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Fortune Real Estate Investment Trust

(a Hong Kong collective investment scheme authorized under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))

(Stock Code: 778)

Managed by

ARA Asset Management (Fortune) Limited

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014 AND CLOSURE OF REGISTER OF UNITHOLDERS

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

Following the completion of the acquisition of Laguna Plaza on 9 January 2015, Fortune REIT currently holds a portfolio of 18 private housing estate retail properties in Hong Kong, comprising of 3.27 million sq ft of retail space and 2,756 car parking spaces. The retail properties are Fortune City One, Fortune Kingswood, Ma On Shan Plaza, Metro Town, Fortune Metropolis, Laguna Plaza, Belvedere Square, Waldorf Avenue, Caribbean Square, Provident Square, Jubilee Square, Smartland, Tsing Yi Square, Nob Hill Square, Centre de Laguna, Hampton Loft, Lido Avenue and Rhine Avenue. They house tenants from diverse trade sectors such as supermarkets, food and beverage outlets, banks, real estate agencies, and education providers.

The board of directors of the Manager (the "Board") is pleased to announce the audited results of Fortune REIT for the year ended 31 December 2014 (the "Reporting Year" or "FY2014") as follows:

FINANCIAL HIGHLIGHTS

	Year ended 31 December 2014	Year ended 31 December 2013	% change
Revenue (HK$ million)	**1,655.8**	1,317.5	+25.7%
Net property income (HK$ million)	**1,161.2**	928.3	+25.1%
Cost-to-revenue ratio	**27.7%**	27.4%	+0.3%
Income available for distribution (HK$ million)	**780.8**	642.4	+21.5%
Distribution per unit ("DPU") (HK cents)	**41.68**	36.00	+15.8%
	As at 31 December 2014	As at 31 December 2013	% change
Net asset value per unit (HK$)	**11.93**	10.26	+16.3%
Property valuation (HK$ million)	**32,720**	29,338	+11.5%
Gearing ratio / Aggregate leverage[1]	**29.4%**	32.7%	-3.3%

Note:
1. Gearing ratio is defined as total borrowings as a percentage of gross assets. Aggregate leverage is defined as the value of total borrowings and deferred payments as a percentage of gross assets. As at 31 December 2014, there was no deferred payment.

DISTRIBUTION

Fortune REIT's distribution policy is to distribute to unitholders on a semi-annual basis, the higher of (i) 100% of its tax exempt income (except dividends paid out of interest income and gains, if any, which are distributable at the discretion of the Manager) after deduction of applicable expenses; and (ii) 90% of consolidated net profit after tax (before transactions with unitholders) for the relevant financial year adjusted to eliminate the effects of certain adjustments in accordance with the Code on Real Estate Investment Trusts (the "REIT Code") published by the Securities and Futures Commission of Hong Kong ("SFC").

FINANCIAL REVIEW

Fortune REIT's FY2014 total revenue and net property income ("NPI") increased by 25.7% and 25.1% year-on-year to HK$1,655.8 million and HK$1,161.2 million respectively, representing the strongest growth since 2006. The robust results were mainly accomplished through the diligent execution of our three core strategies – asset investment, asset management and asset enhancement. During the Reporting Year, solid occupancy rates, the record-breaking rental reversion across the portfolio and full year income stream from Fortune Kingswood all contributed to the strong net property income growth. In particular, Fortune Kingswood accounted for 18.4% of the NPI growth.

Total property operating expenses for FY2014 (excluding the Manager's performance fee) increased by 27.2% year-on-year to HK$458.4 million. The increase was mainly attributed to the full-period effect of additional expenses from Fortune Kingswood. Despite the inflationary pressure, the cost-to-revenue ratio stood at 27.7% for the Reporting Year (2013: 27.4%).

Total borrowing costs, excluding non-tax deductible front end fees, for the Reporting Year totaled HK$215.1 million, an increase of 39.8% over the previous year, mainly as a result of the drawdown of additional loan facilities in October 2013 to finance the acquisition of Fortune Kingswood.

Fortune REIT recorded an income available for distribution amounting to HK$780.8 million for FY2014, an increase of 21.5% from a year earlier. The DPU for the Reporting Year was 41.68 HK cents (2013: 36.00 HK cents), comprising an interim and final DPU of 20.88 HK cents and 20.80 HK cents respectively. The DPU was 15.8% higher than that of the previous year, registering a double-digit growth for the third consecutive year. Based on the average closing unit price of HK$7.80 in Singapore and Hong Kong as at 31 December 2014, the FY2014 DPU represented a yield of 5.3%.

Final Distribution

The final DPU of 20.80 HK cents for the six months ended 31 December 2014 will be paid on 27 February 2015 to unitholders on the registers of unitholders of Fortune REIT as at 5 February 2015.

Proactive Capital Management

Fortune REIT strengthened its financial position during the Reporting Year. Capitalizing on an opportunity of liquidity in Hong Kong's credit market in April 2014, the Manager proactively refinanced Fortune REIT's existing loan facilities of HK$1,400 million at a lower cost ahead of their maturity in February 2015 (the "2014 Facilities"). The interest margin under the 2014 Facilities has been lowered to 1.4% per annum over HIBOR (down from 2% per annum over HIBOR). The 2014 Facilities, which are due in April 2019, also extended Fortune REIT's weighted average term to maturity of debt. Further, the enlarged revolving credit facility of HK$700 million provides Fortune REIT with a strong foundation to deliver stable returns and pursue growth opportunities when they arise.

As at 31 December 2014, total committed loan facilities amounted to HK$10,623 million. Fortune REIT closed the Reporting Year with a gearing ratio and an aggregate leverage of 29.4% (31 December 2013: 32.7%), weighted average term to maturity of debt of 2.4 years, and an average all-in cost of debt of 2.17% (31 December 2013: 2.59%). Fortune REIT's gross liability as a percentage of the gross assets of Fortune REIT decreased to 33.4% as at 31 December 2014 (31 December 2013: 37.0%). The net current liabilities as at 31 December 2014 was HK$1,179.7 million, the majority of which came from revolving credit facilities. There is an option to roll over the revolving credit facilities up to their maturities.

Fortune REIT had obtained both secured and unsecured loan facilities. The former are secured over Fortune REIT's 15 investment properties, which carried an aggregate fair value of HK$30,275 million as at 31 December 2014. The Trustee has provided guarantees for all of the loan facilities.

Available liquidity stood at HK$1,418.4 million as at 31 December 2014, comprising committed undrawn facilities of HK$730.0 million and cash on hand of HK$688.4 million. Fortune REIT currently possesses sufficient financial capability to satisfy its financial commitments and working capital requirements.

During the Reporting Year, the Manager has prudently stepped up its effort to mitigate the impact of interest rate fluctuations. As at 31 December 2014, the interest cost for approximately 55% (31 December 2013: 37%) of Fortune REIT's outstanding debt has been hedged through interest rate swaps and caps. The Manager will continue to closely monitor interest rate movements and may, depending on market conditions, consider putting in place additional hedging arrangements.

Net asset value per unit amounted to HK$11.93 as at 31 December 2014, up 16.3% from HK$10.26 at the end of 2013, mainly as a result of the increase in valuation of investment properties.

Portfolio Valuation

As at 31 December 2014, Fortune REIT's portfolio of 17 retail properties were appraised at HK$32,720 million by Jones Lang LaSalle Limited. This represents an increase of 11.5% and 6.0% respectively from the valuation of HK$29,338 million as at 31 December 2013, and HK$30,880 million as at 30 June 2014. As the capitalization rates adopted remain unchanged, the increase in valuation was attributed to an overall improvement in asset performance. The higher valuation also resulted in a revaluation gain of HK$3,321.8 million for the Reporting Year.

PORTFOLIO HIGHLIGHTS

As at 31 December 2014, Fortune REIT owns a geographically diverse portfolio of 17 retail malls and properties in Hong Kong, comprising approximately 3.11 million sq.ft. of retail space and 2,606 car parking lots.

Property	Gross Rentable Area (sq.ft.)	Valuation (HK$ million)	Occupancy	No. of car parking lots
Fortune City One	414,469	7,124	99.5%	653
Fortune Kingswood	665,244	6,652	100.0%	622
Ma On Shan Plaza	310,084	4,896	100.0%	290
Metro Town	180,822	3,026	100.0%	74
Fortune Metropolis	332,168	2,311	98.2%	179
Belvedere Square	276,862	1,914	79.5%	329
Waldorf Avenue	80,842	1,582	100.0%	73
Caribbean Square	63,018	943	100.0%	117
Provident Square	180,238	922	90.3%	N.A
Jubilee Square	170,616	863	100.0%	97
Smartland	123,544	658	99.9%	67
Tsing Yi Square	78,836	574	100.0%	27
Nob Hill Square	91,779	438	99.7%	43
Centre de Laguna	43,000	264	99.4%	N.A
Hampton Loft	74,734	258	100.0%	35
Lido Avenue	9,836	182	100.0%	N.A
Rhine Avenue	14,604	113	100.0%	N.A
Total / Overall average	**3,110,696**	**32,720**	**97.3%**	**2,606**

OPERATIONS REVIEW

Fortune REIT's portfolio of private housing estate retail properties continued to shine despite the moderation of overall Hong Kong retail sales during the Reporting Year. Proactive leasing strategies coupled with various successful asset enhancement initiatives ("AEIs") have driven leasing demand at Fortune Malls. The occupancy rate remained healthy at 97.3% as at 31 December 2014 (31 December 2013: 98.7%) despite frictional vacancies at Belvedere Square due to AEIs. Notwithstanding a much higher base of rental level of the expiring leases, a portfolio rental reversion of 23.8% was recorded for the Reporting Year, the highest in Fortune REIT's history. Growing our business in a sustainable manner, rental reversion has been accelerating for five consecutive years. The portfolio's passing rent was up 8.7% year-on-year and climbed to a historical high of HK$36.4 per sq.ft. as at 31 December 2014.

Fortune City One and Fortune Kingswood, being Fortune REIT's two flagship shopping malls were the leading growth drivers of the portfolio. During the Reporting Year, more than 310,000 sq.ft. of GRA in Fortune Kingswood was renewed/re-let and a rental reversion of more than 35% was recorded. Passing rent for Fortune Kingswood increased by 13.7% year-on-year and several new specialty food and beverage outlets and two new Chinese restaurants were introduced to enhance the dining offerings. Fortune City One has been reaping profits from its full-scale renovation completed back in 2013 and continued to perform very well during the Reporting Year. With a more modern shopping ambiance and a more inviting layout, Fortune City One continues to see new interests from quality retailers as well as new source of revenue such as renting of atrium for car shows. As a result, the net property income for Fortune City One has notably increased by 14.6% from the previous year.

Fortune REIT's portfolio currently has a total of 1,378 tenants. Collectively, the top ten tenants contributed approximately 25.9% of the portfolio's gross rental income and occupied approximately 21.4% of total GRA as at 31 December 2014. Tenants in the non-discretionary retail sectors such as supermarkets, food and beverages as well as services and education made up approximately 60% of gross rental income, reinforcing Fortune REIT's resilience characteristics across many business cycles.

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

Asset Optimization Through Enhancement Initiatives

During the Reporting Year, the Manager focused on carrying out the AEIs at Belvedere Square and planning forward for the upcoming project at Fortune Kingswood.

The renovation work at Belvedere Square commenced in September 2014 and is scheduled for completion in phases by the end of 2015. The capital expenditure is estimated to be approximately HK$80 million with a target return on investment of 15%. This major renovation aims to transform the mall through an enhanced shopping ambience and a more efficient layout so as to accommodate higher-yielding retailers and attract shoppers beyond its immediate catchment along Castle Peak Road.

In addition, the Manager is planning for the next major AEIs at Fortune Kingswood with an objective to reposition the mall into a regional shopping centre serving a wider spectrum of shoppers other than the nearby residents.

First acquisition from third party reinforcing our leading position as a property investor in Hong Kong

On 5 December 2014, Fortune REIT entered into a sale and purchase agreement to acquire Laguna Plaza in Kwun Tong, Hong Kong for HK$1,918.5 million. Laguna Plaza reinforces and complements our foothold in a large catchment area. The combination of Laguna Plaza with our nearby Centre de Laguna together forms a substantial commercial component of Laguna City, thus providing Fortune REIT with the potential to streamline operations and further optimise the tenant mix in the future. Further to the completion of the acquisition on 9 January 2015, Fortune REIT now holds a portfolio of 18 private housing estate retail properties with a total gross rentable area of 3.27 million sq.ft..

OUTLOOK

Hong Kong's economic growth weakened during the first three quarters of 2014, with GDP up by only 2.4% year-on-year. The weak performance was mainly due to a drop in tourist spending and a concurrent slowdown in domestic demand. Private consumption expenditure grew by 2.0% year-on-year for the same period. The total value of retail sales in Hong Kong recorded a marginal growth of 0.2% for the first eleven months of 2014. While retail business is expected to turn more stable as the effect of the high base of comparison from the preceding year progressively fades, the Manager remains mindful of the economic uncertainties associated with factors such as the changing pattern of tourist spending and the uncertain external environment. Nevertheless, Fortune REIT's portfolio of private housing estate retail properties, which cater mainly to day-to-day shopping needs, will continue to benefit from the resilient nature of the non-discretionary retail sector.

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

The Manager remains closely attentive to market trends and opportunities, as the global economic environment remains fragile and uncertain; these factors are compounded by the prospects of slower domestic demand and the anticipation of the potential interest rate hikes in the second half of 2015. Looking ahead, the additional income from Laguna Plaza and the full-year effect of the strong rental reversions from the Reporting Year, should contribute to further revenue growth for Fortune REIT - barring any unforeseen circumstances.

EMPLOYEES

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

NEW UNITS ISSUED

As at 31 December 2014, the total number of issued units of Fortune REIT was 1,873,046,294. As compared with the position as at 31 December 2013, a total of 14,155,170 new units were issued during the Reporting Year in the following manner:

- On 3 January 2014, 3,642,690 new units were issued to the Manager at the price of HK$6.0901 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's base fee of approximately HK$22.2 million payable by Fortune REIT for the period from 1 October 2013 to 31 December 2013.

- On 4 April 2014, 3,739,997 new units were issued to the Manager at the price of HK$5.8027 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's base fee of approximately HK$21.7 million payable by Fortune REIT for the period from 1 January 2014 to 31 March 2014.

- On 4 July 2014, 3,415,184 new units were issued to the Manager at the price of HK$6.7629 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's base fee of approximately HK$23.1 million payable by Fortune REIT for the period from 1 April 2014 to 30 June 2014.

- On 3 October 2014, 3,357,299 new units were issued to the Manager at the price of HK$6.9551 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's base fee of approximately HK$23.4 million payable by Fortune REIT for the period from 1 July 2014 to 30 September 2014.

REPURCHASE, SALE OR REDEMPTION OF UNITS

During the Reporting Year, other than the disposal of 27,590,000 units by the Manager, there was no repurchase, sale or redemption of the units of Fortune REIT by Fortune REIT or its subsidiaries.

CORPORATE GOVERNANCE

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

DISTRIBUTION ENTITLEMENT AND CLOSURE OF REGISTER OF UNITHOLDERS

The Hong Kong register of unitholders will be closed on Thursday, 5 February 2015, during which day no transfer of units on the Hong Kong register of unitholders will be effected. In order to qualify for the final distribution, all unit certificates with completed transfer forms must be lodged with Fortune REIT's Hong Kong unit registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Wednesday, 4 February 2015. The payment of final distribution will be made to unitholders on Friday, 27 February 2015.

REVIEW OF FINAL RESULTS

The final results of Fortune REIT for the Reporting Year have been reviewed by the Audit Committee and the Disclosures Committee of the Manager.

PUBLIC FLOAT

As far as the Manager is aware, more than 25% of the issued and outstanding units of Fortune REIT were held in public hands as at 31 December 2014.

ISSUANCE OF ANNUAL REPORT 2014

The 2014 Annual Report of Fortune REIT will be dispatched to unitholders on or before 31 March 2015.

By order of the board of directors of
ARA Asset Management (Fortune) Limited
(in its capacity as manager of Fortune Real Estate Investment Trust)
ANG Meng Huat, Anthony
Executive Director and Chief Executive Officer

Hong Kong, 21 January 2015

The Directors of the Manager as at the date of this announcement are Dr. Chiu Kwok Hung, Justin (Chairman), Mr. Lim Hwee Chiang, Mr. Ip Tak Chuen, Edmond and Ms. Yeung, Eirene as Non-executive Directors; Mr. Ang Meng Huat, Anthony and Ms. Chiu Yu, Justina as Executive Directors; Mr. Lim Lee Meng, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Dr. Lan Hong Tsung, David as Independent Non-executive Directors; and Mr. Ma Lai Chee, Gerald as Alternate Director to Mr. Ip Tak Chuen, Edmond.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
Revenue	5	1,655,774	1,317,463
Property operating expenses		(494,550)	(389,132)
Net property income		**1,161,224**	**928,331**
Manager's base fee		(92,891)	(70,505)
Foreign currency exchange (loss)/gain		(315)	92
Interest income		9,662	4,465
Trust expenses	6	(14,926)	(107,127)
Change in fair value of investment properties		3,321,779	3,088,725
Change in fair value of derivative financial instruments		(29,233)	114,803
Gain on disposal of investment properties		-	897
Borrowing costs	7	(253,498)	(177,761)
Profit before taxation and transactions with unitholders	8	**4,101,802**	**3,781,920**
Income tax expense	9	(170,896)	(132,516)
Profit for the year, before transactions with Unitholders		**3,930,906**	**3,649,404**
Distributions to unitholders		(780,770)	(642,389)
Profit for the year, after transactions with unitholders		**3,150,136**	**3,007,015**
Other comprehensive income item - that may be reclassified subsequently to profit or loss			
Net gain on derivative financial instruments under cash flow hedge		23,183	35,293
Total comprehensive income for the year		**3,173,319**	**3,042,308**
Income available for distribution to unitholders		**780,770**	**642,389**
Basic earnings per unit (HK cents)	10	210.19	206.71

Distribution Statement

For the year ended 31 December 2014

	Notes	*2014* *HK$'000*	*2013* *HK$'000*
Profit for the year, before transactions with unitholders		**3,930,906**	**3,649,404**
Adjustments:			
Manager's base fee		92,891	70,505
Acquisition fee		-	58,490
Change in fair value of investment properties		(3,321,779)	(3,088,725)
Change in fair value of derivative financial instruments		29,233	(114,803)
Gain on disposal of investment properties		-	(897)
Front end fees		38,412	23,929
Foreign currency exchange loss/(gain)		315	(92)
Other non-tax deductible trust expenses		10,792	44,578
Income available for distribution	(i)	**780,770**	**642,389**
Distribution to unitholders			
20.88 HK cents (2013: 18.00 HK cents) per unit for the six months ended 30 June	(ii)	390,454	306,965
20.80 HK cents (2013: 18.00 HK cents) per unit for the six months ended 31 December	(iii)	390,316	335,424
Income available for distribution		**780,770**	**642,389**
Distribution per unit (HK cents)		**41.68**	**36.00**

Notes:

(i) The distribution policy of Fortune REIT is to distribute to unitholders on a semi-annual basis, the higher of (a) 100% of its tax-exempt income (exclude dividends paid out of interest income and gains, if any, which are distributable at the discretion of the Manager), after deduction of applicable expenses; and (b) 90% of consolidated net profit after tax (before transactions with unitholders) for the relevant financial period adjusted to eliminate the effects of certain adjustments in accordance with the REIT Code issued by the SFC.

(ii) The distribution per unit of 20.88 HK cents for the six months ended 30 June 2014 (six months ended 30 June 2013: 18.00 HK cents) is calculated based on the income available for distribution for the period of HK$390.5 million (six months ended 30 June 2013: HK$307.0 million) over 1,869,688,995 units (30 June 2013: 1,704,730,532 units), representing issued units as at 30 June 2014 of 1,866,273,811 units (30 June 2013: 1,702,420,481 units) plus the number of units issued after the distribution period to the Manager as settlement of the Manager’s base fee for its services in the second quarter of 2014 of 3,415,184 units (second quarter of 2013: 2,310,051 units). The distribution amounting HK$390.5 million (six months ended 30 June 2013: HK$307.0 million) was paid on 29 August 2014 (six months ended 30 June 2013: 29 August 2013).

(iii) The distribution per unit of 20.80 HK cents for the six months ended 31 December 2014 (six months ended 31 December 2013: 18.00 HK cents) is calculated based on the income available for distribution for the period of HK$390.3 million (six months ended 31 December 2013: HK$335.4 million) over 1,876,289,958 units (31 December 2013: 1,862,533,814 units), representing issued units as at 31 December 2014 of 1,873,046,294 units (31 December 2013: 1,858,891,124 units) plus the number of units issued after the distribution period to the Manager as settlement of the Manager's base fee for its services in the fourth quarter of 2014 of 3,243,664 units (fourth quarter of 2013: 3,642,690 units). The distribution amounting to HK$390.3 million (six months ended 31 December 2013: HK$335.4 million) will be paid on 27 February 2015 (six months ended 31 December 2013: 28 February 2014).

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	*2014* *HK$'000*	*2013* *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	*11*	32,720,000	29,338,000
Derivative financial instruments		32,306	66,906
Deposit for acquisition of property companies	*18*	95,925	-
Total non-current assets		32,848,231	29,404,906
Current assets			
Trade and other receivables	*12*	60,853	67,093
Bank balances and cash		688,407	858,175
Total current assets		749,260	925,268
Total assets		33,597,491	30,330,174
Non-current liabilities			
Derivative financial instruments		33,617	40,799
Borrowings	*13*	8,881,110	8,860,372
Deferred tax liabilities		378,235	346,377
Total non-current liabilities		9,292,962	9,247,548
Current liabilities			
Trade and other payables	*14*	588,627	540,665
Borrowings	*13*	940,000	970,000
Derivative financial instruments		-	21,368
Distribution payable		390,316	335,424
Provision for taxation		10,049	105,842
Total current liabilities		1,928,992	1,973,299
Total liabilities, excluding net assets attributable to unitholders		11,221,954	11,220,847
Net assets attributable to unitholders		**22,375,537**	**19,109,327**
Units in issue and to be issued ('000)	*15*	**1,876,290**	**1,862,534**
Net asset value per unit (HK$) attributable to unitholders	*16*	**11.93**	**10.26**

Notes

(1) General

Fortune REIT is a real estate investment trust constituted by a Trust Deed entered into on 4 July 2003 (as amended) between ARA Asset Management (Fortune) Limited, as the Manager of Fortune REIT, and HSBC Institutional Trust Services (Singapore) Limited, as the Trustee of Fortune REIT. Fortune REIT was listed on SGX-ST and SEHK on 12 August 2003 and 20 April 2010, respectively.

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

(2) Basis of preparation

The consolidated financial statements are presented in Hong Kong dollars, which is the functional currency of Fortune REIT.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (the "IFRS") issued by the International Accounting Standards Board (the "IASB"), and are drawn up in accordance with the relevant provisions of the Trust Deed, the relevant requirements of the Code on Collective Investments Schemes issued by the Monetary Authority of Singapore and REIT Code issued by SFC.

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

(3) Principal Accounting Policies

The consolidated financial statements have been prepared under the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in these consolidated financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013 except as described below.

In the current year, the Group has applied the following amendments and an interpretation to the International Financial Reporting Standards issued by the International Accounting Standards Board that are mandatorily effective for an accounting period that begins on or after 1 January 2014:

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

The application of the amendments and interpretation to the IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

New and revised IFRSs issued but not effective

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[2]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to IAS 1	Disclosure Initiative[4]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendment to IAS 19	Defined Benefit Plans: Employee Contribution[3]
Amendment to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[5]
Amendment to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[3]
Amendment to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[4]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[4]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2017
[3] Effective for annual periods beginning on or after 1 July 2014
[4] Effective for annual periods beginning on or after 1 January 2016
[5] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Manager anticipates that the application of IFRS 9 in the future may not have material impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Annual Improvements to IFRSs 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which include the amendments to IAS 40 to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of IAS 40; and
(b) the transaction meets the definition of a business combination under IFRS 3.

The Manager anticipates that the application of these amendments in the future will not have a material effect on the Group's consolidated financial statements.

(4) Segmental reporting

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

The Group owns 17 (31 December 2013: 17) properties as at 31 December 2014 which are located in Hong Kong. Revenue and net property income of each property (which constitutes an operating segment) is the measure reported to the Manager for the purposes of resource allocation and performance assessment. The accounting policies of the operating segments are the same as the Group's accounting policies. The Manager considers that all existing properties held by the Group, consisting of retail shopping malls, have similar economic characteristics and have similar nature in providing leasing service to similar type of retail tenants for rental income. In addition, the cost structure and the economic environment in which they operate are similar. Therefore, the Manager concluded that each of the properties or operating segments are aggregated into a single reportable segment and no further analysis for segment information is presented.

(5) Revenue

	2014 *HK$'000*	2013 *HK$'000*
Base rental	1,191,055	950,715
Charge-out collections	300,182	247,311
Other rental	162,429	116,051
Other income	2,108	3,386
	1,655,774	1,317,463

(6) Trust Expenses

	2014 *HK$'000*	2013 *HK$'000*
Trustee's fee	10,721	8,033
Acquisition fee	-	58,490
Expenses for acquisition	70	36,545
Other charges	4,135	4,059
	14,926	107,127

(7) Borrowing costs

	2014 *HK$'000*	2013 *HK$'000*
Interest expense on		
- term loans	138,515	81,269
- revolving loans	11,064	10,856
Equalisation of interest expense through interest rate swaps	60,793	59,980
Commitment fee	1,688	1,727
Front end fees		
- amortisation	31,662	23,929
- written off upon early repayment of term loans	9,776	-
	253,498	177,761

(8) Profit before taxation and transactions with unitholders

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

	2014 *HK$'000*	2013 *HK$'000*
Audit fee	1,913	2,901
Fee to internal auditor	330	330
Valuation fees (paid to principal valuer)	777	777

(9) Income tax expense

	2014 *HK$'000*	*2013* *HK$'000*
Current tax:		
- Hong Kong	138,641	108,464
- Singapore	423	545
- Over provision in prior years	(26)	(2,596)
	139,038	106,413
Deferred taxation:		
- Current year	32,045	25,662
- (Over)/under provision in prior years	(187)	441
	31,858	26,103
	170,896	132,516

Fortune REIT's subsidiaries in Hong Kong are subject to Hong Kong Profits Tax at 16.5% (2013: 16.5%). Fortune REIT, which is established in Singapore, is subject to Singapore income tax at 17% (2013: 17%).

Deferred tax is provided on temporary differences in relation to accelerated tax depreciation and tax losses using the applicable rate of 16.5%. The investment properties are not held under a business model whose objective is to consume substantially of the economic benefits embodied in the investment properties over time and hence the presumption that the carrying amounts are recovered entirely through sale is not rebutted.

(10) Earnings per unit

Basic earnings per unit is calculated by dividing the profit for the year, before transactions with unitholders of HK$3,930.9 million (2013: HK$3,649.4 million) by the weighted average of 1,870,211,546 (2013: 1,765,444,417) units outstanding during the year.

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

(11) Investment properties

	2014 *HK$'000*	*2013* *HK$'000*
Fair value at beginning of the year	29,338,000	20,208,000
During the year:		
Acquisition of investment properties	-	5,976,388
Capital expenditure incurred in upgrading investment properties	60,221	66,037
Disposal of investment properties	-	(1,150)
Change in fair value of investment properties	3,321,779	3,088,725
Fair value at end of the year	32,720,000	29,338,000

(12) Trade and other receivables

	2014 HK$'000	2013 HK$'000
Trade receivables	32,390	35,170
Other receivables and prepayments		
Security deposits	23,846	23,154
Other receivables	2,917	7,028
Prepayments	1,700	1,741
	28,463	31,923
	60,853	67,093

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

	2014 HK$'000	2013 HK$'000
0 - 30 days	31,495	35,130
31 - 90 days	885	10
Over 90 days	10	30
	32,390	35,170

(13) Borrowings

	2014 HK$'000	2013 HK$'000
Secured term loans	7,334,253	7,334,253
Unsecured term loans	1,618,700	1,618,700
Secured revolving loans	940,000	970,000
Less: unamortised front end fees	(71,843)	(92,581)
	9,821,110	9,830,372
Carrying amount repayable:		
On demand or within one year	940,000	970,000
More than one year, but not more than two years	2,817,265	1,087,424
More than two years, but not more than five years	6,063,845	7,772,948
	9,821,110	9,830,372
Less: Amount due within one year shown under current liabilities	(940,000)	(970,000)
	8,881,110	8,860,372

(14) Trade and other payables

	2014 HK$'000	2013 HK$'000
Trade payables		
Tenants' deposits		
- Outside parties	410,128	383,324
- Related parties	10,500	11,096
Rental received in advance – Outside parties	15,995	17,101
	436,623	411,521
Other payables		
Trustee's fee	1,943	2,512
Other expenses		
- Outside parties	69,599	50,612
- Related parties	68,173	58,789
- Manager	6,011	5,782
Interest payable	4,079	6,494
Others	2,199	4,955
	152,004	129,144
	588,627	540,665

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

The tenants' deposits to be settled after twelve months from the Reporting Year based on lease term amounted to HK$262.3 million (2013: HK$239.7million) as at 31 December 2014.

(15) Units in issue and to be issued

	Number of units '000	HK$'000
Balance as at 1 January 2013	1,700,225	6,468,360
Issue of new units during the year:		
Unit placement	142,962	975,001
As payment of acquisition fee for the acquisition of Fortune Kingswood	8,576	58,490
As payment of Manager's base fee for the period from 1 January to 30 September 2013	7,128	48,321
Balance in issue as at 31 December 2013	1,858,891	7,550,172
New units to be issued:		
As payment of Manager's base fee for the period from 1 October to 31 December 2013	3,643	22,184
Balance as at 1 January 2014	1,862,534	7,572,356
Issue of new units during the period:		
As payment of Manager's base fee for the period from 1 January to 30 September 2014	10,512	68,149
Balance in issue as at 31 December 2014	1,873,046	7,640,505

New units to be issued:		
As payment of Manager's base fee for the period from 1 October to 31 December 2014	3,244	24,742
Balance as at 31 December 2014	1,876,290	7,665,247

(16) Net asset value per unit attributable to unitholders

Net asset value per unit is calculated based on the net assets attributable to unitholders of the Group of HK$22,375.5 million (2013: HK$19,109.3 million) and the total number of 1,876,289,958 (2013: 1,862,533,814) units in issue and to be issued, including the new units to be issued as payment of Manager's base fee.

(17) Net current liabilities and total assets less current liabilities

As at 31 December 2014, the Group's net current liabilities, defined as current assets less current liabilities, amounted to HK$1,179.7 million (2013: HK$1,048.0 million).

As at 31 December 2014, the Group's total assets less current liabilities amounted to HK$31,668.5 million (2013: HK$28,356.9 million).

(18) Subsequent event

On 5 December 2014, a wholly owned subsidiary of Fortune REIT entered into a sale and purchase agreement to acquire the entire issued share capital of and loan owing by a company (the Target, and referred as "Target Group" for the company and its subsidiary) which indirectly wholly owns a retail property in Hong Kong namely Laguna Plaza (the "Acquisition") for a consideration of HK$1,925,100,000 (being the value of the property of HK$1,918,500,000 plus other net assets of HK$6,600,000 of the Target Group), subject to adjustment after completion. As at 31 December 2014, the Group paid a deposit of HK$95,925,000 for the Acquisition.

Subsequent to the end of the reporting period, the Group has entered into credit agreements with a bank on 2 January 2015 with respect to new banking facilities of up to HK$1,600 million (the "2015 Facilities") in relation to the Acquisition. The 2015 Facilities comprises of a HK$1,200 million 5-year secured term loan facility and a HK$400 million 2-year unsecured revolving credit facility.

Upon the fulfillment of the conditions as set out in the sale and purchase agreement, the Acquisition was completed on 9 January 2015 and was financed by drawdown of the 2015 Facilities and existing banking facilities of the Group.