



**Fortune Real Estate Investment Trust
Financial Statements
For the financial period from 1 January 2013 to 30 June 2013**

These figures have been audited by our auditors.

Fortune Real Estate Investment Trust ("Fortune REIT") is a real estate investment trust constituted by a Trust Deed entered into on 4 July 2003 (as amended) made 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 the Singapore Exchange Securities Trading Limited and The Stock Exchange of Hong Kong Limited 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.

Financial Statements Announcement
For the period from 1 January 2013 to 30 June 2013

1 (a) (i) Statement of comprehensive Income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	HK\$ '000			HK\$ '000		
	Actual 1/4/13 to 30/6/13 ^(a)	Actual 1/4/12 to 30/6/12 ^(a)	% Increase/ (Decrease)	Actual 1/1/13 to 30/6/13 ^(a)	Actual 1/1/12 to 30/6/12 ^(a)	% Increase/ (Decrease)
Revenue ^(b)	249,451	225,672	10.5%	494,579	435,899	13.5%
Charge-out collections ^(c)	58,414	52,490	11.3%	114,641	101,482	13.0%
Total revenue	307,865	278,162	10.7%	609,220	537,381	13.4%
Property management fees	(7,121)	(6,430)	10.7%	(14,147)	(12,465)	13.5%
Other property operating expenses	(74,299)	(68,821)	8.0%	(143,950)	(130,934)	9.9%
Property operating expenses	(81,420)	(75,251)	8.2%	(158,097)	(143,399)	10.2%
Net property income (before manager's performance fee)	226,445	202,911	11.6%	451,123	393,982	14.5%
Manager's performance fee	(6,801)	(6,112)	11.3%	(13,543)	(11,873)	14.1%
Net property income	219,644	196,799	11.6%	437,580	382,109	14.5%
Interest Income	274	823	(66.7%)	319	1,772	(82.0%)
Net property income after interest income	219,918	197,622	11.3%	437,899	383,881	14.1%
Gain on disposal of investment properties ^(d)	-	-	NM	897	-	NM
Change in fair value of investment properties ^(e)	1,957,965	932,845	109.9%	1,957,965	932,845	109.9%
Change in fair value of financial instruments ^(f)	77,748	3,761	NM	107,216	4,101	NM
Profit before borrowing costs	2,255,631	1,134,228	98.9%	2,503,977	1,320,827	89.6%
Borrowing costs	(33,888)	(32,824)	3.2%	(66,610)	(60,918)	9.3%
Profit before tax	2,221,743	1,101,404	101.7%	2,437,367	1,259,909	93.5%
Hong Kong taxation :						
Current taxation	(25,694)	(22,564)	13.9%	(51,647)	(44,516)	16.0%
Deferred taxation	(5,957)	(5,278)	12.9%	(11,601)	(9,695)	19.7%
Total Hong Kong taxation	(31,651)	(27,842)	13.7%	(63,248)	(54,211)	16.7%
Net profit of property companies	2,190,092	1,073,562	104.0%	2,374,119	1,205,698	96.9%
Manager's base fee	(16,595)	(14,411)	15.2%	(31,543)	(28,097)	12.3%
Foreign exchange loss ^(g)	(40)	(39)	2.6%	(139)	(11)	NM
Non-tax deductible trust expenses ^(h)	(6,710)	(6,515)	3.0%	(13,344)	(31,784)	(58.0%)
Tax deductible trust expenses	(889)	(966)	(8.0%)	(1,833)	(1,956)	(6.3%)
Non tax-exempt income ⁽ⁱ⁾	220	658	(66.6%)	911	1,842	(50.5%)
Singapore taxation	(37)	(110)	(66.4%)	(154)	(311)	(50.5%)
Total trust expenses	(24,051)	(21,383)	12.5%	(46,102)	(60,317)	(23.6%)
Net profit of the Group, before transactions with unitholders	2,166,041	1,052,179	105.9%	2,328,017	1,145,381	103.3%
Distributions to unitholders ^(j)	(153,673)	(136,538)	12.5%	(306,965)	(268,327)	14.4%
Net profit of the Group, after transactions with unitholders	2,012,368	915,641	119.8%	2,021,052	877,054	130.4%
Net profit of the Group, before transactions with unitholders	2,166,041	1,052,179	105.9%	2,328,017	1,145,381	103.3%
Add/(Less):						
Manager's base fee	16,595	14,411	15.2%	31,543	28,097	12.3%
Foreign exchange loss ^(g)	40	39	2.6%	139	11	NM
Non-tax deductible trust expenses ^(h)	6,710	6,515	3.0%	13,344	31,784	(58.0%)
Gain on disposal of investment property ^(d)	-	-	NM	(897)	-	NM
Change in fair value of financial instruments ^(f)	(77,748)	(3,761)	NM	(107,216)	(4,101)	NM
Change in fair value of investment properties ^(e)	(1,957,965)	(932,845)	109.9%	(1,957,965)	(932,845)	109.9%
Income available for distribution ^(k)	153,673	136,538	12.5%	306,965	268,327	14.4%

Footnotes:

- (a) *The Group's financial information incorporates the financial statements of the Trust and the Property Companies.*
- (b) *Revenue includes rental income, car park income, license income, atrium income and others.*
- (c) *Charge-out collections consist of expenses related to the operation of the properties that are payable by tenants and licensees and these expenses include air conditioning charges, management fees, promotional charges, government rents, utility charges, cleaning charges and government rates.*
- (d) *The Group sold 5 car park lots in one of the investment properties, Fortune City One, during the first quarter of 2013.*
- (e) *On 30 June 2013, an independent valuation was undertaken by Jones Lang LaSalle Limited. 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 sixteen properties were based on a combination of the Income Capitalization Method and Direct Comparison Method. The valuations adopted amounted to HK\$22,188 million (31 December 2012: HK\$20,208 million).*
- (f) *The amount relates to the net gain arising from the re-measurement of the plain vanilla interest rate swaps which were ineffective under cash flow hedge or not designated for hedge accounting as at 30 June 2013.*
- (g) *Foreign exchange gain/loss represents realised and unrealised foreign exchange differences. The unrealised exchange difference arose from translation of monetary assets and liabilities denominated in foreign currencies into Hong Kong dollars at rates of exchange ruling at the end of the reporting period. The realised exchange difference arose from the settlement of foreign currencies payables at the transaction dates. All exchange differences are included in the statement of comprehensive income.*
- (h) *Included in the non-tax deductible trust expenses for the period from 1 January 2012 to 30 June 2012 was an acquisition fee of HK\$19.0 million paid in the form of units to the Manager for the acquisition of Belvedere Square and Provident Square.*
- (i) *Non tax-exempt income refers mainly to interest income from fixed deposits.*
- (j) *The amount of distribution to unitholders has been accrued as distribution payable in the Statement of Financial Position.*
- (k) *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 ("Net Tax-Exempt Income"); and (ii) 90% of consolidated net profit after tax (before transactions with unitholders) for the relevant financial period adjusted to eliminate the effects of certain adjustments in the Code on Real Estate Investment Trust (the "REIT Code").*
- (l) *Save as disclosed above, there is no investment income, write-off for stock obsolescence, impairment in the value of investments, profit on sale of investments, properties or plant and equipment, exceptional and extraordinary items during the financial period and the previous corresponding financial period.*

1 (a) (ii) Statement of other comprehensive income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	HK\$ '000		%	HK\$ '000		%
	Actual 1/4/13 to 30/6/13	Actual 1/4/12 to 30/6/12	Increase/ (Decrease)	Actual 1/1/13 to 30/6/13	Actual 1/1/12 to 30/6/12	Increase/ (Decrease)
Net profit of the Group, after transactions with unitholders	2,012,368	915,641	119.8%	2,021,052	877,054	130.4%
Other comprehensive income/(loss):						
Cash flow hedge						
- Change in fair value of financial instruments	16,652	(9,145)	(282.1%)	25,278	(17,137)	(247.5%)
- Release to profit or loss ^(a)	1,245	-	NM	2,905	-	NM
	17,897	(9,145)	295.7%	28,183	(17,137)	264.5%
Total comprehensive income	2,030,265	906,496	124.0%	2,049,235	859,917	138.3%

Footnote:

- (a) As certain interest rate swap contracts were no longer highly effective, the respective cumulative losses from inception of the hedge until then that previously recognised in hedging reserve is released to consolidated income statement over the periods during which the interest payment in relation to the interest rate swap contracts affects the consolidated income statement. During the six months ended 30 June 2013, release of such cumulative losses from the hedging reserve amounted to HK\$2.9 million.

1 (b)(i) Statement of financial position, together with a comparative statement as at the end of the immediately preceding financial year

	Trust		Group ^(a)	
	HK\$ '000		HK\$ '000	
	Actual 30/6/13	Actual 31/12/12	Actual 30/6/13	Actual 31/12/12
Current assets				
Cash and bank balances	459,756	438,309	552,506	578,022
Trade and other receivables	43,086	53,306	55,290	55,245
Total current assets	502,842	491,615	607,796	633,267
Non-current assets				
Investment in property companies	5,470,134	5,470,134	-	-
Investment properties ^(b)	-	-	22,188,000	20,208,000
Derivative assets ^(d)	-	-	71,159	-
Total non-current assets	5,470,134	5,470,134	22,259,159	20,208,000
Total assets	5,972,976	5,961,749	22,866,955	20,841,267
Current liabilities				
Trade and other payables	7,166	7,906	423,546	410,827
Distribution payable ^(c)	306,965	281,135	306,965	281,135
Borrowings	-	-	840,000	940,000
Derivative liability ^(d)	-	-	9,130	-
Provision for taxation	1,135	1,515	65,805	14,538
Total current liabilities	315,266	290,556	1,645,446	1,646,500
Non-current liabilities				
Borrowings	-	-	3,886,548	3,878,815
Deferred tax liabilities	-	-	204,487	192,886
Derivative liabilities ^(d)	-	-	71,987	145,357
Total non-current liabilities	-	-	4,163,022	4,217,058
Total liabilities	315,266	290,556	5,808,468	5,863,558
Net assets attributable to unitholders	5,657,710	5,671,193	17,058,487	14,977,709

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Footnotes:

- (a) The Group's financial information incorporates the financial statements of the Trust and the Property Companies.
- (b) Investment properties are stated at valuation based on an independent professional valuation carried out by Jones Lang LaSalle Limited, the independent valuer on 30 June 2013. During the period, some capital costs for the properties were incurred and included in the investment properties.
- (c) Distribution payable is the amount of income available for distribution accrued from 1 January 2013 to 30 June 2013. This is to comply with the REIT Code after the dual primary listing in Hong Kong, and for Fortune REIT's distribution policy please refer to footnote (k) of section 1(a)(i).
- (d) The derivative assets/liabilities relate to the fair value of the plain vanilla interest rate swaps transacted to hedge the interest rate risk on the borrowings.

1 (b)(ii) Aggregate amount of borrowings

As at 30/6/13

Amount repayable in one year or less, or on demand
 Amount repayable after one year

Secured ^(a)	Unsecured
HK\$ '000	HK\$ '000
840,000	-
3,886,548	-
4,726,548	-

As at 31/12/12

Amount repayable in one year or less, or on demand
 Amount repayable after one year

Secured ^(a)	Unsecured
HK\$ '000	HK\$ '000
940,000	-
3,878,815	-
4,818,815	-

Footnote:

- (a) Fortune REIT has in place two term loan and revolving credit facilities, being the 2011 Facilities and the 2012 Facilities. The 2011 Facilities is a 5-year term loan and revolving credit facilities of total HK\$3,800.0 million, comprising of a HK\$2,830.0 million term loan facility and a HK\$970.0 million revolving credit facility, which mature in 2016. As at 30 June 2013, HK\$3,668.0 million had been drawn down (31 December 2012: HK\$3,770.0 million).

The 2012 Facilities is a 3-year term loan and revolving credit facility of up to an aggregate principal amount of HK\$1,400.0 million, comprising of a HK\$1,100.0 million term loan facility and a HK\$300.0 million revolving credit facility, which mature in 2015. As at 30 June 2013, HK\$1,100.0 million had been drawn down (31 December 2012: HK\$1,100.0 million). There is an option to rollover the revolving credit facility of the 2011 Facilities and the 2012 Facilities up until maturity.

Included in the amount repayable after one year is an unamortized debt front end fee of HK\$41.4 million (31 December 2012: HK\$51.1 million). The 2011 Facilities is secured by, inter alia, a mortgage over Fortune City One, Ma On Shan Plaza, Fortune Metropolis, Smartland, Tsing Yi Square, Nob Hill Square, Centre de Laguna, Lido Avenue and Rhine Avenue whereas the 2012 Facilities is secured by, inter alia, a mortgage over Belvedere Square, Provident Square, Caribbean Square and Hampton Loft.

1 (c) Statement of cash flows

	Group		Group	
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
	Actual 1/4/13 to 30/6/13	Actual 1/4/12 to 30/6/12	Actual 1/1/13 to 30/6/13	Actual 1/1/12 to 30/6/12
Operating Activities				
Profit before taxation	2,197,729	1,080,131	2,391,419	1,199,903
Adjustments for:				
Change in fair value of investment properties	(1,957,965)	(932,845)	(1,957,965)	(932,845)
Change in fair value of financial instruments	(77,748)	(3,761)	(107,216)	(4,101)
Amortisation of debt front end fee	4,890	4,889	9,780	8,404
Gain on disposal of investment properties	-	-	(897)	-
Base fee paid in units	16,595	14,411	31,543	28,097
Acquisition fee paid in units	-	-	-	19,000
Interest income	(494)	(1,481)	(1,230)	(3,614)
Borrowing costs	33,888	32,824	66,610	60,918
Operating profit before changes in working capital	216,895	194,168	432,044	375,762
(Increase)/Decrease in trade and other receivables	(1,736)	(656)	(466)	2,587
Increase in trade and other payables	10,759	6,682	13,155	10,184
Cash generated from operating activities	225,918	200,194	444,733	388,533
Income taxes paid	(534)	(490)	(534)	(490)
Cash flow from operating activities	225,384	199,704	444,199	388,043
Investing Activities				
Upgrading of investment properties	(9,409)	(24,491)	(23,185)	(37,655)
Acquisition of property companies/properties, net of cash acquired	-	(409)	-	(1,896,231)
Disposal of investment properties	-	-	2,047	-
Interest received	909	4,365	1,651	6,939
Decrease in fixed deposits	-	-	-	150,000
Cash flow used in investing activities	(8,500)	(20,535)	(19,487)	(1,776,947)
Financing Activities				
Drawdown of borrowings	-	-	-	1,940,000
Distribution paid	-	-	(281,047)	(227,342)
Repayment of borrowings	-	-	(102,047)	(300,000)
Borrowing costs paid	(33,973)	(32,952)	(67,134)	(56,900)
Payment of debt front end fee	-	-	-	(33,600)
Cash flow (used in)/from financing activities	(33,973)	(32,952)	(450,228)	1,322,158
Net increase/(decrease) in cash and cash equivalents	182,911	146,217	(25,516)	(66,746)
Cash and cash equivalents at beginning of the period	369,595	518,758	578,022	731,721
Cash and cash equivalents at end of the period	552,506	664,975	552,506	664,975

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1 (d)(i) Statement of changes in net assets attributable to unitholders

<u>Statement for the second quarter FY2013</u>	Actual				
	Issued Units	Unit issue costs	Hedging reserve	Retained profits	Net
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group					
Balance as at 1 April 2013	6,483,308	(271,593)	(78,617)	8,878,529	15,011,627
Total comprehensive income	-	-	17,897	2,166,041	2,183,938
Unitholders' transactions					
Creation of units					
- management fee paid/payable in units	16,595	-	-	-	16,595
Distribution paid/payable to Unitholders	-	-	-	(153,673)	(153,673)
Increase/(decrease) in net assets resulting from Unitholders' transactions	16,595	-	-	(153,673)	(137,078)
Balance as at 30 June 2013	6,499,903	(271,593)	(60,720)	10,890,897	17,058,487
Balance as at 1 April 2012	6,424,099	(271,593)	(80,970)	7,142,341	13,213,877
Total comprehensive (loss)/income	-	-	(9,145)	1,052,179	1,043,034
Unitholders' transactions					
Creation of units					
- management fee paid/payable in units	14,411	-	-	-	14,411
Distribution paid/payable to Unitholders	-	-	-	(136,538)	(136,538)
Increase/(decrease) in net assets resulting from Unitholders' transactions	14,411	-	-	(136,538)	(122,127)
Balance as at 30 June 2012	6,438,510	(271,593)	(90,115)	8,057,982	14,134,784

<u>Statement for the first half FY2013</u>	Actual				
	Issued Units	Unit issue costs	Hedging reserve	Retained profits	Net
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group					
Balance as at 1 January 2013	6,468,360	(271,593)	(88,903)	8,869,845	14,977,709
Total comprehensive income	-	-	28,183	2,328,017	2,356,200
Unitholders' transactions					
Creation of units					
- management fee paid/payable in units	31,543	-	-	-	31,543
Distribution paid/payable to Unitholders	-	-	-	(306,965)	(306,965)
Increase/(decrease) in net assets resulting from Unitholders' transactions	31,543	-	-	(306,965)	(275,422)
Balance as at 30 June 2013	6,499,903	(271,593)	(60,720)	10,890,897	17,058,487
Balance as at 1 January 2012	6,391,413	(271,593)	(72,978)	7,180,928	13,227,770
Total comprehensive (loss)/income	-	-	(17,137)	1,145,381	1,128,244
Unitholders' transactions					
Creation of units					
- acquisition fee paid in units	19,000	-	-	-	19,000
- management fee paid/payable in units	28,097	-	-	-	28,097
Distribution paid/payable to Unitholders	-	-	-	(268,327)	(268,327)
Increase/(decrease) in net assets resulting from Unitholders' transactions	47,097	-	-	(268,327)	(221,230)
Balance as at 30 June 2012	6,438,510	(271,593)	(90,115)	8,057,982	14,134,784

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Statement for the second quarter FY2013

Trust

Balance as at 1 April 2013

Total comprehensive income

Unitholders' transactions

Creation of units

- management fee paid/payable in units

Distribution paid/payable to Unitholders

Increase/(decrease) in net assets resulting from Unitholders' transactions

Balance as at 30 June 2013

Balance as at 1 April 2012

Total comprehensive income

Unitholders' transactions

Creation of units

- management fee paid/payable in units

Distribution paid/payable to Unitholders

Increase/(decrease) in net assets resulting from Unitholders' transactions

Balance as at 30 June 2012

Actual			
Issued Units	Unit issue costs	Accumulated losses	Net
HK\$'000	HK\$'000	HK\$'000	HK\$'000
6,483,308	(271,593)	(700,917)	5,510,798
-	-	283,990	283,990
16,595	-	-	16,595
-	-	(153,673)	(153,673)
16,595	-	(153,673)	(137,078)
6,499,903	(271,593)	(570,600)	5,657,710
6,424,099	(271,593)	(593,563)	5,558,943
-	-	247,369	247,369
14,411	-	-	14,411
-	-	(136,538)	(136,538)
14,411	-	(136,538)	(122,127)
6,438,510	(271,593)	(482,732)	5,684,185

Statement for the first half FY2013

Trust

Balance as at 1 January 2013

Total comprehensive income

Unitholders' transactions

Creation of units

- management fee paid/payable in units

Distribution paid/payable to Unitholders

Increase/(decrease) in net assets resulting from Unitholders' transactions

Balance as at 30 June 2013

Balance as at 1 January 2012

Total comprehensive income

Unitholders' transactions

Creation of units

- acquisition fee paid in units

- management fee paid/payable in units

Distribution paid/payable to Unitholders

Increase/(decrease) in net assets resulting from Unitholders' transactions

Balance as at 30 June 2012

Actual			
Issued Units	Unit issue costs	Accumulated losses	Net
HK\$'000	HK\$'000	HK\$'000	HK\$'000
6,468,360	(271,593)	(525,574)	5,671,193
-	-	261,939	261,939
31,543	-	-	31,543
-	-	(306,965)	(306,965)
31,543	-	(306,965)	(275,422)
6,499,903	(271,593)	(570,600)	5,657,710
6,391,413	(271,593)	(422,839)	5,696,981
-	-	208,434	208,434
19,000	-	-	19,000
28,097	-	-	28,097
-	-	(268,327)	(268,327)
47,097	-	(268,327)	(221,230)
6,438,510	(271,593)	(482,732)	5,684,185

1 (d)(ii) Details of any changes in the units since the end of the previous period reported on

<u>Date</u>	<u>Units Issued</u>	<u>Purpose</u>
As at 1 April 2013	1,700,225,414	Total units since the end of previous financial period
2 April 2013	2,195,067	As payment of management fee for the period from 1 January 2013 to 31 March 2013
As at 30 June 2013	<u>1,702,420,481</u>	
2 July 2013 ^(a)	2,310,051	As payment of management fee for the period from 1 April 2013 to 30 June 2013
Deemed units as at 30 June 2013	<u>1,704,730,532</u>	

Footnote:

(a) On 2 July 2013, there was an additional 2,310,051 units issued to the Manager as payment of management fee for the period from 1 April 2013 to 30 June 2013.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Review Engagement 2400 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have been audited by the auditors in accordance with International Standards on Auditing.

3. Where the figures have been audited, or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Please see attached auditors' report.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited financial statements have been applied

The same accounting policies and methods of computation were followed during the current financial period as compared with those contained in the audited financial statements for the year ended 31 December 2012.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Not applicable.

6. Earnings per unit and Distribution per unit for the financial period

Period from 1 January 2013 to 30 June 2013

	Actual 1/4/13 to 30/6/13 HK cents	Actual 1/4/12 to 30/6/12 HK cents	Actual 1/1/13 to 30/6/13 HK cents	Actual 1/1/12 to 30/6/12 HK cents
Earnings per unit for the period based on the weighted average number of units in issue, before transactions with unitholders	127.19	62.21	136.71	67.72
Weighted average number of units in issue (million)	1,702.8	1,691.5	1,702.8	1,691.5
Distribution per unit ("DPU") for the period	9.00	8.04	18.00	15.82
Total number of deemed units in issue (million)	1,704.7	1,695.3	1,704.7	1,695.3

7. Net asset value per unit based on issued units at the end of current period

	Actual 30/6/13 HK\$	Actual 31/12/12 HK\$
Net asset value per unit ^(a)	10.01	8.81

Footnote:

(a) Net asset value per unit is calculated based on net assets of the Group over the total number of deemed units in issue of 1,704.7 million (2012: 1,700.2 million). The increase in net asset value per unit was mainly due to the increase in the fair value of the investment properties.

8. Review of performance

Income Statement

	HK\$ '000		%	HK\$ '000		%
	Actual 1/4/13 to 30/6/13	Actual 1/4/12 to 30/6/12		Increase	Actual 1/1/13 to 30/6/13	
Total revenue	307,865	278,162	10.7%	609,220	537,381	13.4%
Net property income	219,644	196,799	11.6%	437,580	382,109	14.5%
Income available for distribution	153,673	136,538	12.5%	306,965	268,327	14.4%

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.

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 AEs 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 AEs 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%.

Additional Quarterly Review

Revenue and net property income for the second quarter of 2013 rose 10.7% and 11.6% year-on-year to HK\$307.9 million and HK\$219.6 million respectively. The improvement in financial performance compared to the second quarter of 2012 was mainly attributed to the increase in unit rent and occupancy of the property portfolio. Cost-to-revenue ratio was 26.4% compared to 27.1% for the second quarter of 2012. Income available for distribution was HK\$153.7 million, an increase of 12.5% compared to the corresponding period last year.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The asset performance in this quarter is broadly in line with the commentary under paragraph 10 in the first quarter 2013 results released on 9 May 2013.

10. Commentary on the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

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.

11. Distributions

(a) Current financial period

Any distribution declared for the current period?	Yes
Name of distribution	Interim distribution for the period from 1 January 2013 to 30 June 2013
Distribution Type	Tax-exempt income
Distribution Rate	18.00 Hong Kong cents per unit
Par value of units	NM
Tax Rate	These distributions are made out of Fortune REIT's tax exempt income. Unitholders receiving distributions will not be assessable to Singapore income tax on the distributions received.

(b) Corresponding period of the immediate preceding financial year

Any distribution declared for the current period?	Yes
Name of distribution	Interim distribution for the period from 1 January 2012 to 30 June 2012
Distribution Type	Tax-exempt income
Distribution Rate	15.82 Hong Kong cents per unit
Par value of units	NM
Tax Rate	These distributions are made out of Fortune REIT's tax exempt income. Unitholders receiving distributions will not be assessable to Singapore income tax on the distributions received.

(c) Date Payable 29 August 2013

(d) Book Closure Date 29 July 2013

Footnote:

NM - Not meaningful

12. If no distribution has been declared/(recommended), a statement to that effect

Not applicable.

13. Interested Person Transaction Mandate

Fortune REIT has not obtained a general mandate from Unitholders for Interested Person Transactions.

14. Confirmation pursuant to Rule 705(5) of the Listing Manual

To the best of our knowledge, nothing has come to the attention of the Board of Directors of the manager of Fortune Real Estate Investment Trust (the “Manager”) which may render the interim financial results of the Group and the Trust (comprising the statement of financial position, statement of comprehensive income, statement of changes in net assets attributable to Unitholders and consolidated statement of cash flows, together with their accompanying notes) as at 30 June 2013 and the results of the business, changes in net assets attributable to Unitholders and cash flows of the Group for the 6 months ended on that date, to be false or misleading in any material aspect.

On behalf of the Board of the Manager,

Ang Meng Huat, Anthony
Director

Chiu Yu, Justina
Director

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other developments or companies, shifts in expected levels of occupancy rate, property rental income, charge out collections, changes in operating expenses, including employee wages, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward looking statements, which are based on current view of management on future events.

BY ORDER OF THE BOARD
ARA ASSET MANAGEMENT (FORTUNE) LIMITED
AS MANAGER OF FORTUNE REAL ESTATE INVESTMENT TRUST

Ang Meng Huat, Anthony
Director

15 July 2013

INDEPENDENT AUDITORS' REPORT

TO THE UNITHOLDERS OF FORTUNE REAL ESTATE INVESTMENT TRUST

We have audited the consolidated financial statements of Fortune Real Estate Investment Trust ("**Fortune REIT**") and its subsidiaries (collectively referred to as the "**Group**") and separate financial statements of Fortune REIT, which comprise the consolidated and Fortune REIT's statements of financial position as at 30 June 2013, and the statements of profit or loss and other comprehensive income, statements of changes in net assets attributable to unitholders, statements of cash flows and distribution statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Manager's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the disposition of the assets and liabilities of Fortune REIT and of the Group as at 30 June 2013 and of their results and cash flows for the six-month period then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion, we draw attention to the fact that we have not carried out audit procedures in accordance with International Standards on Auditing on the comparative amounts disclosed in the statements of profit or loss and other comprehensive income, statements of changes in net assets attributable to unitholders, statements of cash flows, distribution statement and relevant explanatory notes.

Report under Other Legal and Regulatory Requirements

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

Deloitte Touche Tohmatsu

Certified Public Accountants
Hong Kong
15 July 2013

Deloitte & Touche LLP

Public Accountants and Chartered Accountants
Singapore
15 July 2013