includes base rental, charge-out collections, licence fees, turnover rent, carpark revenues and other revenues.
3. Based on gross rental for the month of December 2008.

4 Waldorf Garden Property



Key statistics

as at 31 December 2008

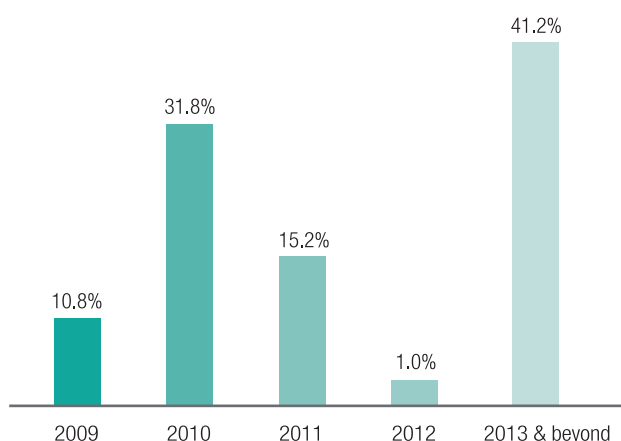
Location	No 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong
Land title	Government Leasehold until 30 June 2047
Year of completion	1982
Gross rentable area	80,842 sf
Car park lots	73
Number of tenants	46
Purchase price	HK\$400 million
Market valuation ¹	HK\$743 million
Actual occupancy	100.0%
Gross revenue ²	HK\$55.0 million
Net property income	HK\$42.0 million

Waldorf Garden Property is located in the heart of Tuen Mun District. It is part of the Waldorf Garden residential development, consisting of 5 residential tower blocks above a commercial podium. Waldorf Garden Property is connected to the adjacent Tuen Mun Town Plaza, one of the largest shopping malls in Northwest New Territories, via a covered footbridge. It is also located next to the Tuen Mun Highway, which connects it to different parts of the New Territories, Kowloon and Hong Kong Island via an extensive network of buses, light rail and taxis. In addition, the Tuen Mun MTR station has brought even more shopper traffic to Waldorf Garden Property.

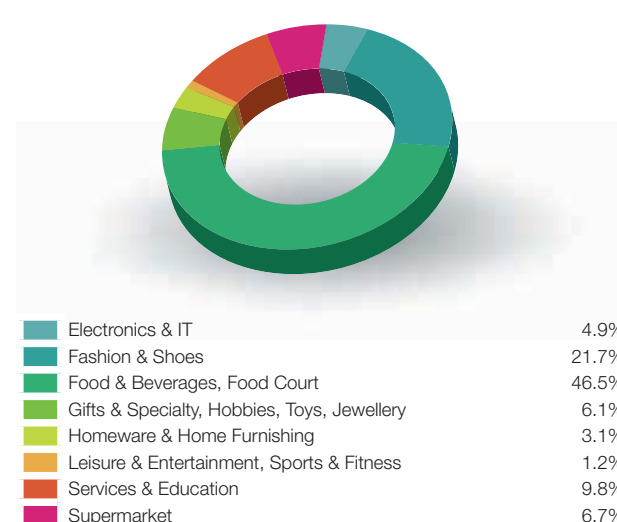
The Manager's objective for this property is to increase rental income by capitalizing on the heavy shopper traffic and by regularly incorporating higher-paying tenants into the property.

Top 5 tenants	Trade sector	% of gross rental ³
1 Royal Ascot Seafood Restaurant	Food & Beverages, Food Court	10.6%
2 Pizza Hut	Food & Beverages, Food Court	8.2%
3 Park'N Shop	Supermarkets	6.8%
4 Yeh Lam Kwok Restaurant	Food & Beverages, Food Court	5.2%
5 Shanghai Gam Mun Hin Restaurant	Food & Beverages, Food Court	4.4%

Lease expiry profile³



Tenant trade mix analysis³



Notes:

1. Valued by Knight Frank.
2. Includes base rental, charge-out collections, licence fees, turnover rent, carpark revenues and other revenues.
3. Based on gross rental for the month of December 2008.

5 Smartland

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

The Manager's current objective for Smartland is to re-configure the layout and refine the trade mix of the property in order to boost revenue and to increase the mall's presence in the Tsuen Wan District.

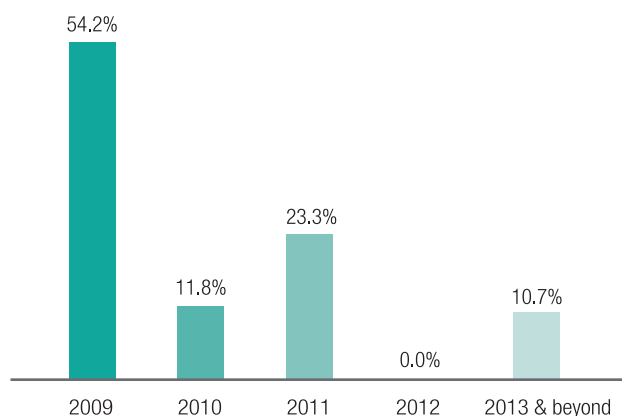


Key statistics

as at 31 December 2008

Location	No 16 Tsuen Wan Street, Tsuen Wan, New Territories, Hong Kong
Land title	Government Leasehold until 30 June 2047
Year of completion	1981
Gross rentable area	123,544 sf
Car park lots	67
Number of tenants	94
Purchase price	HK\$258 million
Market valuation ¹	HK\$350 million
Actual occupancy	94.4%
Gross revenue ²	HK\$29.0 million
Net property income	HK\$19.7 million

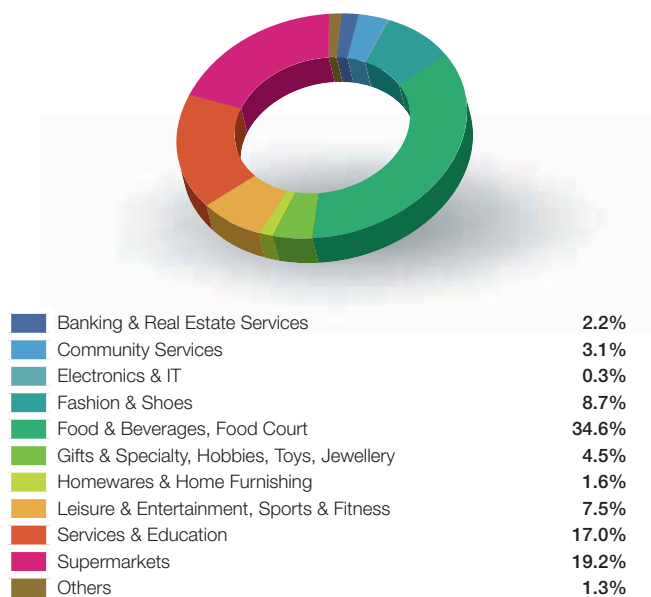
Lease expiry profile³



Notes:

1. Valued by Knight Frank.
2. Includes base rental, charge-out collections, licence fees, turnover rent, carpark revenues and other revenues.
3. Based on gross rental for the month of December 2008.

Tenant trade mix analysis³





Key statistics	
as at 31 December 2008	
Location	No 7 – 19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong
Land title	Government Leasehold until 30 June 2047
Year of completion	1986
Gross rentable area	78,836 sf
Car park lots	27
Number of tenants	60
Purchase price	HK\$230 million
Market valuation ¹	HK\$288 million
Actual occupancy	97.6%
Gross revenue ²	HK\$23.0 million
Net property income	HK\$16.3 million

6 Tsing Yi Square Property

Tsing Yi Square Property is located on Tsing Yi Island, northwest of Hong Kong Island. It is the commercial constituent of the Tsing Yi Garden residential development, which was completed in 1986, and consists of some 1,520 residential units. The Tsing Yi Square Property is located opposite to the Tsing Yi Urban Service Complex Building which houses a wet and dry market, a library, a sports centre and government offices. It is also near other popular community facilities in the neighbourhood, such as the Tsing Yi Swimming Pool, the Tsing Yi Sports Ground, and the Tsing Yi Clinic.

Tsing Yi Square Property is within walking distance to Tsing Yi MTR Station, which provides convenient access to Hong Kong Island, Kowloon and the Hong Kong International Airport. The property is also easily accessible via buses, mini-buses and taxis.

The Manager's main objective for Tsing Yi Square Property is to maintain its high occupancy levels through the implementation of proactive lease management initiatives.

Notes:

1. Valued by Knight Frank.
2. Includes base rental, charge-out collections, licence fees, turnover rent, carpark revenues and other revenues.



Key statistics	
as at 31 December 2008	
Location	No 2 – 18 Lok King Street, Fo Tan, Shatin, New Territories, Hong Kong
Land title	Government Leasehold until 30 June 2047
Year of completion	1986
Gross rentable area	170,616 sf
Car park lots	97
Number of tenants	44
Purchase price	HK\$218 million
Market valuation ¹	HK\$285 million
Actual occupancy	88.1%
Gross revenue ²	HK\$22.9 million
Net property income	HK\$14.3 million

7 Jubilee Court Shopping Centre

Jubilee Court Shopping Centre is located opposite to Fo Tan MTR Station, near the Shatin Racecourse. It is one MTR stop away from The Chinese University of Hong Kong and Shatin town centre respectively. The shopping centre is the retail podium of the 2,260-unit Jubilee Garden residential development. It caters to the strong demand for education and domestic services by the local community in surrounding areas. The expanding catchment includes the newly launched 1,375-unit residential estate, The Palazzo, which is adjacent to the mall. Major tenants of the shopping centre include a supermarket, a Chinese restaurant and the Shatin office of the HKSAR Immigration Department.

The Manager's objective for Jubilee Court Shopping Centre is to strengthen its image as a leading community shopping centre in the area, and to provide for the new demands of the expanding residential population in its immediate vicinity.

Notes:

1. Valued by Knight Frank.
2. Includes base rental, charge-out collections, licence fees, turnover rent, carpark revenues and other revenues.

8 The Household Center

The Household Center is located in the developed urban centre of Kwai Chung, New Territories. This mall serves the daily needs of the residents of Nob Hill, a 696-unit residential development above the mall, as well as those of Mei Foo Sun Chuen, Kai Yan Court, Wah Lai Estate, Lai King Estate, Regency Park, Wonderland Villas and Ching Lai Court, all of which collectively consists of about 13,110 residential units in total. The mall is conveniently located above a bus terminus and is within walking distance to Mei Foo MTR Station, where the average peak hour volume of passengers is some 25,000.

The Manager's objective for The Household Center is to increase its income contribution to the Fortune REIT portfolio, and raise its visibility within the established and densely populated Mei Foo area by offering more dining, grocery shopping and educational facilities.

Notes:

1. Valued by Knight Frank.
2. Includes base rental, charge-out collections, licence fees, turnover rent, carpark revenues and other revenues.



Key statistics

as at 31 December 2008

Location	No 8 King Lai Path, Kwai Chung, New Territories, Hong Kong
Land title	Government Leasehold until 16 July 2048
Year of completion	2002
Gross rentable area	91,779 sf
Car park lots	43
Number of tenants	47
Purchase price	HK\$233 million
Market valuation ¹	HK\$258 million
Actual occupancy	87.1%
Gross revenue ²	HK\$21.6 million
Net property income	HK\$14.5 million

9 Centre de Laguna Property

Centre de Laguna Property is located in the Kwun Tong District of East Kowloon. As an established urban area, the Kwun Tong district is very densely populated with many large housing developments. The recently proposed Kwun Tong town centre urban renewal plan aims to convert the old Kwun Tong town centre into the new commercial hub of East Kowloon. It is slated to be the largest project of its kind in Hong Kong in the next 10 years.

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

The Manager's objective for Centre de Laguna Property is to maintain its high occupancy levels and to secure stable income through proactive lease management.

Notes:

1. Valued by Knight Frank.
2. Includes base rental, charge-out collections, licence fees, turnover rent, carpark revenues and other revenues.



Key statistics

as at 31 December 2008

Location	No 93 and 99 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong
Land title	Government Leasehold until 30 June 2047
Year of completion	1992
Gross rentable area	43,000 sf
Car park lots	—
Number of tenants	22
Purchase price	HK\$135 million
Market valuation ¹	HK\$157 million
Actual occupancy	100.0%
Gross revenue ²	HK\$11.7 million
Net property income	HK\$8.4 million



Key statistics

as at 31 December 2008

Location	No 41 – 43 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong
Land title	Government Leasehold until 30 June 2047
Year of completion	1989
Gross rentable area	9,836 sf
Car park lots	—
Number of tenants	10
Purchase price	HK\$75 million
Market valuation ¹	HK\$94 million
Actual occupancy	100.0%
Gross revenue ²	HK\$6.3 million
Net property income	HK\$5.3 million

10 Lido Garden Property

Lido Garden Property is comprised of 12 ground-floor shops at the commercial and residential development of Lido Garden. The property is located in Sham Tseng, a residential area west of Tsuen Wan New Town, and sits along the waterfront facing the Tsing Ma and Ting Kau Bridge. Sham Tseng is well known for its themed restaurants which attract crowds of local and visiting patrons. Lido Garden Property is easily accessible via buses, mini-buses and taxis, and has gained more exposure from the expanding residential area which is home to more than 4,000 residential units that have been just recently completed in the neighbourhood.

The Manager's objective for Lido Garden Property is to maintain its high occupancy levels and to secure stable income through proactive lease management.

Notes:

1. Valued by Knight Frank.
2. Includes base rental, charge-out collections, licence fees, turnover rent, carpark revenues and other revenues.



Key statistics

as at 31 December 2008

Location	No 38 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong
Land title	Government Leasehold until 30 June 2047
Year of completion	1992
Gross rentable area	14,604 sf
Car park lots	—
Number of tenants	4
Purchase price	HK\$40 million
Market valuation ¹	HK\$60 million
Actual occupancy	100.0%
Gross revenue ²	HK\$5.0 million
Net property income	HK\$3.5 million

11 Rhine Garden Property

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

The Manager's main objective for Rhine Garden Property is to maintain its high occupancy levels and to secure stable income through proactive lease management.

Notes:

1. Valued by Knight Frank.
2. Includes base rental, charge-out collections, licence fees, turnover rent, carpark revenues and other revenues.

Marketing and Promotions



Fortune REIT plays an important role in shaping existing and potential consumers' everyday lives by hosting family-oriented events at our properties which target a broad range of demographics. We always aim to conduct ourselves with a forward-thinking approach when promoting and marketing the Fortune REIT portfolio, in order to convey the image of a major suburban shopping destination. It is our objective to adopt the most suitable marketing programmes in order to encourage high traffic volume in our malls, and to increase sales revenue for our retail tenants.



City One Shatin Property



Ma On Shan Plaza



The Metropolis Mall

Feb Chinese new year celebration

2008

January | February | March | April | May | June

Apr Easter celebration



The Metropolis Mall

May Mother's day celebration



The Metropolis Mall

Jul Summer vacation events for kids



The Metropolis Mall



The Metropolis Mall

Marketing and Promotions (continued)

Aug Summer vacation events for kids



The Metropolis Mall



The Metropolis Mall



City One Shatin Property



The Metropolis Mall

Sep Mid-Autumn Festival food fair

Oct Wedding square promotion

July

August

September

October

November

December

Dec Christmas celebration



City One Shatin Property

Dec Gundam Exhibition



The Metropolis Mall



Ma On Shan Plaza



The Metropolis Mall

Board of Directors



Justin Chiu

John Lim

Edmond Ip

Eirene Yeung

Chiu Kwok Hung, Justin

Chairman and Director

Mr. Chiu is the Chairman of the Manager. He is also the Chairman of ARA Asset Management Limited ("ARA"), the holding company of the Manager, the Chairman of ARA Trust Management (Suntec) Limited (the manager of Suntec REIT) and the Chairman of ARA Asset Management (Prosperity) Limited (the manager of Prosperity REIT). ARA and Suntec REIT are listed on the Main Board of SGX-ST while Prosperity REIT is listed on the Main Board of The Hong Kong Stock Exchange Limited. Mr. Chiu is an Executive Director of Cheung Kong (Holdings) Limited ("Cheung Kong"). He joined Cheung Kong in 1997 and has been an Executive Director since 2000, heading the real estate sales and leasing, marketing and property management departments.

With more than 29 years of international real estate experience, Mr. Chiu is one of the most respected professionals in the Hong Kong property industry. Prior to joining Cheung Kong, Mr. Chiu was with Hang Lung Group Limited (formerly known as Hang Lung Development Company Limited) for 15 years from 1979 to 1994 and later with Sino Land Company Limited for 3 years from 1994 to 1997. He was in charge of the leasing as well as property management business for both companies.

Mr. Chiu holds a Bachelor of Sociology and Economics degree from Trent University in Ontario, Canada. He is a fellow of the Hong Kong Institute of Real Estate Administrators. Mr. Chiu is a member of the Shanghai Committee of The Chinese People's Political Consultative Conference, the People's Republic of China.

Lim Hwee Chiang, John

Director

Mr. Lim is a Director of the Manager. He is also the Group Chief Executive Officer and an Executive Director of ARA, the holding company of the Manager, which is also listed on the SGX-ST. He has been the Group Chief Executive Officer and a Director since ARA's 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) and Am ARA REIT Managers Sdn Bhd (the manager of Malaysian-listed AmFIRST REIT). In addition, Mr. Lim is an independent director and member of the audit committees of Teckwah Industrial Corporation Limited ("Teckwah") and Inter-Roller Engineering Limited, both of which are listed on the SGX-ST. He is also the vice president of the Hong Kong-Singapore Business Association and a board member of the Asian Public Real Estate Association as well as the Valuation Review Board of the Ministry of Finance of Singapore.

Mr. Lim has more than 28 years of experience in real estate. Prior to the founding of ARA, from 1997 to 2002, he was an executive director of GRA (Singapore) Pte. Ltd., a wholly-owned subsidiary of Prudential (US) Real Estate Investors. From 1996 to 1997, he founded and was the managing director of The Land Managers (S) Pte. Ltd., a Singapore-based property and consulting firm specializing in feasibility studies, marketing and leasing management in Singapore, Hong Kong and China. He was the general manager of the Singapore Labour Foundation Management Services Pte. Ltd. from 1991 to 1995, and was with DBS Land Limited (now part of CapitalLand Limited) from 1981 to 1990.

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

Ip Tak Chuen, Edmond

Director

Mr. Ip is a Director of the Manager and a Non-executive Director of ARA, the holding company of the Manager, which is also listed on SGX-ST. He is also a Director of ARA Trust Management (Suntec) Limited (the manager of Suntec REIT). Mr. Ip has been an Executive Director of Cheung Kong since 1993 and Deputy Managing Director since 2005, responsible for overseeing all financial and treasury functions of Cheung Kong and its subsidiaries, particularly in the fields of corporate and project finance. Mr. Ip has been an Executive Director of Cheung Kong Infrastructure Holdings Limited ("CK Infrastructure") since its incorporation in May 1996 and Deputy Chairman since February 2003. He is also the Senior Vice President and Chief Investment Officer of CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences") since June 2002. Mr. Ip oversees matters relating to corporate finance, strategic acquisition and investment of both CK Infrastructure and CK Life Sciences. He is also a Non-executive Director of Tom Group Limited.

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 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

Director

Ms. Yeung is a Director of the Manager. She is also Director, Corporate Strategy Unit and Company Secretary of Cheung Kong and Alternate Director to Mr. Kam Hing Lam, Group Managing Director of CK Infrastructure. She is also the Company Secretary of CK Infrastructure and CK Life Sciences. Ms. Yeung joined Cheung Kong in 1994. She advises the Board on corporate strategy, and currently heads the corporate legal and secretarial team that oversees listing, regulatory and origination compliance, and advises and drives mergers and acquisitions, property investments and acquisitions, securities placement and investment, 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.

Ms. Yeung has extensive experience in corporate and commercial legal work, regulatory compliance and company secretarial field. Her experience covers many areas of law including corporate finance, general commercial, property development, finance, securities, tax and trust, joint ventures, intellectual property and employment. She has provided professional advice and support to the legal and regulatory aspects of significant corporate exercises of the above listed groups.

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

Ms. Yeung is a member of the Dual Filing Advisory Group of the Securities and Futures Commission, a member of the Board of Review (Inland Revenue Ordinance) and a member of the Companies Ordinance Rewrite Advisory Group,

Board of Directors (continued)



Lim Lee Meng



Moses Cheng



Sng Sow-Mei



Gerald Ma

and she was a Part-time Member of the Central Policy Unit of the HKSAR Government from 2005 to 2007. Ms. Yeung is a fellow member of 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 The Chinese University of Hong Kong, and a Bachelor's degree in Laws from the University of Hong Kong.

Lim Lee Meng

Independent Director and Chairman of Audit Committee

Mr. Lim is a Director and the Chairman of the Audit Committee of the Manager. He is currently a senior partner of RSM Chio Lim, a member firm of RSM International. Mr. Lim is also an Independent Director of Teckwah, Datapulse Technology Limited ("Datapulse"), Tye Soon Ltd, Europtronic Group Ltd ("Europtronic") and ARA Trust Management (Suntec) Limited (the manager of Suntec REIT). He also serves as the Chairman of the audit committees of Teckwah, Datapulse and Europtronic. Mr. Lim is also a practising member of the Institute of Certified Public Accountants of Singapore, an associate member of the Institute of Chartered Secretaries and Administrators and a member of the Singapore Institute of Directors. He is also the chairman of Yio Chu Kang Citizen Consultative Committee and the chairman of the finance committee of Ang Mo Kio – Yio Chu Kang Town Council.

Mr. Lim graduated from the Nanyang University of Singapore with a Bachelor of Commerce (Accountancy) degree in May 1980. He also holds a Master of Business Administration degree from the University of Hull (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.

Cheng Mo Chi, Moses

Independent Director

Mr. Cheng is a Director and member of the Audit Committee of the Manager. He is also an Independent Non-Executive Director of ARA, the holding company of the Manager, which is also listed on the SGX-ST. Mr. Cheng is the Senior Partner of the law firm of Messrs. P.C. Woo & Co. and also serves as an independent Non-Executive Director of a number of companies whose shares are listed on The Stock Exchange of Hong Kong Limited. Between 1991 and 1995, he was appointed and served as a member of the Legislative Council of Hong Kong. In recognition of his public services, he was awarded an OBE by Her Majesty the Queen of the United Kingdom and appointed a Justice of Peace by the Hong Kong Government in 1997. He was also awarded the Gold Bauhinia Star medal by the HKSAR Government in 2003.

Mr. Cheng has been actively participating in community services. At the moment, he is the Chairman of the Betting and Lotteries Commission and the Citizens Advisory Committee on Community Relations of the ICAC. He is also a Director of the Hong Kong Exchanges and Clearing Limited. He is also a member of the Advisory Committee on Corruption of the ICAC, the Financial Reporting Council, the Commission on Strategic Development and the Aviation Development Advisory Committee. He is the Founder Chairman of The Hong Kong Institute of Directors of which he is now the Honorary President and Chairman Emeritus. In addition, he is an active Rotarian and served as District Governor of Rotary International District 3450 from 1993 to 1994. Further, he is also an active member of the Anglican Church and is the Chancellor of the Province of the Hong Kong Sheng Kung Hui.

Mr. Cheng holds a Bachelor of Laws from the University of Hong Kong and a Post-Graduate Certificate in Laws from the University of Hong Kong.

Sng Sow-Mei (alias Poon Sow Mei)

Independent Director

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

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

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

Ma Lai Chee, Gerald

Alternate Director to Ip Tak Chuen, Edmond

Mr. Ma is an Alternate Director to Mr. Ip Tak Chuen, Edmond, a Director of the Manager. He is currently the Director, Corporate Strategy Unit and Chief Manager, Corporate Business Development at Cheung Kong. He is also a Director of AMTD Financial Planning Limited, iBusiness Corporation Limited, CK Communications Limited, Beijing Net-Infinity Technology Development Company Limited and mReferral Corporation (HK) Limited. He also serves as a Non-Executive Director of The Ming An (Holdings) Company Limited and 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. Peter Wong, Executive Director of Hutchison Telecommunications International Limited.

Mr. Ma has over 18 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 Finance Committee and the Hospitality Services Committee for Caritas Hong Kong and a member of the Finance Committee for The Scout Association of Hong Kong. He is also a member of the Chancellor's Circle of the University of British Columbia, Canada ("UBC") and a member of the Dean's Advisory Board for the Faculty of Arts of UBC. He holds a Bachelor of Commerce degree in Finance and a Master of Arts degree in Global Business Management.

Management Team

Chiu Yu, Justina

Chief Operating Officer

Ms. Chiu is the Chief Operating Officer of the Manager. She is responsible for the overall performance and direction of Fortune REIT which includes strategic planning, investment, asset management and investor relations.

Ms. Chiu was previously with the Manager between 2003 to 2006, where she was involved in various functions of the Manager including finance, research and investment, asset management and investor relations. She re-joined the Manager in 2008 as a Director and was appointed as the Chief Operating Officer in 2009.

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 HKSAR, a CFA Charterholder and a member of the American Institute of Certified Public Accountants.

Ms. Chiu is the daughter of Mr. Chiu Kwok Hung, Justin, the Chairman of the Manager.

Lai Ka Luen, Lawrence

Senior Asset Manager

Mr. Lai is the Senior Asset Manager of the Manager and is responsible for property management, strategic planning and asset enhancement of the properties in Fortune REIT.

Prior to joining the Manager, Mr. Lai was the Associate Director of DTZ Debenham Tie Leung Limited where he acted as the independent building consultant for Henderson Land Development Co Limited in their preparation of a REIT, consulted for The Link REIT and provided building consultancy services to KCRC and MTRC on their real estate portfolio. He was also the Technical Manager in Chinese Estates Holdings Limited from 2002 to 2005 where he was responsible for the asset enhancement and project management works on the company's property portfolio such as Windsor House, Causeway Place, Silvercord Shopping Centre and Excelsior Plaza. He has accumulated more than 19 years of real estate experience in the fields of leasing, marketing and property management. He has handled the leasing and marketing of a diverse property portfolio of shopping centres, offices, industrial buildings and residential apartments in Hong Kong.

Mr. Lai graduated from the Hong Kong Polytechnic University in 1989. He is an Authorised Person, Registered Professional Engineer, member of the Hong Kong Institute of Surveyors, the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Facility Management. Mr. Lai is a Hong Kong citizen.

Chiu Wai Han, Billie

Senior Asset Manager – Leasing

Ms. Chiu is the Senior Asset Manager – Leasing of the Manager and is responsible for leasing, marketing and strategic planning of the properties in Fortune REIT.

Ms. Chiu has over 14 years of property experience in sales, leasing and management of various real estate portfolios. Prior to joining the Manager, Ms. Chiu was the portfolio manager of a private real estate developer and involved in project planning for redevelopment of a shopping arcade in Hong Kong, leasing and marketing for a commercial complex development in Shanghai. From 2003 to 2006, Ms. Chiu was a Manager at CBRE where she was responsible for the leasing of office complex, shopping arcades, industrial building and residential complex and provided facilities management services for Morgan Stanley corporate services.

Ms. Chiu holds a Master of Science degree in Construction and Real Estate from Hong Kong Polytechnic University and a Bachelor of Arts degree Social Science in Geography from the Hong Kong Baptist University.

Hung Yuen Chun, Jenny

Manager, Investment and Investor Relations

Ms. Hung is the Investment and Investor Relations Manager of the Manager. Ms. Hung is responsible for communicating and liaising with Unitholders and investors of Fortune REIT. Ms. Hung is also responsible for identifying, researching and evaluating potential acquisitions or divestments which are consistent with the Manager's investment strategy with a view to enhance Fortune REIT's returns to Unitholders. Ms. Hung has more than 10 years experience in the real estate industry with exposure to the Hong Kong and PRC markets.

Prior to joining the Manager, Ms. Hung worked with Cheung Kong (Holdings) Limited from 2000 to 2006 as Assistant Manager, Market Research. She was involved in market analysis and formulation of marketing strategies for the launch of new residential projects as well as undertaking feasibility studies, deal structuring and negotiations for potential investments in Hong Kong and PRC. From 1999 to 2000, Ms. Hung was the Manager, Valuation Advisory Services in Jones Lang LaSalle, where she was involved in asset valuation and development advisory works. Ms. Hung started her career in the HKSAR Government Lands Department in 1997 after obtaining a Bachelor of Science degree in Surveying (First Class Honours) from the University of Hong Kong. She is a qualified General Practise Surveyor and an associate member of the Hong Kong Institute of Surveyors. Ms. Hung is a Hong Kong citizen.

Management Team (continued)

Lam Wai Man, Simon

Finance Manager

Mr. Lam is the Finance Manager of the Manager. He is primarily responsible for the full spectrum of the financial functions, including financial management, taxation, treasury, internal control, compliance, investment and acquisition of Fortune REIT.

Mr. Lam has over 10 years of commercial experience in finance across the industries of real estate development, hotel, travel and F&B management. He was the Financial Controller of a private fund and real estate development company in the region prior to joining the Manager. Mr. Lam was the Operations Controller of a Singapore-based F&B restaurant chain focusing on the internal control functions of the company.

Mr. Lam is a Hong Kong citizen. He holds a Bachelor degree in Business and a Master degree in Business Administration. He is also a member of CPA Australia.

Leung Tim Pak, Tim

Assistant Manager, Asset Management

Mr. Leung is the Assistant Asset Manager of the Manager and assists the Senior Asset Manager in property management and asset enhancement of the properties in Fortune REIT.

Mr. Leung has over 8 years of working experience in project management, leasing and property management and maintenance. Prior to joining the Manager, Mr. Leung was the Assistant Project Manager of Far East Consortium Limited where he was involved in the preparation of a hotel REIT and was also in charge of project development and asset enhancement works of a hotel. Mr. Leung was the Building Surveyor of DTZ Debenham Tie Leung Limited from 2005 to 2007 where he was involved in building consultancy works during the preparation of a REIT and provided building consultancy services to the real estate portfolio of KCRC.

Mr. Leung holds a Bachelor of Science (Honours) Degree in Building Surveying from the University of Northumbria at Newcastle. He is a probationer member of the Hong Kong Institute of Surveyors. Mr. Leung is a Hong Kong citizen.

Ng Boon Hua, Donovan

Assistant Finance Manager

Mr. Ng is the Assistant Finance Manager of the Manager. He is primarily responsible for the financial accounting of Fortune REIT and provides support in areas of secretariat compliance and taxation.

Prior to joining the Manager, Mr. Ng was a Senior Accountant with Ascendas Land (Singapore) Pte Ltd, a major Singapore property developer, where he handled the Group accounts and its subsidiaries. Before that, Mr. Ng was a Senior Accountant with Lindeteves-Jacoberg Limited, a motor manufacturer of a prestigious brand in Europe, which is listed on the SGX-ST.

Mr. Ng, who is a Singapore citizen, began his accounting career in 1995 and has 10 over years of commercial experience. He holds an ACCA (Association of Chartered Certified Accountants) qualification and is also a provisional member of the Institute of Certified Public Accountants of Singapore.

Ng Yuk Ting, Yuki

Senior Accountant

Ms. Ng is the Senior Accountant of the Manager. She is responsible for the internal audit function, the asset management database system and provides support for financial and managerial accounting of Fortune REIT. Ms. Ng began her career in 2003 with Deloitte Touche Tohmatsu, a leading international accounting and audit firm in Hong Kong, where she was involved in the audit assignments of several private and public listed companies.

Ms. Ng, who is a Hong Kong citizen graduated from the Hong Kong Polytechnic University and holds a Bachelor of Arts degree in Accountancy.

Wong Shui Yan, Matthew

Financial Analyst

Mr. Wong is the Financial Analyst of the Manager. He supports the investment team in evaluating the impact of potential acquisitions on Fortune REIT's financial performance through the use of relevant financial analytical tools and models. He is also responsible for analysing the performance of Fortune REIT. In addition, he monitors the developments in the capital markets and economy to support capital management decisions.

Prior to joining the Manager, Mr. Wong was a Financial Analyst of Macquarie Real Estate Asia Limited where he worked closely with the capital transaction team that is responsible for sourcing and underwriting real estate opportunities for their suit of funds within Asia Pacific. Before that, he was the Property Analyst of Cushman & Wakefield Valuation Advisory Services (HK) Limited, where he was involved in various projects including asset valuations, research report publications and research consultancy projects.

Mr. Wong is a Hong Kong citizen and holds a Bachelor of Applied Science (Honours) Degree in Civil Engineering from the University of Waterloo in Canada. He also holds a Master Degree in Finance from the University of Hong Kong.

Lee Yin Chuan, Samantha

Business Development Officer

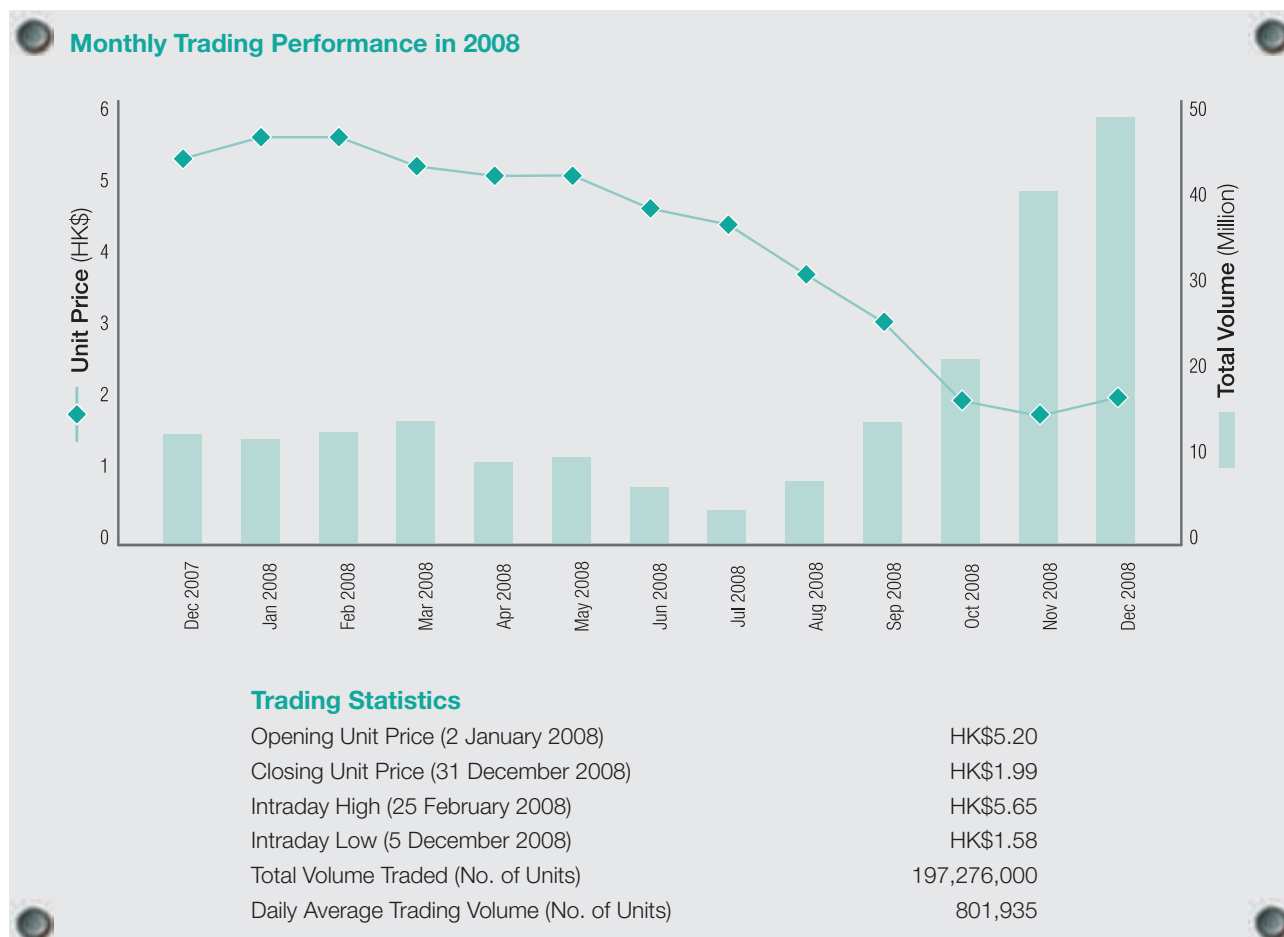
Ms. Lee is the Business Development Officer of the Manager. She assists the asset management team in developing marketing plans and promotional events for Fortune REIT's malls. She is also responsible for developing business networks with retailers in the Southeast Asia region.

Prior to joining the Manager, Ms. Lee was the Marketing Executive with an international healthcare and beauty company where she was responsible for handling regional accounts, implementing integrated marketing campaign across Asia and maintaining ongoing relationships with customers, sponsors and the media.

Ms. Lee is a Malaysia citizen and holds a Bachelors of Arts degree in Media and Communications from the University of Melbourne, Australia.

Investor Relations

Throughout the year, the Manager remained committed to maintaining a high level of corporate transparency as well as good communication with investors and Unitholders. Over the course of the Reporting Period, the Manager maintained close relationships with institutional investors in Singapore, Hong Kong and other locations all over the world through regular one-on-one meetings, various conferences and non-deal roadshows. We have also been providing investors with regular and timely updates on Fortune REIT's performance, business outlook and ongoing strategies.



Distributions

Fortune REIT distributes semi-annually; usually in February and August of each year. Unitholders will receive distributions in the Singaporean dollar equivalent of the Hong Kong dollar distribution declared unless they elect to receive the distributions in Hong Kong dollars.

Contact Us

The Fortune REIT website provides detailed and updated information about Fortune REIT. Media releases, announcements and presentations are also regularly posted on the website. The website also provides visitors with the option of subscribing to a free email alert service which notifies subscribers of website updates via email.

If you have any enquiries or would like to find out more about Fortune REIT, please feel free to contact the Manager, ARA Asset Management (Singapore) Limited, at:

Phone : +65 6835 9232/+852 2169 0928
 Fax : +65 6835 9672/+852 2169 0968
 Email : enquiries@fortunereit.com
 Website : www.fortunereit.com

Corporate Governance

ARA Asset Management (Singapore) Limited, as the Manager of Fortune REIT, has adopted an overall corporate governance framework that is designed to meet best practises principles and which recognises that an effective corporate governance culture is critical to the performance of the Manager and consequently, the success of Fortune REIT, which it manages. In particular, the Manager has an obligation to act honestly, with due care and diligence, and in the best interests of the Unitholders.

The following segments describe the Manager's main corporate governance policies and practises. They encompass proactive measures for avoiding situations of conflict and potential conflict of interest, including prioritising the interests of the Unitholders over the Manager's, ensuring that applicable laws and regulations are complied with, and that the Manager's obligations under Fortune REIT's trust deed (as amended) (the "Trust Deed") are properly and efficiently carried out.

The Manager confirms that it has adhered to the principles and guidelines as set out in the Code of Corporate Governance 2005 (the "Code"), where applicable, and explanations have been provided where the principles and guidelines have not been adhered to.

THE MANAGER OF FORTUNE REIT

The Manager has general powers of management over the assets of Fortune REIT. The Manager's main responsibility is to manage Fortune REIT's assets and liabilities for the benefit of Unitholders.

The primary role of the Manager is to set the strategic direction of Fortune REIT and give recommendations to HSBC Institutional Trust Services (Singapore) Limited, as trustee of Fortune REIT (the "Trustee"), on the acquisition, divestment and enhancement of assets of Fortune REIT in accordance with its stated investment strategy.

Other main functions and responsibilities of the Manager include:

1. Using its best endeavours to ensure that the business of Fortune REIT is carried out and conducted in a proper and efficient manner and to conduct all transactions with or for Fortune REIT at arm's length.
2. Preparing property plans on a regular basis, which may contain proposals and forecasts on net income, capital expenditure, sales and valuations, explanations of major variances to previous forecasts, written commentary on key issues and underlying assumptions on inflation, annual turnover, occupancy costs and any other relevant assumptions. The purpose of these plans is to explain the performance of Fortune REIT's assets.
3. Ensuring compliance with the applicable provisions of the Securities and Futures Act, Chapter 289 of Singapore and all other relevant legislation, the Listing Manual issued by the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Code on Collective Investment Schemes issued by Monetary Authority of Singapore ("MAS"), including the Property Funds Guidelines, the Trust Deed, the tax ruling dated 10 June 2003 issued by the Ministry of Finance of Singapore and all relevant contracts.
4. Attending to all regular communications with Unitholders.
5. Supervising the property manager of Fortune REIT (the "Property Manager"), Goodwell-Fortune Property Services Limited, which provides property management, lease management, and marketing services in relation to Fortune REIT's properties, pursuant to the property management agreements.

Fortune REIT, constituted as a trust, is managed by the Manager and accordingly, it has no personnel of its own. The Manager appoints experienced and well-qualified management personnel to handle the day-to-day operations of the Manager. All directors and employees of the Manager are remunerated by the Manager, and not by Fortune REIT.

BOARD OF DIRECTORS OF THE MANAGER

The Board of Directors of the Manager (the "Board") is entrusted with the responsibility for the overall management of the Manager. The Board is responsible for the overall corporate governance of the Manager including establishing goals for management and monitoring the achievement of these goals. The Board is also responsible for the strategic business direction and risk management of Fortune REIT. All Board members participate in matters relating to corporate governance, business operations and risks, financial performance and the nomination and review of directors. The Board has established a framework for the management of the Manager and Fortune REIT, including a system of internal control and a business risk management process.

The Board meets to review the Manager's key activities. Board meetings are held once every quarter (or more often if necessary) to discuss and review the strategies and policies of Fortune REIT, including any significant acquisitions and disposals, the annual budget, the financial performance of Fortune REIT against a previously approved budget, and 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. Where necessary, additional Board meetings would be held to address significant transactions or issues.

The Board has adopted a set of internal controls which it believes is adequate and appropriate delegations of authority has been provided to Management to facilitate operational efficiency.

Changes to regulations, policies and accounting standards are monitored closely. Where the changes have an important impact on Fortune REIT and its disclosure obligations, directors are briefed either during a Board meeting, at specially-convened sessions or via circulation of Board papers.

The Board presently comprises seven members, three of whom are independent directors. The Chairman of the Board is Mr. Chiu Kwok Hung, Justin.

The composition of the Board is determined using the following principles:

1. the Chairman of the Board should be a non-executive director;
2. the Board should comprise directors with a broad range of commercial experience including expertise in fund management and the property industry; and
3. at least one-third of the Board should comprise independent directors.

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. Collectively, their diverse corporate experiences and contributions are invaluable to Fortune REIT. The composition of the Board will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience.

The Board also reviews the independence of each independent director annually based on the Code's definition of what constitutes an independent director. The Board is of view that the three independent directors (who represent more than one third of the Board) are independent and no individual or small group of individuals dominates the Board's decision-making process.

Four Board meetings were held during the financial year. The most recent Board meeting was held on 21 January 2009.

The positions of Chairman and Chief Executive Officer ("CEO") are held by two separate persons in order to maintain an effective segregation of duties. The Chairman ensures that the members of the Board work together with Management in a constructive manner to address strategies, business operations and enterprise issues. The CEO has full executive responsibilities over the business direction and operational decisions concerning the management of Fortune REIT.

Chief Operating Officer ("COO") was appointed to support the CEO in the overall management of Fortune REIT including strategic planning, investor relations, asset management and investment activities.

The position of the CEO is currently vacant and the COO is responsible for the overall management and operations of Fortune REIT until a new CEO is appointed.

All directors have been with Fortune REIT for several years and are familiar with their duties and responsibilities as directors. All directors are provided with regular updates on changes in the relevant laws and regulations to enable them to make well-informed decisions and carry out their roles and responsibilities. All newly-appointed directors are briefed by Management on the business activities of Fortune REIT and its strategic directions.

AUDIT COMMITTEE

The Board has established an Audit Committee to assist it in discharging its responsibilities.

The Audit Committee is appointed by the Board from among its members. The Audit Committee comprises three members, all of whom (including the Chairman) are independent directors. The members of the Audit Committee are Mr. Lim Lee Meng, Mr. Cheng Mo Chi, Moses and Mrs. Sng Sow-Mei (alias Poon Sow Mei). The Audit Committee meets at least four times a year.

All members of the Audit Committee have many years of experience in senior management positions in both the financial and industrial sectors. 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.

Four Audit Committee meetings were held for the financial year. The most recent Audit Committee meeting was held on 21 January 2009.

The role of the Audit Committee is to monitor and evaluate the effectiveness of the Manager's internal controls. The Audit Committee also reviews the quality and reliability of information prepared for inclusion in financial reports. The Audit Committee is responsible for the nomination of external auditors and internal auditors, and reviewing the adequacy of existing audits in respect of cost, scope and performance. The Audit Committee meets with the external auditors, and with the internal auditors, without the presence of the management, at least annually.

The Audit Committee's responsibilities also include:

1. reviewing external and internal audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by management;
2. monitoring procedures in place to ensure compliance with applicable legislation, the Listing Manual and the Property Funds Guidelines;
3. reviewing and approving the financial statements and auditors' report; and
4. monitoring the procedures established to regulate Related Party Transactions (as defined below), including ensuring compliance with the provisions of the Listing Manual relating to transactions between the Trustee (as the trustee of Fortune REIT) and an "interested person", and the provisions of the Property Funds Guidelines relating to transactions between the Trustee (as the trustee of Fortune REIT) and an "interested party" (both such types of transactions constituting Related Party Transactions).

The Audit Committee is authorised to investigate any matters within its terms of reference. It is entitled to full access to and co-operation by Management and enjoys full discretion to invite any director or executive officer of the Manager to attend its meetings. The Audit Committee has full access to reasonable resources to enable it to discharge its functions properly.

The Audit Committee has undertaken a review of all non-audit services provided by the external auditors during the year under review and is satisfied that such services would not, in the Audit Committee's opinion, affect the independence of the external auditors. No non-audit fees were paid to the external auditors during the financial year under review.

The Audit Committee has put in place a whistle blowing programme as recommended under the Code. Under this programme, the Audit Committee reviews arrangements, by which staff of the Manager may, in confidence, raise concerns about possible improprieties on matters of financial reporting or other matters. The objective is to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. Details of the whistle blowing programme and arrangements have been made available to all employees of the Manager.

INTERNAL AUDIT

The Manager has put in place a system of internal controls of procedures and processes to safeguard Fortune REIT's assets, Unitholders' interest as well as to manage risk.

The internal audit function of the Manager is outsourced to BDO McCabe Lo Limited, a member firm of BDO International. The Audit Committee is satisfied that the internal auditor has met the standards set by internationally recognised professional bodies including the Standards for the Professional Practise of Internal Auditing set by The Institute of Internal Auditors. The internal auditors report directly to the Audit Committee on audit matters, and to Board of Directors on administrative matters. The Audit Committee also reviews and approves the annual internal audit plan and reviews the internal audit reports and activities. The Audit Committee is of the view that the internal auditor has adequate resources to perform its functions and has to the best of its ability, maintained its independence from the activities that it audits.

DEALINGS IN FORTUNE REIT UNITS

In general, the Manager's policy encourages directors and employees of the Manager to hold Units but prohibits them from dealing in such Units:

1. 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; and
2. at any time whilst in possession of price sensitive information.

In addition, the Manager has given an undertaking to the MAS that it will announce to the SGX-ST the particulars of its holdings in the Units and any changes thereto within two business days after the date on which it acquires or disposes of any Units, as the case may be. The directors and employees of the Manager have been directed to refrain from dealing in Units for short-term considerations. The Manager has also undertaken that it will not deal in the Units during the period commencing one month before the public announcement of Fortune REIT's annual, semi-annual and as applicable, quarterly results and (where applicable) property valuation, and ending on the date of announcement of the relevant results.

RISK ASSESSMENT AND MANAGEMENT OF BUSINESS RISK

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

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

DEALING WITH 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:

- (1) The Manager will be a dedicated manager to Fortune REIT and will not manage any other real estate investment trust which invests in the same type of properties as Fortune REIT or be involved in any other real property business.
- (2) The entry into any Related Party Transaction must be reviewed and/or approved by the Audit Committee by a majority vote.
- (3) At least one-third of the Board shall comprise independent directors.

It is also provided in the Trust Deed that if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of Fortune REIT with a related party of the Manager, the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee (as trustee of Fortune REIT) has a prima facie case against the party allegedly in breach under such agreement, the Manager shall be obliged to take appropriate action in relation to such agreements. The directors of the Manager have a duty to ensure that the Manager so complies. Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee for and on behalf of Fortune REIT with a related party of the Manager and the Trustee may take such action as it deems necessary to protect the rights of Unitholders and/or which is in the interests of Unitholders. Any decision by the Manager not to take action against a related party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such related party.

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.

DEALING WITH RELATED PARTY TRANSACTIONS

Review Procedures for Related Party Transactions

In general, the Manager has established internal control procedures to ensure that all future transactions involving the Trustee (as trustee of Fortune REIT) and whether by itself or through the property companies which own the investment properties forming the portfolio of Fortune REIT or other single purpose companies or a related party of the Manager or Fortune REIT are undertaken on an arm's length basis and on normal commercial terms, and will not be prejudicial to the interests of Fortune REIT and the Unitholders. As a general rule, the Manager must demonstrate to the Audit Committee that such transactions satisfy the foregoing criteria, which may entail obtaining (where practicable) quotations from parties unrelated to the Manager, or obtaining one or more valuations from independent professional valuers (in accordance with the Property Funds Guidelines).

In addition, the following procedures will be undertaken:

1. transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding S\$100,000 in value but below 3.0% of the value of Fortune REIT's net tangible assets will be subject to review by the Audit Committee at regular intervals;
2. transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of Fortune REIT's net tangible assets will be subject to the review and approval of the Audit Committee. Such approval shall only be given if the transactions are on normal commercial terms and are consistent with similar types of transactions made by the Trustee (as trustee of Fortune REIT) with third parties which are unrelated to the Manager; and

3. transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 5.0% of the value of Fortune REIT's net tangible assets will be reviewed and approved, on the basis described in the preceding paragraph, by the Audit Committee which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. Further, under the Listing Manual and the Property Funds Guidelines, such transactions would have to be approved by the Unitholders at a meeting of Unitholders.

Where matters concerning Fortune REIT relate to transactions entered into or to be entered into by the Trustee (as trustee of Fortune REIT) with a related party of the Manager or Fortune REIT, the Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted on an arm's length basis and on normal commercial terms, are not prejudicial to the interests of Fortune REIT and the Unitholders, and are in accordance with all applicable requirements of the Property Funds Guidelines and/or the Listing Manual relating to the transaction in question. Further, the Trustee (as trustee of Fortune REIT) has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving a related party of the Manager or Fortune REIT. If the Trustee (as trustee of Fortune REIT) is to sign any contract with a related party of the Manager or Fortune REIT, the Trustee will review the contract to ensure that it complies with the requirements relating to interested party transactions in the Property Funds Guidelines (as may be amended from time to time) and the provisions of the Listing Manual relating to interested person transactions (as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to real estate investment trusts.

Role of the Audit Committee for Related Party Transactions and Internal Control Procedures

All Related Party Transactions will be subject to regular periodic reviews by the Audit Committee. The Manager's internal control procedures are intended to ensure that Related Party Transactions are conducted on an arm's length basis and on normal commercial terms and are not prejudicial to Unitholders.

The Manager will maintain a register to record all Related Party Transactions (and the bases, including any quotations from unrelated parties and independent valuations obtained to support such bases, on which they are entered into) which are entered into by Fortune REIT. The Manager will incorporate into its internal audit plan a review of all Related Party Transactions entered into by Fortune REIT. The Audit Committee shall review the internal audit reports to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with. In addition, the Trustee will also have the right to review such audit reports to ascertain that the Property Fund Guidelines have been complied with. The Audit Committee will periodically review all Related Party Transactions to ensure compliance with the Manager's internal control procedures and with the relevant provisions of the Listing Manual and the Property Funds Guidelines. The review will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary by the Audit Committee.

If a member of the Audit Committee has an interest in a transaction, he is required to abstain from participating in the review and approval process in relation to that transaction.

The Manager will disclose in Fortune REIT's annual report the aggregate value of Related Party Transactions entered into during the relevant financial period/year.

COMMUNICATION WITH UNITHOLDERS

The Listing Manual of the SGX-ST requires that a listed entity discloses 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 Fortune REIT Unitholders and the investing community. The Manager's Investor Relations Manager is tasked with overseeing 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 via SGXNET at the first instance and then including the release on Fortune REIT's website at www.fortunereit.com.

The Manager also conducts regular briefings for analysts and media representatives, which will generally coincide with the release of Fortune REIT's results. During these briefings, Management will review Fortune REIT's most recent performance as well as discuss the business outlook for Fortune REIT. In line with the Manager's objective of transparent communication, briefing materials are released through the SGX-ST via SGXNET and also made available at Fortune REIT's website.

The Manager pursues opportunities to educate and keep retail investors informed of the emergence of the real estate investment trust industry through seminars such as those organised by SGX-ST and the Real Estate Developers' Association of Singapore.

BOARD COMPOSITION AND AUDIT COMMITTEE

The Manager believes that contributions from each director go beyond his/her attendances at Board and committee meetings. A director of the Manager is appointed on the principles outlined earlier in this statement, and his/her ability to contribute to the proper guidance of the Manager in its management of Fortune REIT.

The three Board members who have additional responsibilities on the Audit Committee are Mr. Lim Lee Meng (Chairman of the Audit Committee), Mr. Cheng Mo Chi, Moses and Mrs. Sng Sow-Mei (alias Poon Sow Mei) (members of the Audit Committee).

The matrix of the Board members participation in the various Board and Audit Committee Meetings held in FY2008 is as follows:

Board Members	Board Meetings		Audit Committee Meetings	
	Participation	Attendance/ Number of Meetings held	Participation	Attendance/ Number of Meetings held
Mr. Chiu Kwok Hung, Justin	Chairman	4/4	NA	NA
Mr. Lim Hwee Chiang, John	Member	4/4	NA	NA
Mr. Ip Tak Chuen, Edmond (Alternate — Mr. Ma Lai Chee, Gerald)	Member	4/4	NA	NA
Ms. Yeung, Eirene	Member	4/4	NA	NA
Mr. Lim Lee Meng	Member	4/4	Chairman	4/4
Mr. Cheng Mo Chi, Moses	Member	4/4	Member	4/4
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	Member	3/4	Member	3/4

Note: NA — Not applicable

All Board members are non-executive except Mr. Lim Hwee Chiang, John who is an executive director.

Report and Financial Statements

Page

Report of the Trustee	45
Statement by the Manager	46
Independent Auditors' Report	47
Balance Sheets	48
Statements of Return	50
Statements of Movement in Unitholders' Funds	51
Consolidated Cash Flow Statement	53
Notes to the Financial Statements	54

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") held by it or through its property companies (the "Group", which shall mean Fortune REIT and its property companies) in trust for the holders of Units (the "Unitholders") in Fortune REIT. In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes (collectively referred to as the "laws and regulations"), the Trustee shall monitor the activities of ARA Asset Management (Singapore) Limited ("the Manager") for compliance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed dated 4 July 2003 (as amended by the Amending and Restating Deed dated 29 June 2005 and a 2nd supplemental deed dated 20 April 2006) between the Trustee and the Manager (the "Trust Deed") in each annual accounting year and report thereon to Unitholders in an annual report which shall contain the matters prescribed by the laws and regulations and the Trust Deed.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed Fortune REIT and the Group during the financial year covered by these financial statements set out on pages 48 to 87 in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed, laws and regulations and otherwise in accordance with the provisions of the Trust Deed.

For and on behalf of the Trustee,

HSBC Institutional Trust Services (Singapore) Limited

A handwritten signature in blue ink, appearing to read 'John van Verre', is written over a light blue diagonal line.

John van Verre

Director

Singapore

21 January 2009

Statement by the Manager

In the opinion of the directors of ARA Asset Management (Singapore) Limited, the consolidated financial statements of the Group and the financial statements of Fortune Real Estate Investment Trust ("Fortune REIT") as set out on pages 48 to 87, comprising the balance sheets, statements of return, statements of movement in Unitholders' funds, consolidated cash flow statement and notes to the financial statements are properly drawn up in accordance with the provisions of the Trust Deed and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of Fortune REIT as at 31 December 2008, and of the return and movement in Unitholders' funds of the Group and of Fortune REIT and cash flows of the Group for the financial 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.

For and on behalf of the Manager,

ARA Asset Management (Singapore) Limited

A handwritten signature in blue ink, appearing to read 'Lim Hwee Chiang', is written over a light blue rectangular background.

Lim Hwee Chiang, John

Director

Singapore

21 January 2009

Independent Auditors' Report

We have audited the financial statements of Fortune Real Estate Investment Trust ("Fortune REIT") and its subsidiaries ("the Group") which comprise the balance sheets of the Group and Fortune REIT as at 31 December 2008, and the statements of return and the statements of movement in unitholders' funds of the Group and of Fortune REIT and the consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 48 to 87.

Manager's and Trustee's Responsibility for the Financial Statements

ARA Asset Management (Singapore) Limited (The "Manager" of Fortune REIT) and HSBC Institutional Trust Services (Singapore) Limited (The "Trustee" of Fortune REIT) are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Trust Deed and Singapore Financial Reporting Standards. This responsibility includes: devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditor's judgement, 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager and the Trustee, 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 consolidated financial statements of the Group and the balance sheet, statement of return and statement of movement in unitholders' funds of Fortune REIT are properly drawn up in accordance with the provisions of the Trust Deed and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of Fortune REIT as at 31 December 2008, and of the return and movement in unitholders' funds of the Group and of Fortune REIT and cash flows of the Group for the financial year ended on that date.



Public Accountants and
Certified Public Accountants

Jeremy Toh Yew Kuan

Partner

Singapore
21 January 2009

Balance Sheets

As at 31 December 2008

	Note	Group		Fortune REIT	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
ASSETS AND LIABILITIES					
Current assets					
Cash and cash equivalents	6	243,361	242,118	105,675	119,229
Trade and other receivables	7	36,914	35,808	162,156	142,867
Investment properties held for resale	8	—	904	—	—
Total current assets		280,275	278,830	267,831	262,096
Non-current assets					
Investments in property companies	9	—	—	3,939,224	3,939,224
Investment properties	8	8,602,000	9,713,000	—	—
Plant and equipment	10	117	191	—	—
Total non-current assets		8,602,117	9,713,191	3,939,224	3,939,224
Total assets		8,882,392	9,992,021	4,207,055	4,201,320
Current liabilities					
Trade and other payables	12	194,460	191,966	5,671	6,448
Derivative liabilities	11	11,473	1,022	—	—
Provision for taxation		9,209	5,994	2,726	1,371
Total current liabilities		215,142	198,982	8,397	7,819
Non-current liabilities					
Derivative liabilities	11	53,446	38,726	—	5,729
Borrowings	13	2,342,663	2,338,638	—	—
Deferred tax liabilities	14	114,777	109,426	—	—
Total non-current liabilities		2,510,886	2,486,790	—	5,729
Total liabilities		2,726,028	2,685,772	8,397	13,548
Net assets		6,156,364	7,306,249	4,198,658	4,187,772

Balance Sheets (continued)

As at 31 December 2008

	Note	Group		Fortune REIT	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
UNITHOLDERS' FUNDS					
Equity and reserves					
Issued equity	15	4,370,531	4,342,232	4,370,531	4,342,232
Unit issue costs	16	(173,097)	(173,097)	(173,097)	(173,097)
Hedging reserve	11	(64,919)	(34,019)	—	—
Accumulated profits		2,023,849	3,171,133	1,224	18,637
Net Unitholders' funds		6,156,364	7,306,249	4,198,658	4,187,772
Units in issue and to be issued ('000)	15	820,819	812,266		
Net asset value per Unit (HK\$)	17	7.50	8.99		
Adjusted net asset value per Unit (HK\$)	17	7.58	9.04		

See accompanying notes to financial statements.

Statements of Return

Year ended 31 December 2008

	Note	Group		Fortune REIT	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Revenue	18	637,038	614,757	309,005	279,951
Property operating expenses	19	(173,894)	(164,702)	—	—
Net property income/dividend income		463,144	450,055	309,005	279,951
Manager's base fee	5	(28,299)	(28,069)	(28,299)	(28,069)
Foreign currency exchange adjustment (loss) gain		(172)	1,243	(172)	1,243
Loss on disposal of investment properties held for resale		(225)	—	—	—
Interest income		7,712	7,671	7,712	7,671
Trust expenses	20	(11,895)	(15,209)	(11,895)	(15,209)
Profit before taxation and borrowing costs		430,265	415,691	276,351	245,587
(Loss) Gain on revaluation of investment properties	8	(1,130,590)	460,507	—	—
Borrowing costs	21	(100,711)	(112,682)	—	—
(Loss) Profit before income tax		(801,036)	763,516	276,351	245,587
Income tax expenses	22	(53,839)	(59,814)	(1,355)	(1,588)
Net (loss) profit		(854,875)	703,702	274,996	243,999
Amount available for distribution	23, 25	302,855	284,876		
Basic and diluted (loss) earnings per Unit (cents)					
— weighted average	24	(104.74)	86.88		
Adjusted basic earnings per Unit (cents)					
— notional	24	33.78	30.03		
Distribution per Unit (cents)	25	37.02	35.12		

See accompanying notes to financial statements.

Statements of Movement in Unitholders' Funds

Year ended 31 December 2008

	Note	Issued equity HK\$'000	Unit issue costs HK\$'000	Hedging reserve HK\$'000	Accumulated profits HK\$'000	Net HK\$'000
GROUP						
Net assets at 1 January 2007		4,314,163	(173,097)	(21,126)	2,745,813	6,865,753
OPERATIONS FOR YEAR ENDED 31 DECEMBER 2007						
Net profit for the year		—	—	—	703,702	703,702
Cash flow hedge:						
Transferred to Statement of return		—	—	21,126	—	21,126
Losses taken to Unitholders' Funds		—	—	(34,019)	—	(34,019)
Net losses recognised directly in Unitholders' Funds		—	—	(12,893)	—	(12,893)
(Decrease) Increase in net assets resulting from operations		—	—	(12,893)	703,702	690,809
UNITHOLDERS' TRANSACTIONS						
Creation of Units:						
Manager's base fees paid and payable in Units	15	28,069	—	—	—	28,069
Distribution to Unitholders	25	—	—	—	(278,382)	(278,382)
Increase (Decrease) in net assets resulting from Unitholders' transactions		28,069	—	—	(278,382)	(250,313)
Net assets at 31 December 2007		4,342,232	(173,097)	(34,019)	3,171,133	7,306,249

OPERATIONS FOR YEAR ENDED 31 DECEMBER 2008						
Net loss for the year		—	—	—	(854,875)	(854,875)
Cash flow hedge:						
Transferred to Statement of return		—	—	34,019	—	34,019
Losses taken to Unitholders' Funds		—	—	(64,919)	—	(64,919)
Net losses recognised directly in Unitholders' Funds		—	—	(30,900)	—	(30,900)
Decrease in net assets resulting from operations		—	—	(30,900)	(854,875)	(885,775)
UNITHOLDERS' TRANSACTIONS						
Creation of Units:						
Manager's base fees paid and payable in Units	15	28,299	—	—	—	28,299
Distribution to Unitholders	25	—	—	—	(292,409)	(292,409)
Increase (Decrease) in net assets resulting from Unitholders' transactions		28,299	—	—	(292,409)	(264,110)
Net assets at 31 December 2008		4,370,531	(173,097)	(64,919)	2,023,849	6,156,364

Statements of Movement in Unitholders' Funds (continued)

Year ended 31 December 2008

	Note	Issued equity HK\$'000	Unit issue costs HK\$'000	Accumulated profits HK\$'000	Net HK\$'000
FORTUNE REIT					
Net assets at 1 January 2007		4,314,163	(173,097)	53,020	4,194,086
OPERATIONS FOR YEAR ENDED 31 DECEMBER 2007					
Net profit for the year		—	—	243,999	243,999
UNITHOLDERS' TRANSACTIONS					
Creation of Units:					
Manager's base fees paid and payable in Units	15	28,069	—	—	28,069
Distribution to Unitholders	25	—	—	(278,382)	(278,382)
Increase (Decrease) in net assets resulting from Unitholders' transactions		28,069	—	(278,382)	(250,313)
Net assets at 31 December 2007		4,342,232	(173,097)	18,637	4,187,772

OPERATIONS FOR YEAR ENDED 31 DECEMBER 2008					
Net profit for the year		—	—	274,996	274,996
UNITHOLDERS' TRANSACTIONS					
Creation of Units:					
Manager's base fees paid and payable in Units	15	28,299	—	—	28,299
Distribution to Unitholders	25	—	—	(292,409)	(292,409)
Increase (Decrease) in net assets resulting from Unitholders' transactions		28,299	—	(292,409)	(264,110)
Net assets at 31 December 2008		4,370,531	(173,097)	1,224	4,198,658

See accompanying notes to financial statements.

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Group	
	2008 HK\$'000	2007 HK\$'000
Operating activities		
(Loss) Profit before income tax	(801,036)	763,516
Adjustments for:		
Allowance for doubtful debts	2,078	121
Changes in fair value of investment properties	1,130,590	(460,507)
Manager's base fees paid by Units	28,299	28,069
Changes in fair value of derivative asset	(5,729)	3,496
Loss on disposal of investment properties	225	—
Depreciation	74	79
Interest income	(7,712)	(7,671)
Borrowing costs	100,711	112,682
Amortisation of debt front end fee	4,025	4,025
Operating profit before working capital changes	451,525	443,810
Increase in trade and other receivables	(3,568)	(5,974)
Increase in trade and other payables	2,494	2,297
Cash generated from operations	450,451	440,133
Income tax paid	(44,889)	(48,653)
Net cash from operating activities	405,562	391,480
Investing activities		
Upgrading of investment properties	(20,054)	(17,493)
Proceeds from disposal of investment properties	1,143	—
Interest received	7,712	7,671
Net cash used in investing activities	(11,199)	(9,822)
Financing activities		
Distribution paid	(292,409)	(278,382)
Borrowing costs paid	(100,711)	(112,682)
Net cash used in financing activities	(393,120)	(391,064)
Net increase (decrease) in cash and bank balances	1,243	(9,406)
Cash and bank balances at beginning of year	242,118	251,524
Cash and bank balances at end of year	243,361	242,118

See accompanying notes to financial statements.

Notes to the Financial Statements

As at 31 December 2008

These notes form an integral part of the financial statements.

The consolidated financial statements of the Group and the financial statements of Fortune REIT for the financial year ended 31 December 2008, were authorised for issue by the Manager and the Trustee on 21 January 2009.

1 GENERAL

Fortune Real Estate Investment Trust (known as "Trust" or "Fortune REIT") is a Singapore-domiciled unit trust. The Trust Deed dated 4 July 2003 (as amended by the Amending and Restating Deed dated 29 June 2005 and a 2nd supplemental deed dated 20 April 2006) ("Trust Deed") are governed by the laws of the Republic of Singapore. On 4 July 2003, Fortune REIT was declared an authorised unit trust scheme under the Trustees Act, Chapter 337. The Manager and Trustee are ARA Asset Management (Singapore) Limited and HSBC Institutional Trust Services (Singapore) Limited respectively and their registered offices and principal places of business are at 6 Temasek Boulevard, #16-02 Suntec Tower 4, Singapore 038986 and 21 Collyer Quay, #10-01 HSBC Building, Singapore 049320, respectively.

The consolidated financial statements of the Group and the financial statements of Fortune REIT are expressed in Hong Kong dollars.

Fortune REIT was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 12 August 2003.

The principal activity of Fortune REIT is to own and invest in a portfolio of retail shopping malls located in Hong Kong through the subsidiaries ("property companies") or other companies whose primary purpose is to hold or own real estate properties, or directly in properties, with the primary objective of producing stable distributions for Unitholders and to achieve long term growth in the net asset value per Unit.

The global financial and capital markets have experienced severe credit crunch and volatility, which creates uncertainty particularly over the availability of bank finance in the foreseeable future.

The Group will open renewal negotiations with the bank in due course and has at this stage not sought any written commitment that the facility will be renewed. However, the Group has held discussion with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms.

Based on the above factors, the management has a reasonable expectation that Fortune REIT and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

1 GENERAL (continued)

Fortune REIT 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 Manager, Goodwell-Fortune Property Services Limited, which is a party related to a major Unitholder, will receive from each of the 11 property companies a fee of 3% per annum of gross property revenue for the provision of property management services and lease management services.

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

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

Marketing services

For the marketing services, the property companies will pay the Property Manager the following 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 the total licence fee for securing a licence for duration of less than 12 months.

(b) Trustee's fees

The Trustee's fees are 0.03% per annum (subject to a minimum of HK\$50,000 per month) on the value of the real estate properties and are accrued daily and paid monthly in arrears in accordance with the Trust Deed.

(c) Manager's fees

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

Base fee

Under the Trust Deed, the Manager will receive a base fee from Fortune REIT at 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 the Trust during the first five years after the Units are listed on 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 from each property company at 3% of the net property income of the property companies with certain adjustments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of accounting*

The consolidated financial statements of the Group and the financial statements of Fortune REIT are prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with Singapore Financial Reporting Standards ("FRSs"), Interpretations of Financial Reporting Standards ("INT FRSs"), and the applicable requirements of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore ("MAS") and the Trust Deed.

In the current financial year, the Group has adopted all the new and revised FRSs and INT FRS that are relevant to its operations and effective for annual periods beginning on or after 1 January 2008. The adoption of these new/revised FRSs and INT FRSs does not result in any significant changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below and in the notes to financial statements.

Amendments to FRS 27 Consolidated and Separate Financial Statements

The Group has early adopted amendments to FRS 27, which is effective for annual periods beginning on or after 1 January 2009 for the current financial year ended 31 December 2008. Previously, the Group was required to recognise distribution as income only if they came from post-acquisition reserves. Distributions received in excess of such profits were regarded as a recovery of investment and were recognised as a reduction in the cost of investment.

The impact of the early adoption is that in 2008, distribution from a subsidiary amounting to HK\$30,200,000 had been included as part of dividend income instead of a reduction in the cost of investment in the subsidiary.

(b) *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of Fortune REIT and the property companies controlled by Fortune REIT made up to 31 December 2008. Control is achieved when Fortune REIT has the power to govern the financial and operating policies of the property companies so as to obtain benefits from their activities. On acquisition, the assets and liabilities of the relevant property companies are measured at their fair values at the date of acquisition. The results of property companies acquired or disposed of during the year are included in the consolidated statements of return from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intercompany transactions and balances are eliminated on consolidation.

In Fortune REIT's financial statements, investments in the property companies are carried at cost less any impairment in net recoverable value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) *Business combination*

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated statements of return.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(d) *Financial liabilities and equity instruments*

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

(e) *Financial assets and liabilities*

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial instrument and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and fixed deposits which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables and other receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest is not material.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) *Financial assets and liabilities (continued)*

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis.

Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Derivative financial instruments and hedge accounting

The Group enters into interest rate swaps to manage its exposure to interest rate risk. Further details of the interest rate swaps are disclosed in Note 11 to the financial statements.

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 each balance sheet date. The resulting gain or loss is recognised in the statement of return immediately unless the derivative is designated and effective as a hedging instrument. In which event, the timing of the recognition in the statement of return depends on the nature of the hedge relationship. The Group designates certain interest rate swaps as hedges of the cash flow of its long term borrowings which carry interest at floating rates ("cash flow hedge").

The effective portion of the changes in the fair value of the interest rate swaps that are designated and qualified as cash flow hedges are deferred in Unitholders' Funds. The gain or loss relating to the ineffective portion is recognised immediately in the statement of return.

The amounts deferred in Unitholders' Funds are recycled to the statement of return in the periods when the hedged item is recognised in the statement of return.

The fair value of the hedging interest rate swaps is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

The fair values changes of derivatives not designated as hedging instruments in an effective hedge relationship are taken to the statement of return and are classified as current asset or current liability.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in statement of return.

(f) *Unit issue costs*

Costs incurred in relation to the initial public offering and equity fund raising and subsequent issues of new Units in Fortune REIT on a stock exchange are charged against the Unitholders' Funds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) *Plant and equipment*

Plant and equipment are carried at cost, less accumulated depreciation and any impairment losses.

Depreciation is provided on gross carrying amounts in equal annual instalments over the estimated useful lives of the assets. The annual rates of depreciation are as follows:

Office equipment, furniture and fittings	—	20% to 33.3%
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Fully depreciated assets still in use are retained in the financial statements.

The estimated useful lives and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of return.

(h) *Investment properties*

Investment properties are held for investment potential and income. Investment properties are stated at annual valuation performed by independent professional valuers on an open market value for existing use basis. Fair value changes are taken to the statement of return.

Investment properties are classified as held for resale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The gain or loss arising on the disposal or retirement of investment property is determined as the difference between the sales proceeds and the carrying amount of the investment property and is recognised in the statement of return.

(i) *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each balance sheet date. 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 impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the statement of return. Changes in the carrying amount of the allowance account are recognised in the statement of return.

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 loss was recognised, the previously recognised impairment loss is reversed through the statement of return to the extent 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) *Impairment of tangible assets*

At every balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication of impairment loss. If such indication exists, the recoverable amount of the tangible asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the tangible asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of return.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of return.

(k) *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(l) *Unit based payments*

Base fee payable to the Manager in the form of Units in Fortune REIT is recorded in Unitholders' Funds when the Units become payable. The corresponding debit balance is taken to the statement of return as an expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Revenue recognition

Rental income from operating leases is recognised on a straight-line basis over the terms of the relevant lease unless another systematic basis is more representative of the time pattern in which the benefit of use of the leased asset is diminished. Rental compensation under guarantee is recognised over the contractual period of the rental guarantee. Lease incentives granted are recognised as an integral part of the total rental to be received.

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, representing mainly air conditioning expenses, management expenses, promotion expenses, government rates and government rents payable by the tenants and licencees are recognised when the services and facilities are provided.

Interest revenue is recognised on a time proportion basis using the effective interest basis on the principal amount outstanding.

Dividend revenue from the property companies is recognised when the right to receive dividend is legally established.

(n) Borrowing costs

Borrowing costs are recognised as an expense in the statement of return in the period in which they are incurred.

(o) Foreign currency transactions and translation

The individual financial statements of each entity in the Group are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the financial statements of Fortune REIT are presented in Hong Kong dollars, which is the functional currency of Fortune REIT and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in the statements of return for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the statements of return for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in Unitholders' Funds. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in Unitholders' Funds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Foreign currency transactions and translation (continued)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Hong Kong dollars using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as part of Unitholders' Funds and transferred to the Group's foreign currency translation reserve. Such translation differences are recognised in the statement of return in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(p) Taxation

Taxation on the profits for the period comprises current and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of return because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where Fortune REIT and its subsidiaries operate by the balance sheet date.

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

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the statement of return, except when it relates to items charged or credited directly to Unitholders' Funds, in which case the deferred tax is also dealt with in the Unitholders' Funds.

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.

Deferred tax liabilities have not been provided on the fair value changes on investment properties as the Manager expects to recover the property value substantially through disposal, the gain of which is not subject to tax.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Taxation (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 initial public offering. 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 the property companies that are distributed out of income (including interest income and gains from the sale of real properties) which have been subject to Hong Kong profits tax at a rate of not less than 15%.

(ii) Taxable Income

Fortune REIT will be subject to Singapore income tax on dividends received from the property companies that are paid out of income or gains which are not subject to Hong Kong profits tax, and on all income derived from or accrued in Singapore, or received in Singapore from outside Singapore.

(iii) Non-Taxable Capital Gain

Fortune REIT is not assessable to Singapore Income Tax on the gains from the disposal of investments in the property companies that have been confirmed by MOF to be capital gains.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, the Manager is required to make judgements, 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 judgements or the use of estimation techniques which may have a significant effect on the amounts recognised in the financial statements other than as follows:

i) Valuation of the investment properties

As described in Note 2(h), investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have determined the fair values using various methods of valuation 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 judgement in arriving at a value which is reflective of the current market conditions.

ii) Provision for deferred tax liabilities

As described in Note 2(p), the Manager provides for deferred tax based on its judgement on the probability of the temporary differences not reversing in the foreseeable future. The deferred tax liabilities amount would be affected should unanticipated events, not considered in the Manager's judgement, come about.

4 FINANCIAL RISKS AND MANAGEMENT

Exposure to credit, interest rate, liquidity and foreign currency risks arise in the normal course of the Group's business. The Group has guidelines, which set out its overall business strategies and its general risk management philosophy.

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 receivable from tenant or counterparty. The Manager has established credit limits for tenants and 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. Cash and fixed deposits are placed with reputable financial institutions.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics.

As at 31 December 2008, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset on the balance sheet.

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Manager on an ongoing basis with the 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

The sensitivity analysis below has been determined based on the exposure to interest rates for derivative instruments at the balance sheet date and 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 25–75 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the effect from possible change in interest rates.

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

Increase in interest rates basis points by:

	Decrease Group's results	
	2008 HK\$'000	2007 HK\$'000
25 basis points	1,317	1,262
50 basis points	2,634	2,526
75 basis points	3,951	3,789

4 FINANCIAL RISKS AND MANAGEMENT (continued)**Liquidity risk**

The Manager monitors and maintains a level of cash and bank balances equivalents deemed adequate by management to finance the Group's operations. In addition, the Manager also monitors and observes the Code on Collective Investment Schemes issued by the MAS concerning limits on total borrowings.

Liquidity and interest risk analysis

As at 31 December 2008, the Group's derivative financial instruments are interest rate swaps with notional amount totalling to HK\$2,348,700,000 (2007: HK\$1,843,500,000) with contracted net cash flows due within 4 years (2007: 4 years) from inception date.

As at 31 December 2007, structured swaps with notional sum amounting to HK\$614,500,000 with contracted gross cash flows due with 4 years from inception date. The structured swaps are unwound during 2008 and no structured swap were held by the Group as at 31 December 2008.

Foreign currency risk

The Group's entities' functional currency is Hong Kong dollars ("HK\$").

As at 31 December 2008, the carrying amounts of monetary assets denominated in currencies other than the respective Group entities' functional currencies arise from Singapore dollar ("S\$") denominated bank balances and deposits amounting to S\$126,000 (2007 : S\$3,367,000). 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%, the Group's results would decrease by:

	Decrease Group's results	
	2008 HK\$'000	2007 HK\$'000
5%	34	913
10%	68	1,826
15%	102	2,738

Conversely, if the HK\$ were to weaken against S\$, the effect on the Group would be an increase in the Group's result by the amount shown above.

Fair value of financial assets, financial liabilities and financial derivative

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, provisions and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The long-term borrowings are floating rate loans and hence their carrying values approximate their fair value. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

The fair values of financial assets, financial liabilities and financial derivatives are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

4 FINANCIAL RISKS AND MANAGEMENT (continued)***Fair value of financial assets, financial liabilities and financial derivative (continued)***

- the fair value of financial derivative instruments is calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives and option pricing models for optional derivatives.

Capital risk management policies and objectives

The Group 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 the debt and unitholders' funds.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 13, cash and cash equivalents and unitholders' funds comprising issued equity, reserves and accumulated profits.

The Group's overall strategy remains unchanged from 2007.

5 SIGNIFICANT RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Many of the Group's transactions and arrangements are with related parties and the effects of these on the bases determined between the parties are reflected in these financial statements. The balances are unsecured, free from interest and are repayable on demand.

Significant related party transactions, other than those disclosed elsewhere in the notes to the financial statements:

	Group		Fortune REIT	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Income:				
Base rental	54,264	59,915	—	—
Charge-out collections	19,163	21,447	—	—
Expenses:				
Building management expenses	53,841	53,451	—	—
Management fee and other charges	42,119	24,003	—	—
Carpark agency fee	1,745	2,415	—	—
Manager's performance fees	14,324	13,911	—	—
Manager's base fees	28,299	28,069	28,299	28,069
Trustee's fees	2,893	2,783	2,893	2,783

6 CASH AND CASH EQUIVALENTS

	Group		Fortune REIT	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Cash at bank and in hand	23,985	59,415	2,468	20,673
Fixed deposits with financial institutions	219,376	182,703	103,207	98,556
Total	243,361	242,118	105,675	119,229

Effective interest rate and repricing analysis:

	Effective interest rate per annum		Total		Within 1 to 3 months	
	2008 %	2007 %	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Group						
Fixed deposits with financial institutions	0.87	3.17	219,376	182,703	219,376	182,703
Fortune REIT						
Fixed deposits with financial institutions	0.87	3.17	103,207	98,556	103,207	98,556

The above fixed deposits are normally placed for a period ranging from 1 day to 90 days (2007: 7 days to 33 days).

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

	Group and Fortune REIT	
	2008 HK\$'000	2007 HK\$'000
Denominated in: Singapore dollars	683	18,256

7 TRADE AND OTHER RECEIVABLES

	Group		Fortune REIT	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
a) Trade receivables				
Outside parties	22,270	18,994	—	—
Less allowances for doubtful trade receivables	(2,380)	(321)	—	—
Net	19,890	18,673	—	—
Property companies (dividend receivable)	—	—	155,862	132,795
Total trade receivables	19,890	18,673	155,862	132,795
b) Other receivables and prepayments				
Security deposits	15,115	15,089	—	—
Other receivables	359	291	220	—
Prepayments	1,550	1,755	6,074	10,072
Total other receivables and prepayments	17,024	17,135	6,294	10,072
Total trade and other receivables	36,914	35,808	162,156	142,867

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 (2007: 10 days) from the date of the invoice.

Included in the Group's trade receivable balance are debtors with a carrying amount of HK\$19,890,000 (2007: HK\$18,673,000) which are past due at the reporting date for which the Group has not provided for doubtful debts as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 30 days (2007: 30 days).

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to deposits received from tenants. Accordingly, the Manager believes that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful debts are specific trade receivables with a total balance of HK\$2,380,000 (2007: HK\$321,000). The impairment recognised represents the difference between the carrying amount of the specific trade receivables and present value of expected liquidation proceeds. The Group does not hold any collateral over these balances.

7 TRADE AND OTHER RECEIVABLES (continued)

Movement in the allowance for doubtful debts:

	Group	
	2008 HK\$'000	2007 HK\$'000
At beginning of year	321	200
Amounts written off during the year	(19)	(1)
Increase in allowance recognised in the statement of return	2,078	122
At end of year	2,380	321

There are no trade and other receivables which are not denominated in the functional currencies.

8 INVESTMENT PROPERTIES

	Group	
	2008 HK\$'000	2007 HK\$'000
At beginning of year	9,713,904	9,235,904
During the year:		
Disposal of investment properties	(1,368)	—
Capital expenditure incurred	20,054	17,493
Fair value changes	(1,130,590)	460,507
At end of year	8,602,000	9,713,904

As at 31 December 2008

8 INVESTMENT PROPERTIES (continued)

Details of the investment properties as at the balance sheet date are set out below:

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Valuation	
					2008 HK\$'000	2007 HK\$'000
City One Shatin Property	Leasehold	99 years	38.5 years	1 & 2 Ngan Shing Street, 6 Lok Shing Street, Shatin, New Territories, Hong Kong	3,259,000	3,450,904
Ma On Shan Plaza	Leasehold	55.5 years	38.5 years	No 608 Sai Sha Road, Ma On Shan, Shatin, New Territories, Hong Kong	1,766,000	1,900,000
The Metropolis Mall	Leasehold	50.5 years	38.5 years	Nos 6-10 Metropolis Drive, The Metropolis Mall, Kowloon	1,342,000	1,830,000
Waldorf Garden Property	Leasehold	99 years	38.5 years	No 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong	743,000	768,000
Smartland	Leasehold	149 years	38.5 years	No 16 Tsuen Wan Street, Tsuen Wan, New Territories, Hong Kong	350,000	434,000
Tsing Yi Square Property	Leasehold	99 years	38.5 years	No 7-19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong	288,000	323,000
Jubilee Court Shopping Centre	Leasehold	149 years	38.5 years	Nos 2-18 Lok King Street, Fo Tan, Shatin, New Territories, Hong Kong	285,000	322,000

8 INVESTMENT PROPERTIES (continued)

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Valuation	
					2008 HK\$'000	2007 HK\$'000
The Household Center	Leasehold	50 years	39.5 years	No 8 King Lai Path, Kwai Chung, New Territories, Hong Kong	258,000	326,000
Centre de Laguna Property	Leasehold	58 years	38.5 years	93/99 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong	157,000	188,000
Lido Garden Property	Leasehold	149 years	38.5 years	No 41-63 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong	94,000	110,000
Rhine Garden Property	Leasehold	57 years	38.5 years	No 38 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong	60,000	62,000
Total					8,602,000	9,713,904
Classified as:						
Held for resale					—	904
Investment properties					8,602,000	9,713,000
Total					8,602,000	9,713,904

On 31 December 2008 and 31 December 2007, an independent valuation was undertaken by Knight Frank Petty Limited on the above investment properties. The firm is an independent valuer having appropriate professional qualifications and experiences in the location and category of the properties being valued. The valuations for the 11 properties were based on a combination of Investment Method, Direct Comparison Method and Discounted Cash Flow Analysis. The valuations were arrived at by reference to market evidence of transaction prices for similar properties. The valuations adopted amounted to HK\$8,602,000,000 (2007: HK\$9,713,000,000). It represents a decrease of HK\$1,130,590,000 (including capitalisation, disposal and transfer within the year) in the value of the investment properties.

8 INVESTMENT PROPERTIES (continued)

Certain investment properties held for resale pertain to car park lots which were substantially disposed of during 2008 and 2007. The remaining property which was not sold as at 31 December 2008 has been reclassified to investment properties and included in the independent valuation undertaken by Knight Frank Petty Limited.

The investment properties located in Hong Kong comprise a portfolio of 11 retail shopping mall properties with a diverse tenant base. Most of the leases contain tenancy periods ranging from two to three years. Subsequent renewals are negotiated with the lessees at prevailing market rates.

The investment properties (except Waldorf Garden Property and Jubilee Court Shopping Centre) with a total fair value of HK\$7,574,000,000 (2007: HK\$8,623,000,000) have been mortgaged to Hongkong and Shanghai Banking Corporation Limited and DBS Bank Ltd, as collaterals for credit facilities granted by these banks.

9 INVESTMENTS IN PROPERTY COMPANIES

	Fortune REIT	
	2008 HK\$'000	2007 HK\$'000
Unquoted, ordinary shares, at cost	2,446,240	2,446,240
Unquoted, preference shares, at cost	1,492,984	1,492,984
Total	3,939,224	3,939,224

Subsidiaries of Fortune REIT:

Name of company	Country of incorporation	Effective equity interest held by Fortune REIT		Cost of investment by Fortune REIT		Principal activities in Hong Kong
		2008 %	2007 %	2008 HK\$'000	2007 HK\$'000	
Mightypattern Limited	Hong Kong	100	100	1,519,004	1,519,004	Property investment in City One Shatin Property
Vision Million Limited	British Virgin Islands	100	100	938,809	938,809	Property investment in The Metropolis Mall
Poko Shine Limited	Hong Kong	100	100	487,258	487,258	Property investment in Ma On Shan Plaza
Waldorf Realty Limited	Hong Kong	100	100	395,749	395,749	Property investment in Waldorf Garden Property
Yee Pang Realty Limited	Hong Kong	100	100	152,832	152,832	Property investment in Jubilee Court Shopping Centre

9 INVESTMENTS IN PROPERTY COMPANIES (continued)

Name of company	Country of incorporation	Effective equity interest held by Fortune REIT		Cost of investment by Fortune REIT		Principal activities in Hong Kong
		2008 %	2007 %	2008 HK\$'000	2007 HK\$'000	
Art Full Resources Limited	Hong Kong	100	100	130,431	130,431	Property investment in The Household Center
Quick Switch Limited	British Virgin Islands	100	100	115,157	115,157	Property investment in Smartland
Team Challenge Limited	British Virgin Islands	100	100	95,620	95,620	Property investment in Tsing Yi Square Property
Ace Courage Limited	British Virgin Islands	100	100	56,059	56,059	Property investment in Centre de Laguna Property
Partner Now Limited	British Virgin Islands	100	100	30,810	30,810	Property investment in Lido Garden Property
Proven Effort Limited	British Virgin Islands	100	100	17,495	17,495	Property investment in Rhine Garden Property
Genuine Joy Limited ⁽¹⁾	British Virgin Islands	100	100	—	—	Property investment
Full Belief Limited ⁽¹⁾	British Virgin Islands	100	100	—	—	Property investment
Subsidiaries of Mightypattern Limited:						
Maxon Investment Limited	Hong Kong	100	100	—	—	Financing
Pinelink Investment Limited ⁽¹⁾	British Virgin Islands	100	100	—	—	Investment holding
Million Nice Development Limited	Hong Kong	100	100	—	—	Property investment

9 INVESTMENTS IN PROPERTY COMPANIES (continued)

Name of company	Country of incorporation	Effective equity interest held by Fortune REIT		Cost of investment by Fortune REIT		Principal activities in Hong Kong
		2008 %	2007 %	2008 HK\$'000	2007 HK\$'000	
Subsidiaries of Waldorf Realty Limited:						
Prostar Resources Limited ⁽¹⁾	British Virgin Islands	100	100	—	—	Investment holding
Colour Sky International Limited	Hong Kong	100	100	—	—	Property investment
Total				3,939,224	3,939,224	

Note:

(1) No audit required under country of incorporation.

Fortune REIT holds 100% of the ordinary shares and redeemable preference shares in all the direct subsidiaries. The interest in subsidiaries, except for Full Belief Limited and Genuine Joy Limited, were pledged as securities to the banks for the loan facilities granted by these banks to the subsidiaries as disclosed in Note 13.

The redeemable preference shares are redeemable at the option of the subsidiaries and they have the following terms:

- (a) They do not carry any right to dividend;
- (b) They are not participating (i.e. there is no right to participate in the surplus profits of the company after payment of dividend to the holders of the ordinary shares);
- (c) They shall not have any voting rights at general meetings of the company;
- (d) In the event of a winding up of the subsidiary, the holders of the redeemable preference shares shall have priority over the holders of the ordinary shares as to repayment of capital and premium paid on the issue of such redeemable preference shares, but that the holders of the redeemable preference shares shall not be entitled to participate in the surplus assets (if any) of the company; and
- (e) Each redeemable preference share shall be redeemable at any time at the option of the subsidiary at a redemption price equal to the issue price thereof.

All the property companies are audited by Deloitte Touche Tohmatsu, Hong Kong.

10 PLANT AND EQUIPMENT

	Office equipment, furniture and fittings	
	2008 HK\$'000	2007 HK\$'000
Group		
Cost:		
At beginning and end of year	411	411
Accumulated depreciation:		
At beginning of year	220	141
Depreciation for the year	74	79
At end of year	294	220
Carrying value:		
At end of year	117	191

11 DERIVATIVE LIABILITIES

At the balance sheet date, the total notional principal amount of the derivative financial instruments to which the Group is committed and their fair values at balance sheet date are as follows:

(a) Notional amount

	Group		Fortune REIT	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Interest rate swaps	2,348,700	1,843,500	—	—
Structured swaps	—	614,500	—	614,500
Total	2,348,700	2,458,000	—	614,500

11 DERIVATIVE LIABILITIES (continued)
(b) Fair value liabilities

	Group		Fortune REIT	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Interest rate swaps	64,919	34,019	—	—
Structured swaps	—	5,729	—	5,729
Total	64,919	39,748	—	5,729
Reflected on balance sheet as:				
Current	11,473	1,022	—	—
Non-current	53,446	38,726	—	5,729
Total	64,919	39,748	—	5,729
Taken to:				
i) Equity	64,919	34,019	—	—
ii) Statement of return	—	5,729	—	5,729
Total	64,919	39,748	—	5,729

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of these borrowings from floating rates to fixed rates. Contracts with nominal values of HK\$2,348.7 million (2007: HK\$1,843.5 million) have fixed interest payments at rates ranging from 2.38% to 5.12% (2007: 3.93% to 5.12%) per annum for periods up to June 2010 and have floating interest receipts at Hong Kong Inter-bank Offer Rate.

The fair value changes of those interest rate swaps which qualify as cash flow hedges are taken to equity. The fair value changes of the other interest rate swaps which do not qualify for hedge accounting have been taken to the statement of return. The fair value derivative liabilities represented 1.05% (2007: 0.54%) of the net assets of the Group as at 31 December 2008.

The derivative liabilities of the Group are denominated in the functional currencies of the respective Group entities.

12 TRADE AND OTHER PAYABLES

	Group		Fortune REIT	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
a) Trade payables				
Tenant's deposits				
— Outside parties	142,938	133,836	—	—
— Related parties (Note 5)	749	377	—	—
Rental received in advance				
— Outside parties	4,775	5,598	—	—
Total trade payables	148,462	139,811	—	—
b) Other payables				
Trustee's fee	491	1,256	491	1,256
Manager's fee	624	514	624	514
Operating expenses	40,718	46,013	1,174	1,296
Interest payable	783	990	—	—
Others	3,382	3,382	3,382	3,382
Total other payables	45,998	52,155	5,671	6,448
Total trade and other payables	194,460	191,966	5,671	6,448

Trade payables and other payables comprise deposits refundable to tenants upon cancellation of operating lease arrangements and amounts outstanding for ongoing costs. The refundable deposit to tenants is within 30 days (2007: 30 days).

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

	Group and Fortune REIT	
	2008 HK\$'000	2007 HK\$'000
Denominated in:		
Singapore dollars	1,505	550

13 BORROWINGS

	Group	
	2008 HK\$'000	2007 HK\$'000
Long-term borrowings:		
Term loans	2,348,700	2,348,700
Less unamortised front end fee	(6,037)	(10,062)
Net	2,342,663	2,338,638

Under the facility agreement between Hongkong and Shanghai Banking Corporation Limited and DBS Bank Ltd and the property companies, the banks have granted the property companies an Omnibus Facilities ("Facility") of HK\$2,613.7 million (2007: HK\$2,613.7 million) comprising a HK\$2,348.7 million (2007: HK\$2,348.7 million) term loan facility and a HK\$265 million (2007: HK\$265 million) revolving credit facility, each for a term of five years from 28 June 2005.

Each loan made under the Facility bears interest at the Hong Kong Interbank Offer Rate plus a margin. The margin is 0.28% for the first year, 0.30% for the second year, 0.34% for the third year, 0.36% for the fourth year and 0.42% for the fifth year.

Included in the loan obligation is an front end fee of HK\$20.1 million paid to the banks to secure the loan facilities. The front end fee is amortised over a period of 5 years. The movement in the front end fee and the accumulated amortisation is as follows:

	Group and Fortune REIT	
	2008 HK\$'000	2007 HK\$'000
Cost	20,125	20,125
Movement in accumulated amortisation:		
At beginning of year	(10,063)	(6,038)
Amortised during the year	(4,025)	(4,025)
At end of year	(14,088)	(10,063)
Net book value	6,037	10,062

The loan facilities are secured by, inter alia, a mortgage over the existing properties (except for Waldorf Garden Property and Jubilee Court Shopping Centre).

The total facilities drawn down by the property companies (before deduction of unamortised front end fee) as at 31 December 2008 relate to HK\$2,348.7 million (2007: HK\$2,348.7 million) term loans bearing interest at floating interest rate ranging from 2.30% to 3.86% (2007: 3.92% to 5.49%) per annum, fully repayable in June 2010.

The Group entered into interest rate swap contracts to swap the floating rate borrowings into fixed rate borrowings. As at 31 December 2008, the fixed interest rates of borrowings vary from 2.38% to 5.12% (2007: 3.93% to 5.12%) per annum.

13 BORROWINGS (continued)

The effective interest rates and repricing analysis:

	Effective interest rate		Carrying value		Repricing within 3 months	
	2008 %	2007 %	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Interest bearing borrowings – Group						
Term loans (with swap cost)	4.22	4.75	2,348,700	2,348,700	2,348,700	2,348,700

14 DEFERRED TAX LIABILITIES

	Group	
	2008 HK\$'000	2007 HK\$'000
Deferred tax liabilities	114,777	109,426
The movements in deferred tax position during the year were as follows:		
At beginning of year	109,426	95,546
Charge to statement of return for the year (Note 22)	5,351	13,880
At end of year	114,777	109,426

The followings are the major deferred tax liabilities and assets recognised by the Group and movements therein during the year:

Deferred tax liabilities (assets)

	Accelerated tax depreciation		Tax losses		Total	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Group						
At beginning of year	114,717	102,167	(5,291)	(6,621)	109,426	95,546
Charge to statement of return for the year	5,329	12,550	22	1,330	5,351	13,880
At end of year	120,046	114,717	(5,269)	(5,291)	114,777	109,426

15 ISSUED EQUITY

	Group and Fortune REIT			
	2008 Number of Units '000	2007 Number of Units '000	2008 HK\$'000	2007 HK\$'000
Balance at beginning of year	812,266	806,218	4,342,232	4,314,163
Issue of new Units during the year:				
As payment of Manager's base fee	5,477	4,636	21,794	20,724
Balance in issue as at year end	817,743	810,854	4,364,026	4,334,887
New Units to be issued:				
As payment of Manager's base fee for the period from 1 October to 31 December 2008 (1 October to 31 December 2007)	3,076	1,412	6,505	7,345
Balance at end of year	820,819	812,266	4,370,531	4,342,232

On 9 January 2009, Fortune REIT issued 3,075,716 Units (2007: 1,412,396 Units) to the Manager at HK\$2.1148 (2007: HK\$5.2006) per Unit as base fee for the period from 1 October 2008 to 31 December 2008 (1 October 2007 to 31 December 2007).

Each Unit in Fortune REIT represents an undivided interest in Fortune REIT. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:

- Receive income and other distributions attributable to the Units held;
- Receive audited financial statements and the annual reports of Fortune REIT; and
- Participate in the termination of Fortune REIT by receiving a share of all net cash proceeds derived from the realisation of the assets of Fortune REIT less any liabilities, in accordance with their proportionate interests in Fortune REIT. However, an Unitholder has no right to require that any asset of Fortune REIT be transferred to him.

Further, Unitholders cannot give any directions to the Trustee or the Manager (whether at a meeting of Unitholders or otherwise) if it would require the Trustee or the Manager to do or omit doing anything which may result in:

- Fortune REIT ceasing to comply with applicable laws and regulations; or
- The exercise of any discretion expressly conferred on the Trustee or the Manager by the Trust Deed or the determination of any matter which, under the Trust Deed, requires the agreement of either or both of the Trustee and the Manager.

A Unitholder's liability is limited to the amount paid or payable for any Units in Fortune REIT. The provisions of the Trust Deed provide that no Unitholder will be personally liable to indemnify the Trustee or any creditor of the Trustee in the event that liabilities of Fortune REIT exceed its assets.

As at 31 December 2008

16 UNIT ISSUE COSTS

Expenses incurred in issuing new Units totalling HK\$173.1 million (2007: HK\$173.1 million) had been charged against the Unitholders' funds.

17 NET ASSET VALUE PER UNIT AND ADJUSTED NET ASSET VALUE PER UNIT

Net asset value per Unit is determined based on the Unitholders' funds of HK\$6,156,364,000 (2007: HK\$7,306,249,000) divided by the number of Units issued and to be issued as at the balance sheet date.

The adjusted net asset value per Unit is calculated based on the net Unitholders' funds excluding hedging reserve divided by the number of Units issued and to be issued as at the balance sheet date. This comprises:

- i) the number of Units in issue as at 31 December 2008 of 817,743,259 (2007: 810,853,651); and
- ii) the Units payable to the Manager on 9 January 2009 as base fee for the period from 1 October 2008 to 31 December 2008 of 3,075,716 (2007: 1,412,396).

18 REVENUE

	Group		Fortune REIT	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Net dividend income	—	—	309,005	279,951
Base rental	454,786	421,327	—	—
Charge-out collections	121,838	120,904	—	—
Short-term rental	57,865	67,157	—	—
Other income	2,549	5,369	—	—
Total	637,038	614,757	309,005	279,951

The rental revenue included HK\$1,334,000 (2007: HK\$1,113,000) of contingent rents.

19 PROPERTY OPERATING EXPENSES

	Group	
	2008 HK\$'000	2007 HK\$'000
Utilities	30,541	31,104
Government rents and rates	17,537	18,841
Contribution to estate common	18,123	17,196
Staff costs	14,171	13,822
Service contracts and maintenance	18,313	17,344
Manager's performance fee	14,324	13,911
Property management fee	14,641	14,039
Car park expenses	7,916	8,018
Advertising and promotion	7,296	5,291
Audit fees paid to		
— auditors of property companies		
current year	760	750
under provision of prior year audit fees	10	2
— internal auditors of property companies		
current year	340	330
over provision of prior year audit fees	(30)	—
Allowance for doubtful debts	2,078	121
Other operating expenses	27,874	23,933
Total	173,894	164,702

20 TRUST EXPENSES

	Group and Fortune REIT	
	2008 HK\$'000	2007 HK\$'000
Audit fees paid to auditor of Fortune REIT	553	513
Professional fees	1,184	161
Non-deal roadshow expense	107	71
Trustee's fee	2,893	2,783
Other charges	7,158	11,681
Total	11,895	15,209

21 BORROWING COSTS

	Group	
	2008 HK\$'000	2007 HK\$'000
Interest expense on		
— Term loans	100,319	112,045
— Revolving loan	—	245
Commitment fee	392	392
Total	100,711	112,682

22 INCOME TAX EXPENSE

	Group		Fortune REIT	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Current — Singapore	1,355	1,371	1,355	1,371
— Hong Kong	47,426	44,346	—	—
(Over) Under provision in prior years	(293)	217	—	217
	48,488	45,934	1,355	1,588
Deferred (Note 14)	5,351	13,880	—	—
Total	53,839	59,814	1,355	1,588

The income tax expense varied from the amount of income tax determined by applying the Singapore income tax rate of 18% (2007: 18%) to (loss) profit before income tax as a result of the following differences:

	Group		Fortune REIT	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
(Loss) Profit before income tax	(801,036)	763,516	276,351	245,587
Income tax expense at statutory rate	(144,186)	137,432	49,743	44,206
Non-allowable items	210,789	7,199	7,233	7,199
Non-taxable income	(852)	(82,915)	—	—
Tax exempt income	—	—	(55,621)	(50,024)
Effect of different tax rates of overseas operations	(5,366)	(1,687)	—	—
Other items	—	(432)	—	(10)
Decrease in opening deferred tax liability resulting from an decrease in applicable tax rate	(6,253)	—	—	—
(Over) Under provision of current tax in prior years	(293)	217	—	217
Net income tax expense	53,839	59,814	1,355	1,588

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008 and 2009. Therefore, there was a one-off write-back of deferred tax during 2008.

23 AMOUNT AVAILABLE FOR DISTRIBUTION

Amount available for distribution during the financial year is derived from net profit of the Group after adjustment for appropriate trust expenses in the current year and prior periods. Dividend income from a subsidiary amounting to HK\$30,200,000 (2007: HK\$Nil) was declared out of its pre-acquisition reserves. 2007 distribution also included HK\$5,258,000 which pertained to bank interest income accumulated up to 31 December 2006.

24 EARNINGS PER UNIT**(i) Weighted average (loss) earnings per Unit**

Weighted average basic (loss) earnings per Unit is calculated by dividing the net (loss) profit by the weighted average number of Units in issue during the year as follows:

	2008 HK\$'000	2007 HK\$'000
Net (loss) profit for the year	(854,875)	703,702
	2008 Number of Units '000	2007 Number of Units '000
Weighted average number of Units in issue during the year	816,186	809,934
	HK cents	HK cents
Weighted average (loss) earnings per Unit	(104.74)	86.88

The weighted average number of Units in issue during the year takes into account the 3,075,716 (2007: 1,412,396) Units issued to the Manager on 9 January 2009 (2007: 15 January 2008) as base fee for the period from 1 October 2008 to 31 December 2008 (2007: 1 October 2007 to 31 December 2007).

(ii) Adjusted notional basic earnings per Unit

Adjusted notional basic earnings per Unit is calculated by dividing the net (loss) profit excluding fair value (loss) gain on investment properties by the weighted average number of units issued during the first and second half of the year respectively including the base fee issued to the Manager in Unit for the period 1 October 2008 to 31 December 2008 (2007: 1 October 2007 and 31 December 2007) as follows:

	2008 HK\$'000	2007 HK\$'000
Profit for the year adjusted for fair value changes on investment properties	275,715	243,195
	2008 Number of Units '000	2007 Number of Units '000
Weighted average number of Units in issue during the year	816,186	809,934
	HK cents	HK cents
Adjusted notional earnings per Unit	33.78	30.03

Diluted earnings per Unit is the same as the weighted average basic earning per Unit as there are no dilutive instruments in issue during the current financial year nor outstanding at the end of the financial year.

25 DISTRIBUTION POLICY

	2008 HK\$'000	2007 HK\$'000
Distributions to Unitholders during the year comprise:		
2008		
Distribution of 17.42 Hong Kong cents per Unit for the period 1 July 2007 to 31 December 2007	141,497	—
Distribution of 18.51 Hong Kong cents per Unit for the period 1 January 2008 to 30 June 2008	150,912	—
Total	292,409	—
2007		
Distribution of 16.73 Hong Kong cents per Unit for the period 1 July 2006 to 31 December 2006	—	135,076
Distribution of 17.70 Hong Kong cents per Unit for the period 1 January 2007 to 30 June 2007	—	143,306
Total	—	278,382

Fortune REIT's distribution policy is to distribute 100% of its Tax-Exempt Income (except gain on revaluation of properties and dividends paid out of interest income and gains, which are distributable at the discretion of the Manager) after deduction of applicable expenses. Tax-Exempt Income consists of dividends receivable in Singapore from the property companies which are paid out of income subject to Hong Kong Profits Tax at a rate of not less than 15%. This income will be distributed on a semi-annual basis to Unitholders and will be paid by the Manager within 60 days from the end of each distribution period. Under the Trust Deed, the Manager is required to pay distributions within 60 days from the end of each distribution period.

As at 31 December 2008

25 DISTRIBUTION POLICY (continued)

The distribution per Unit is based on the amount available for distribution for the relevant distribution period and the number of Units in issue as at the end of each distribution period plus the number of Units to be issued after the distribution period to the Manager as base fee for the last quarter of the relevant distribution period as follows:

	Amount available for distribution HK\$'000	Number of Units '000	Distribution per Unit HK cents
Distribution period			
Year ended 31 December 2008			
1 January 2008 to 30 June 2008	150,916	815,302	18.51
1 July 2008 to 31 December 2008	151,939	820,819	18.51
Total	302,855		37.02
Year ended 31 December 2007			
1 January 2007 to 30 June 2007	143,322	809,641	17.70
1 July 2007 to 31 December 2007	141,554	812,266	17.42
Total	284,876		35.12

26 SEGMENTAL REPORTING

Fortune REIT's business is investing in retail shopping malls and all the existing properties are located in Hong Kong.

27 OPERATING LEASE ARRANGEMENTS

	Group	
	2008 HK\$'000	2007 HK\$'000
Minimum lease income under operating leases included in the statement of return	576,624	542,231

As at 31 December 2008

27 OPERATING LEASE ARRANGEMENTS (continued)

As at the balance sheet date, commitments in respect of non-cancellable operating leases for the rental of mall premises were as follows:

	Group	
	2008 HK\$'000	2007 HK\$'000
Future minimum lease payments receivable:		
Within one year	429,230	351,539
In the second to fifth year inclusive	410,518	266,601
After five years	21,081	15,886
Total	860,829	634,026

Operating lease income represents rentals receivable by the Group for its investment properties. Leases are negotiated for an average of 1 to 3 years and rentals are fixed for an average of 1 to 3 years.

Unitholders' Statistics

ISSUED AND FULLY PAID-UP UNITS

As at 28 February 2009

Date	Event	No of Units	Amount (HK\$)	Price (HK\$)
12-08-03	Initial public offering	473,000,000	2,234,045,650 ¹	4.7500
16-10-03	Manager's base fee	285,275	1,318,969	4.6235
13-01-04	Manager's base fee	508,329	2,562,639	5.0413
01-04-04	Manager's base fee	491,656	2,534,746	5.1556
02-07-04	Manager's base fee	471,649	2,534,783	5.3743
01-10-04	Manager's base fee	411,900	2,562,636	6.2215
12-01-05	Manager's base fee	501,966	3,163,791	6.3028
06-04-05	Manager's base fee	460,047	3,095,012	6.7276
28-06-05	Equity fund raising	318,796,148	1,986,100,002	6.2300
18-07-05	Acquisition fee	5,520,064	34,389,999	6.2300
18-07-05	Manager's base fee	496,797	3,189,039	6.4192
03-10-05	Manager's base fee	977,811	5,907,152	6.0412
16-01-06	Manager's base fee	1,124,236	6,496,960	5.7790
06-04-06	Manager's base fee	995,742	6,355,722	6.3829
05-07-06	Manager's base fee	1,088,288	6,426,341	5.9050
03-10-06	Manager's base fee	1,087,740	6,496,962	5.9729
16-01-07	Manager's base fee	1,168,830	6,983,175	5.9745
09-04-07	Manager's base fee	1,173,532	6,831,364	5.8212
04-07-07	Manager's base fee	1,081,039	6,907,947	6.3901
05-10-07	Manager's base fee	1,212,602	6,983,860	5.7594
15-01-08	Manager's base fee	1,412,396	7,345,307	5.2006
10-04-08	Manager's base fee	1,424,193	7,185,628	5.0454
07-07-08	Manager's base fee	1,611,601	7,264,617	4.5077
08-10-08	Manager's base fee	2,441,418	7,344,274	3.0082
09-01-09	Manager's base fee	3,075,716	6,504,526	2.1148
	Total Units outstanding	820,818,975		

Note:

1. After volume discount

There were 820,818,975 Units (voting rights: one vote per Unit) outstanding as at 28 February 2009. There is only one class of Units in Fortune REIT.

TOP TWENTY UNITHOLDERS

As at 28 February 2009

As shown in the Register of Substantial Unitholders as at 28 February 2009

Ranking	Unitholders	No. of Units	% of total
1	Focus Eagle Investments Limited	206,537,342	25.16
2	Citibank Nominees Singapore Pte Ltd	174,958,379	21.32
3	DBS Nominees Pte Ltd	161,782,539	19.71
4	DBSN Services Pte Ltd	85,184,114	10.38
5	HSBC (Singapore) Nominees Pte Ltd	64,006,765	7.80
6	DBS Vickers Securities (S) Pte Ltd	17,771,700	2.17
7	United Overseas Bank Nominees (Pte) Ltd	12,557,946	1.53
8	Kim Eng Securities Pte Ltd	5,651,000	0.69
9	Raffles Nominees Pte Ltd	5,218,186	0.64
10	DB Nominees (S) Pte Ltd	4,941,000	0.60
11	ING Nominees (Singapore) Pte Ltd	4,656,000	0.57
12	Lim & Tan Securities Pte Ltd	2,570,000	0.31
13	OCBC Securities Private Ltd	2,033,000	0.25
14	Phillip Securities Pte Ltd	1,644,600	0.20
15	BNP Paribas Nominees Singapore Pte Ltd	1,530,000	0.19
16	UOB Kay Hian Pte Ltd	1,338,000	0.16
17	Merrill Lynch (Singapore) Pte Ltd	1,309,900	0.16
18	Liew Chee Kong	1,091,000	0.13
19	Nomura Singapore Limited	1,073,000	0.13
20	Wong Seng Chak	1,060,000	0.13
Total		756,914,471	92.23

SUBSTANTIAL UNITHOLDERS

As at 28 February 2009

As shown in the Register of Substantial Unitholders as at 28 February 2009

		No. of Units	
		Direct interest	Deemed interest
1	Focus Eagle Investments Limited	206,537,342	—
2	Ballston Profits Limited	56,278,000	—
3	PGGM	120,000,000	—
4	DBS Bank Ltd	51,700,000	927,500 ¹
5	Schroder Investment Management Group	—	66,137,900 ²
6	Cheung Kong (Holdings) Limited	—	262,815,342 ³
7	Hutchison Whampoa Limited	—	56,278,000 ⁴
8	DBS Group Holdings Ltd	—	52,627,500 ⁵
9	Temasek Holdings (Private) Limited	—	55,689,500 ⁶

Notes:

1. DBS Bank Ltd is deemed to be interested in 927,500 Units held by DBS Asset Management Ltd (a wholly owned subsidiary of DBS Bank Ltd).
2. Schroder Investment Management Group is deemed to be interested in 66,137,900 Units of which:
 - (i) 32,314,000 Units are held by Schroder Investment Management Limited
 - (ii) 24,819,000 Units are held by Schroder Investment Management (Singapore) Limited
 - (iii) 9,004,900 Units are held by Schroder Investment Management (Hong Kong) Limited
3. Cheung Kong is deemed to be interested in 262,815,342 Units, of which:
 - (i) 206,537,342 Units are held by Focus Eagle Investments Limited (a wholly-owned subsidiary of Cheung Kong); and
 - (ii) 56,278,000 Units are held by Ballston Profits Limited (a wholly-owned subsidiary of Hutchison Whampoa Limited, which in turn is 49.9% owned by Cheung Kong)
4. Hutchison Whampoa Limited is deemed to be interested in 56,278,000 Units held by its wholly-owned subsidiary company, Ballston Profits Limited.
5. DBS Group Holdings Ltd is deemed to be interested in 52,627,500 Units held by its subsidiary, DBS Bank Ltd.
6. Temasek Holdings (Private) Limited is deemed to be interested in 55,689,500 Units of which:
 - (i) 2,500,000 Units are held by Fullerton (Private) Limited (a subsidiary of Temasek Holdings (Private) Limited)
 - (ii) 471,000 Units are held by Temasek Fullerton Alpha Pte Ltd (a subsidiary of Temasek Holdings (Private) Limited)
 - (iii) 52,627,500 Units are held indirectly by DBS Group Holdings Limited (Temasek Holdings (Private) Limited holds directly and indirectly approximately 28.46% of total issued share capital of DBS Group Holdings Limited)
 - (iv) 91,000 Units are held by Singapore Technologies Aerospace Limited (a subsidiary of Temasek Holdings (Private) Limited)

SIZE OF HOLDINGS

As at 28 February 2009

Size of Unitholdings	No. of Unitholders	% of Unitholders	No. of Units	% of Units
1 – 999	14	0.71	3,848	0.00
1,000 – 10,000	1,095	55.84	5,908,300	0.72
10,001 – 1,000,000	831	42.38	56,942,356	6.94
1,000,001 and above	21	1.07	757,964,471	92.34
Total	1,961	100.00	820,818,975	100.00

MANAGER'S DIRECTORS' UNITHOLDINGS

As shown in the Register of Directors' Unitholdings as at 21 January 2009

		No. of Units	
		Direct interest	Deemed interest
1	Lim Hwee Chiang, John	—	15,771,827 ¹
2	Poon Sow-Mei (alias Sng Sow Mei)	110,000	—

Note:

1. Mr. Lim Hwee Chiang, John is deemed to be interested in 15,771,827 Units, of which:

- (i) 3,075,827 Units are held by the Manager (a wholly-owned subsidiary of ARA Asset Management Limited ("ARA")) by virtue of Mr. Lim's shareholdings of 0.24% in the capital of ARA as well as his ownership of 100% of the issued shares in the capital of JL Investment Group Limited, which holds 36.45% of the issued shares in the capital of ARA.
- (ii) 12,696,000 Units are held by ARA Asian Income Master Fund ("AAAIMF"). ARA Strategic Capital I Pte Ltd (the "Fund Manager"), as the fund manager of AAAIMF, is deemed to have an interest in the Units. The Fund Manager is 100% owned by ARA Strategic Capital (Holdings) Pte Ltd which is 75% owned by ARA Asset Management Limited.

FREE FLOAT

Based on information made available to the Manager as at 28 February 2009, approximately 38.5% 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.

Additional Information

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 Guidelines 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\$541,590 ¹ equivalent) each) HK\$'000
Property management services, renovation works, base rent and charge-out collections	
Goodwell-Fortune Property Services Limited	161,497
A.S. Watson Group (HK) Limited	83,201
Cheung Kong Property Development Limited	33,326
Goodwell Property Management Limited	897
Hutchison Telephone Company Limited	720
Total	279,641

Save as disclosed above, there were no additional related party transactions (excluding transactions of less than S\$100,000 (HK\$541,590 equivalent) each) entered during the year ended 31 December 2008.

Please also see Significant Related Party Transactions in Note 5 in the financial statements.

Note:

1. Exchange rate as at 1 January 2008

SUBSCRIPTION OF FORTUNE REIT UNITS

As at 31 December 2008, an aggregate of 817,743,259 Units were in issue. On 9 January 2009, Fortune REIT issued 3,075,716 Units to the Manager as base fee for the period from 1 October 2008 to 31 December 2008.



FORTUNE
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Fortune Real Estate Investment Trust
Managed by ARA Asset Management (Singapore) Limited

Portfolio Summary



Portfolio Summary



	Location	Gross Rentable Area	Number of Tenants (As at 31 December 2008)	Occupancy Rate (As at 31 December 2008)	Valuation (As at 31 December 2008)	2008 Net Property Income	
1	City One Shatin Property	Shatin	414,469 sf	248	97.0%	HK\$3,259 M	HK\$178.3 M
2	Ma On Shan Plaza	Shatin	310,084 sf	139	99.9%	HK\$1,766 M	HK\$110.2 M
3	The Metropolis Mall	Hung Hom	332,168 sf	126	95.9%	HK\$1,342 M	HK\$50.6 M
4	Waldorf Garden Property	Tuen Mun	80,842 sf	46	100.0%	HK\$743 M	HK\$42.0 M
5	Smartland	Tsuen Wan	123,544 sf	94	94.4%	HK\$350 M	HK\$19.7 M
6	Tsing Yi Square Property	Tsing Yi	78,836 sf	60	97.6%	HK\$288 M	HK\$16.3 M
7	Jubilee Court Shopping Centre	Shatin	170,616 sf	44	88.1%	HK\$285 M	HK\$14.3 M
8	The Household Center	Kwai Chung	91,779 sf	47	87.1%	HK\$258 M	HK\$14.5 M
9	Centre de Laguna Property	Kwun Tong	43,000 sf	22	100.0%	HK\$157 M	HK\$8.4 M
10	Lido Garden Property	Tsuen Wan	9,836 sf	10	100.0%	HK\$94 M	HK\$5.3 M
11	Rhine Garden Property	Tsuen Wan	14,604 sf	4	100.0%	HK\$60 M	HK\$3.5 M
Portfolio Total			1,669,778 sf	840	96.0%	HK\$8,602 M	HK\$463.1 M

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