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ANNOUNCEMENT POSTED BY THE MANAGER ON HONG KONG STOCK EXCHANGE WEB-SITE ON 15 JULY 2013 - INTERIM RESULTS ANNOUNCEMENT FOR SIX MONTHS ENDED 30 JUNE 2013 AND CLOSURE OF REGISTER OF UNITHOLDERS * Financial Statement And Related Announcement

* Asterisks denote mandatory information


Name of Announcer *	ARA ASSET MANAGEMENT (FORTUNE) LIMITED AS MANAGER OF FORTUNE REAL ESTATE INVESTMENT TRUST
Company Registration No.	200303151G
Announcement submitted on behalf of	FORTUNE REAL ESTATE INV TRUST
Announcement is submitted with respect to *	FORTUNE REAL ESTATE INV TRUST
Announcement is submitted by *	Anthony Ang
Designation *	Director and Chief Executive Officer
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>> Announcement Details

The details of the announcement start here ...

For the Financial Period Ended *	30-06-2013
Description	Please see attached.

Attachments

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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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013 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.

Fortune REIT holds a portfolio of 16 retail properties in Hong Kong, comprising approximately 2.45 million square feet ("Sq.ft.") of retail space and 1,984 car parking lots. The retail properties are Fortune City One, Ma On Shan Plaza, Metro Town, Fortune Metropolis, Belvedere Square, Waldorf Avenue, Caribbean Square, Provident Square, Jubilee Square, Smartland, Tsing Yi Square, Nob Hill Square, 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 six months ended 30 June 2013 (the “Reporting Period”) as follows:

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2013	Six months ended 30 June 2012	% change
Revenue (HK\$ million)	609.2	537.4	+13.4%
Net property income (HK\$ million)	437.6	382.1	+14.5%
Cost-to-revenue ratio	26.0%	26.7%	-0.7%
Income available for distribution (HK\$ million)	307.0	268.3	+14.4%
Distribution per unit (HK cents)	18.00	15.82	+13.8%
	As at 30 Jun 2013	As at 31 Dec 2012	% change
Net asset value per unit (HK\$)	10.01	8.81	+13.6%
Property valuation (HK\$ million)	22,188	20,208	+9.8%
Gearing ratio / Aggregate leverage ¹	20.9%	23.4%	-2.5%

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 30 June 2013, 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 achieved record-breaking results during the first half of 2013, driven by the successful execution of its three core growth strategies: active leasing management, yield-accretive acquisitions and asset enhancement initiatives (“AEIs”).

For the six months ended 30 June 2013 (the “Reporting Period”), Fortune REIT’s revenue and net property income surged by 13.4% and 14.5% year-on-year to historical high of HK\$609.2 million and HK\$437.6 million respectively, maintaining last year’s growth momentum. This exceptional financial performance was attributable to (i) the strong rental reversions across its enlarged portfolio; (ii) a full six-month income contributions of Belvedere Square and Provident Square acquired in February 2012; as well as (iii) remarkable returns from the completed AEIs.

Borrowing costs, excluding debt front-end fees, for the Reporting Period totalled HK\$66.6 million, an increase of 9.3% over the first half of 2012.

Stronger financial results have kept the positive growth momentum in distributable income on track. Income available for distribution for the Reporting Period amounted to HK\$307.0 million, a year-on-year increase of 14.4%. The distribution per unit (“DPU”) for the Reporting Period was 18.00 Hong Kong cents, 13.8% higher than the DPU of 15.82 Hong Kong cents for the corresponding period in 2012. This represents an annualised distribution yield of 5.1% based on the unit price of HK\$7.10, the average of the two closing unit prices in Singapore and Hong Kong as at 28 June 2013.

The interim distribution of 18.00 Hong Kong cents per unit will be paid on Thursday, 29 August 2013 to unitholders registered in the registers of unitholders of Fortune REIT as at Monday, 29 July 2013.

The outstanding performance of Fortune REIT has been broadly recognised in the industry. Fortune REIT was named ‘Hong Kong’s Best Mid Cap’ for the second consecutive year and had climbed up the ranks from last year’s second runner-up to become champion in the category of ‘Most Committed to a Strong Dividend Policy’ in the Asia’s Best Companies 2013 Poll conducted by *FinanceAsia*.

Capital Management

As at 30 June 2013, the total committed loan facilities amounted to HK\$5,200 million. These comprised the 2011 Facilities of HK\$3,800 million and the 2012 Facilities of HK\$1,400 million. As at 30 June 2013, a total of HK\$4,768 million was drawn from the two Facilities and the gearing ratio and aggregate leverage of Fortune REIT was 20.9% (31 December 2012: 23.4%). The gross liability, as a percentage of gross assets of Fortune REIT, was 25.4% as at 30 June 2013 (31 December 2012: 28.1%). The net current liabilities as at 30 June 2013 was HK\$1,037.7 million, mainly due to the drawdown of the revolving credit facility of the 2011 Facilities to part finance the acquisition of Belvedere Square and Provident Square in 2012. There is an option to rollover the revolving credit facility up until maturity.

The weighted average debt maturity of the 2011 Facilities and 2012 Facilities was 2.5 years. The two Facilities are secured over Fortune REIT’s 13 investment properties, which carried an aggregate fair value of HK\$17,381 million as at 30 June 2013. The Trustee has provided a guarantee for both of the Facilities.

The Manager continued to take a prudent approach in managing the risk which may arise due to fluctuation of interest costs. As at 30 June 2013, the interest cost for approximately 76% of Fortune REIT’s debt exposure has been hedged to fixed rates through various plain vanilla interest rate swaps. Fortune REIT’s weighted average effective cost of borrowing for the Reporting Period was 2.81% (first half of 2012: 2.77%). The Manager will continue to monitor the interest rate movement closely and may, depending on market conditions, consider putting in place additional interest rate swaps.

Net asset value per unit amounted to HK\$10.01 as at 30 June 2013, up 13.6% from HK\$8.81 reported as at the end of 2012, mainly as a result of the increase in the valuation of investment properties.

Portfolio Valuation

The valuation of Fortune REIT’s 16 retail properties was appraised at HK\$22,188 million by Jones Lang LaSalle Limited, an independent valuer, as at 30 June 2013. This represents a 9.8% increase from the valuation of HK\$20,208 million as at 31 December 2012. The increase in valuation was mostly contributed by an overall improvement in asset performance. The higher valuation has resulted in a revaluation gain of HK\$1,958 million for the Reporting Period.

PORTFOLIO HIGHLIGHTS

As at 30 June 2013, Fortune REIT owns a geographically diverse portfolio of 16 retail malls and properties in Hong Kong, comprising approximately 2.45 million Sq.ft. of retail space and 1,984 car parking lots.

Property	Gross Rentable Area (Sq. ft.)	Valuation (HK\$ million)	Occupancy	No. of car parking lots
Fortune City One	414,469	5,747	91.4%	653
Ma On Shan Plaza	310,084	4,172	99.6%	290
Metro Town	180,822	2,666	100.0%	74
Fortune Metropolis	332,168	1,927	98.5%	179
Belvedere Square	276,862	1,648	100.0%	329
Waldorf Avenue	80,842	1,385	100.0%	73
Caribbean Square	63,018	855	100.0%	117
Provident Square	180,238	820	100.0%	N.A
Jubilee Square	170,616	756	97.3%	97
Smartland	123,544	563	94.8%	67
Tsing Yi Square	78,836	508	100.0%	27
Nob Hill Square	91,779	394	99.6%	43
Centre de Laguna	43,000	244	100.0%	N.A
Hampton Loft	74,734	229	100.0%	35
Lido Avenue	9,836	167	100.0%	N.A
Rhine Avenue	14,604	107	100.0%	N.A
Total / Overall average	2,445,452	22,188	97.8%	1,984

OPERATIONS REVIEW

Fortune REIT's private housing estate retail portfolio has again demonstrated its resilience by delivering a solid asset performance amidst a softening of economic growth. Active leasing management and the completed AElS continued to drive the revenue growth of the portfolio. Portfolio occupancy remained healthy at 97.8% as at 30 June 2013 (30 June 2012: 96.5%), through a quick recovery upon completion of AElS at Fortune City One ("FCO") and Jubilee Square. A strong rental reversion of 18.2% was recorded for renewals during the Reporting Period. Consequently, portfolio passing rent went up by 7.0% year-on-year.

Operating expenses (excluding the Manager's performance fee) stood at HK\$158.1 million, 10.2% higher than the corresponding period last year. Meanwhile, cost-to-revenue ratio was reduced to 26.0% (first half 2012: 26.7%).

ASSET ENHANCEMENT INITIATIVES

Fortune REIT continued its success in executing and delivering good returns for its AEs. During the Reporting Period, both the AEs at FCO and Jubilee Square were fully completed with a return on investment ("ROI") exceeding 25% respectively. The renovation of the three floors of Jubilee Square had boosted the whole property's monthly rental by 34% as compared with the monthly rental as of March 2012 before the AEs, with occupancy quickly recovering to 97.3% as at 30 June 2013.

The Manager will continue to roll out other planned AEs in the pipeline. The AEs at Fortune City One Market commenced in June 2013 and is scheduled for completion by the end of 2013. Capital expenditure for the project is approximately HK\$18 million with a target ROI of 15%.

The AEs at Ma On Shan Plaza ("MOSP"), which involves the reconfiguration of a 59,000 Sq.ft. space from anchor tenants, will start in August 2013 and is expected to complete by the end of 2013. Part of the leased area will be taken back and subdivided into smaller shops to cater for the strong demand for retail as well as food and beverages outlets. The capital expenditure will be approximately HK\$17 million, with an expected ROI of at least 15%.

OUTLOOK

Hong Kong's economy continued to grow moderately in the first quarter of 2013. Gross domestic product grew 2.8% from a year earlier, at the same growth pace as the fourth quarter of 2012. Despite the uncertain external environment, the domestic sector has stayed robust and resilient, with private consumption expenditure expanding 7.0% year-on-year in the first quarter of 2013. The retail sentiment remained positive, as the total value of retail sales in Hong Kong for the period from January to May 2013 increased by 15.0% compared to the same period last year. Fortune REIT's portfolio of 16 private housing estate retail properties will continue to benefit from the strong retail environment.

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

The Manager remains watchful of the market environment and market opportunities, and will continue to evaluate acquisition opportunities as they arise. The Manager will continue to drive revenue growth by implementing AEs projects, as well as effective leasing and tenant repositioning strategies. Looking ahead, full-year income contribution from Belvedere Square and Provident Square, as well as the completed AEs at FCO and Jubilee Square are expected to add to the further growth of Fortune REIT.

EMPLOYEES

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

NEW UNITS ISSUED

As at 30 June 2013, the total number of issued units of Fortune REIT was 1,702,420,481. As compared with the position as at 31 December 2012, a total of 4,594,503 new units were issued during the Reporting Period in the following manner:

- On 3 January 2013, 2,399,436 new units were issued to the Manager at the price of HK\$6.3684 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's base fee of approximately HK\$15.3 million payable by Fortune REIT for the period from 1 October 2012 to 31 December 2012.
- On 2 April 2013, 2,195,067 new units were issued to the Manager at the price of HK\$6.8096 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's base fee of approximately HK\$14.9 million payable by Fortune REIT for the period from 1 January 2013 to 31 March 2013.

REPURCHASE, SALE OR REDEMPTION OF UNITS

During the Reporting Period, other than the disposal of 6,120,000 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 2005 ("Singapore Code") 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 Period.

DISTRIBUTION ENTITLEMENT AND CLOSURE OF REGISTER OF UNITHOLDERS

The Hong Kong register of unitholders will be closed on Monday, 29 July 2013, during which day no transfer of units on the Hong Kong register of unitholders will be effected. In order to qualify for the interim 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 Friday, 26 July 2013. The payment of interim distribution will be made to unitholders on Thursday, 29 August 2013.

REVIEW OF INTERIM RESULTS

The interim results of Fortune REIT for the Reporting Period 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 30 June 2013.

ISSUANCE OF INTERIM REPORT 2013

The 2013 Interim Report of Fortune REIT for the Reporting Period will be dispatched to unitholders on or before 31 August 2013.

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
Director

Hong Kong, 15 July 2013

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 six months ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 HK\$'000 (Audited)	2012 HK\$'000 (Unaudited)
Revenue	5	609,220	537,381
Property operating expenses		<u>(171,640)</u>	<u>(155,272)</u>
Net property income		437,580	382,109
Manager's base fee		(31,543)	(28,097)
Foreign currency exchange loss		(139)	(11)
Interest income		1,230	3,614
Trust expenses	6	(5,397)	(25,336)
Change in fair value of investment properties		1,957,965	932,845
Change in fair value of derivative financial instruments		107,216	4,101
Gain on disposal of investment properties		897	-
Borrowing costs	7	<u>(76,390)</u>	<u>(69,322)</u>
Profit before taxation and transactions with unitholders	8	2,391,419	1,199,903
Income tax expense	9	<u>(63,402)</u>	<u>(54,522)</u>
Profit for the period, before transactions with unitholders		2,328,017	1,145,381
Distributions to unitholders		<u>(306,965)</u>	<u>(268,327)</u>
Profit for the period, after transactions with unitholders		2,021,052	877,054
Other comprehensive income item - that may be reclassified subsequently to profit or loss			
Net gain/(loss) on derivative financial instruments under cash flow hedge		<u>28,183</u>	<u>(17,137)</u>
Total comprehensive income for the period		<u>2,049,235</u>	<u>859,917</u>
Income available for distribution to unitholders		<u>306,965</u>	<u>268,327</u>
Basic earnings per unit (HK cents)	10	<u>136.71</u>	<u>67.72</u>

Distribution Statement

For the six months ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 HK\$'000 (Audited)	2012 HK\$'000 (Unaudited)
Profit for the period, before transactions with unitholders		2,328,017	1,145,381
Adjustments:			
Manager's base fee		31,543	28,097
Acquisition fee		-	19,000
Change in fair value of investment properties		(1,957,965)	(932,845)
Change in fair value of derivative financial instruments		(107,216)	(4,101)
Gain on disposal of investment properties		(897)	-
Front end fees		9,780	8,404
Foreign currency exchange loss		139	11
Other non-tax deductible trust expenses		3,564	4,380
Income available for distribution	(i)	306,965	268,327
Distribution per unit (HK cents)	(ii)	18.00	15.82

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 18.00 HK cents for the six months ended 30 June 2013 (six months ended 30 June 2012: 15.82 HK cents) is calculated based on the income available for distribution for the period of HK\$307.0 million (six months ended 30 June 2012: HK\$268.3 million) over 1,704,730,532 units (30 June 2012: 1,695,337,503 units), representing issued units as at 30 June 2013 of 1,702,420,481 units (30 June 2012: 1,692,187,125 units) plus the number of units issued after the distribution period to the Manager as settlement of the Manager's base fee for its services in the second quarter of 2013 of 2,310,051 units (second quarter of 2012: 3,150,378 units).

Consolidated Statement of Financial Position

As at 30 June 2013

	Notes	30 June 2013 HK\$'000 (Audited)	31 December 2012 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	11	22,188,000	20,208,000
Derivative financial instruments		71,159	-
Total non-current assets		<u>22,259,159</u>	<u>20,208,000</u>
Current assets			
Trade and other receivables	12	55,290	55,245
Bank balances and cash		552,506	578,022
Total current assets		<u>607,796</u>	<u>633,267</u>
Total assets		<u>22,866,955</u>	<u>20,841,267</u>
Non-current liabilities			
Derivative financial instruments		71,987	145,357
Borrowings	13	3,886,548	3,878,815
Deferred tax liabilities		204,487	192,886
Total non-current liabilities		<u>4,163,022</u>	<u>4,217,058</u>
Current liabilities			
Trade and other payables	14	423,546	410,827
Borrowings	13	840,000	940,000
Derivative financial instruments		9,130	-
Distribution payable		306,965	281,135
Provision for taxation		65,805	14,538
Total current liabilities		<u>1,645,446</u>	<u>1,646,500</u>
Total liabilities, excluding net assets attributable to unitholders		<u>5,808,468</u>	<u>5,863,558</u>
Net assets attributable to unitholders		<u>17,058,487</u>	<u>14,977,709</u>
Units in issue and to be issued ('000)	15	<u>1,704,730</u>	<u>1,700,225</u>
Net asset value per unit (HK\$) attributable to unitholders	16	<u>10.01</u>	<u>8.81</u>

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 Board (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 2012 except as described below.

In the current period, the Group has applied the following new and revised IFRS that are mandatorily effective for an accounting period that begins on or after 1 January 2013:

Amendments to IFRS	Annual Improvement to IFRSs 2009 – 2011 Cycle
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements

IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19 (revised 2011)	Employee Benefits
IAS 27 (revised 2011)	Separate Financial Statements
IAS 28 (revised 2011)	Investments in Associates and Joint Ventures
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

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

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

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

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

Impact of the application of IFRS 10

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

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

Impact of the application of IFRS 12

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

IFRS 13 Fair Value Measurement

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

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

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

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

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

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

New and revised IFRSs issued but not effective

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

IFRS 9	Financial Instruments ²
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures ²
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities ¹
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to IAS 36	Recoverable Amount Disclosure for Non-Financial Assets ¹
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
IFRIC 21	Levies ¹

¹Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted

²Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Manager anticipates that the application of the new and revised IFRSs will have no material impact on the 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 management of the Manager, in order to allocate resources to segments and to assess their performance.

The Group owns 16 (31 December 2012: 16) properties as at 30 June 2013 which are located in Hong Kong. Revenue and net property income of each property (which constitutes an operating segment) is the measure reported to the Manager for the purposes of resource allocation and performance assessment. The accounting policies of the operating segments are the same as the Group's accounting policies. The Manager considers that all existing properties held by the Group, consisting of retail shopping malls, have similar economic characteristics and have similar nature in providing leasing service to similar type of retail tenants for rental income. In addition, the cost structure and the economic environment in which they operate are similar. Therefore, the Manager concluded that each of the properties or operating segments are aggregated into a single reportable segment and no further analysis for segment information is presented.

(5) Revenue

	<i>Six months ended 30 June</i>	
	<i>2013</i>	<i>2012</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Unaudited)</i>
Base rental	440,756	389,716
Charge-out collections	114,641	101,482
Other rental	51,431	45,051
Other income	2,392	1,132
	<u>609,220</u>	<u>537,381</u>

(6) Trust Expenses

	<i>Six months ended 30 June</i>	
	<i>2013</i>	<i>2012</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Unaudited)</i>
Trustee's fee	3,564	3,164
Acquisition fee	-	19,000
Other charges	1,833	3,172
	<u>5,397</u>	<u>25,336</u>

(7) Borrowing costs

	<i>Six months ended 30 June</i>	
	<i>2013</i>	<i>2012</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Unaudited)</i>
Interest expense on		
- term loans	30,672	28,109
- revolving loan	5,480	4,975
Equalisation of interest expense through interest rate swaps	29,605	27,073
Commitment fee	853	761
Amortisation of front end fees	9,780	8,404
	<u>76,390</u>	<u>69,322</u>

(8) Profit before taxation and transactions with unitholders

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

	<i>Six months ended 30 June</i>	
	<i>2013</i>	<i>2012</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Unaudited)</i>
Audit fee	1,500	1,447
Fee to internal auditor	165	165
Valuation fees (paid to principal valuer)	215	239
	<u>215</u>	<u>239</u>

(9) Income tax expense

	<i>Six months ended 30 June</i>	
	<i>2013</i>	<i>2012</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Unaudited)</i>
Current tax:		
- Hong Kong	51,779	44,516
- Singapore	154	311
- Over provision in prior year	(132)	-
	<u>51,801</u>	<u>44,827</u>
Deferred taxation:		
- Current period	11,390	9,690
- Under provision in prior year	211	5
	<u>11,601</u>	<u>9,695</u>
	<u>63,402</u>	<u>54,522</u>

Fortune REIT's subsidiaries in Hong Kong are subject to Hong Kong Profits Tax at 16.5% (30 June 2012: 16.5%). Fortune REIT, which is established in Singapore, is subject to Singapore income tax at 17% (30 June 2012: 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 period, before transactions with unitholders of HK\$2,328.0 million (six months ended 30 June 2012: HK\$1,145.4 million) by the weighted average of 1,702,831,381 (six months ended 30 June 2012: 1,691,456,932) units outstanding during the period.

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

(11) Investment properties

	<i>30 June 2013 HK\$'000 (Audited)</i>	<i>31 December 2012 HK\$'000 (Audited)</i>
Fair value at beginning of the period/year	20,208,000	16,388,000
During the period/year:		
Acquisition of investment properties	-	1,900,000
Stamp duty incurred in relation to acquisition	-	9,500
Capital expenditure incurred	23,185	114,237
Disposal of investment properties	(1,150)	-
Change in fair value of investment properties	1,957,965	1,796,263
Fair value at end of the period/year	<u>22,188,000</u>	<u>20,208,000</u>

(12) Trade and other receivables

	<i>30 June 2013 HK\$'000 (Audited)</i>	<i>31 December 2012 HK\$'000 (Audited)</i>
Trade receivables	30,926	30,003
Other receivables and prepayments		
Security deposits	21,704	21,704
Other receivables	2,205	2,455
Prepayments	455	1,083
	<u>24,364</u>	<u>25,242</u>
	<u>55,290</u>	<u>55,245</u>

Aging analysis of the Group's trade receivables presented based on the invoice date at the end of the reporting period is as follows:

	<i>30 June 2013 HK\$'000 (Audited)</i>	<i>31 December 2012 HK\$'000 (Audited)</i>
0 - 30 days	30,502	29,356
31 - 90 days	394	594
Over 90 days	30	53
	<u>30,926</u>	<u>30,003</u>

(13) Borrowings

	<i>30 June 2013 HK\$'000 (Audited)</i>	<i>31 December 2012 HK\$'000 (Audited)</i>
Secured term loans	3,927,953	3,930,000
Secured revolving loans	840,000	940,000
Less: unamortised front end fees	(41,405)	(51,185)
	<u>4,726,548</u>	<u>4,818,815</u>
Carrying amount repayable:		
On demand or within one year	840,000	940,000
More than one year, but not more than two years	1,081,824	-
More than two years, but not more than five years	2,804,724	3,878,815
	<u>4,726,548</u>	<u>4,818,815</u>
Less: Amount due within one year shown under current liabilities	(840,000)	(940,000)
	<u>3,886,548</u>	<u>3,878,815</u>

(14) Trade and other payables

	<i>30 June 2013 HK\$'000 (Audited)</i>	<i>31 December 2012 HK\$'000 (Audited)</i>
Trade payables		
Tenants' deposits		
- Outside parties	297,208	287,244
- Related parties	7,700	7,416
Rental received in advance – Outside parties	10,378	14,762
	<u>315,286</u>	<u>309,422</u>
Other payables		
Trustee's fee	1,820	1,728
Other expenses		
- Outside parties	40,402	45,680
- Related parties	52,874	40,084
- Manager	4,494	4,328
Interest payable	5,377	5,901
Others	3,293	3,684
	<u>108,260</u>	<u>101,405</u>
	<u>423,546</u>	<u>410,827</u>

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

The tenants' deposits to be settled after twelve months from the Reporting Period based on lease term amounted to HK\$189.5 million (31 December 2012: HK\$181.4 million) as at 30 June 2013.

(15) Units in issue and to be issued

	<i>Number of units '000</i>	<i>HK\$'000</i>
Balance as at 1 January 2012	1,684,018	6,391,413
Issue of new units during the year:		
As payment of acquisition fee for the acquisition of Belvedere Square and Provident Square	4,809	19,000
As payment of Manager's base fee for the period from 1 January to 30 September 2012	8,999	42,667
Balance in issue as at 31 December 2012	<u>1,697,826</u>	<u>6,453,080</u>
New units to be issued:		
As payment of Manager's base fee for the period from 1 October to 31 December 2012	2,399	15,280
Balance as at 1 January 2013	<u>1,700,225</u>	<u>6,468,360</u>
Issue of new units during the period:		
As payment of Manager's base fee for the period from 1 January to 31 March 2013	2,195	14,948
Balance in issue as at 30 June 2013	<u>1,702,420</u>	<u>6,483,308</u>
New units to be issued:		
As payment of Manager's base fee for the period from 1 April to 30 June 2013	2,310	16,595
Balance as at 30 June 2013	<u>1,704,730</u>	<u>6,499,903</u>

(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\$17,058.5 million (31 December 2012: HK\$14,977.7 million) and the total number of 1,704,730,532 (31 December 2012: 1,700,225,414) units in issue or 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 30 June 2013, the Group's net current liabilities, defined as current assets less current liabilities, amounted to HK\$1,037.7 million (31 December 2012: HK\$1,013.2 million).

As at 30 June 2013, the Group's total assets less current liabilities amounted to HK\$21,221.5 million (31 December 2012: HK\$19,194.8 million).