



**Fortune Real Estate Investment Trust
Financial Statements
For the financial period from 1 January 2012 to 30 June 2012**

These figures have not been audited but have been reviewed 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 sixteen retail properties in Hong Kong, comprising approximately 2.45 million square feet of retail space and 1,989 car parking lots. The retail properties are Fortune City One, Ma On Shan Plaza, Metro Town, Fortune Metropolis, Belvedere Square, Waldorf Avenue, Provident Square, Caribbean 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 2012 to 30 June 2012

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 1/4/12 to 30/6/12 ^(a)	Actual 1/4/11 to 30/6/11 ^(a)		Increase/ (Decrease)	Actual 1/1/12 to 30/6/12 ^(a)	
Revenue ^(b)	225,672	183,833	22.8%	435,899	359,841	21.1%
Charge-out collections ^(c)	52,490	44,162	18.9%	101,482	86,996	16.7%
Total revenue	278,162	227,995	22.0%	537,381	446,837	20.3%
Property management fees	(6,430)	(5,246)	22.6%	(12,465)	(10,257)	21.5%
Other property operating expenses	(68,821)	(59,366)	15.9%	(130,934)	(107,171)	22.2%
Property operating expenses	(75,251)	(64,612)	16.5%	(143,399)	(117,428)	22.1%
Net property income (before manager's performance fee)	202,911	163,383	24.2%	393,982	329,409	19.6%
Manager's performance fee	(6,112)	(4,901)	24.7%	(11,873)	(9,882)	20.1%
Net property income	196,799	158,482	24.2%	382,109	319,527	19.6%
Interest Income	823	-	NM	1,772	-	NM
Net property income after interest income	197,622	158,482	24.7%	383,881	319,527	20.1%
Change in fair value of properties ^(d)	932,845	2,381,242	(60.8%)	932,845	2,381,242	(60.8%)
Change in fair value of financial instruments ^(e)	3,761	1,936	94.3%	4,101	13,119	(68.7%)
Profit before borrowing costs	1,134,228	2,541,660	(55.4%)	1,320,827	2,713,888	(51.3%)
Borrowing costs	(32,824)	(36,350)	(9.7%)	(60,918)	(62,706)	(2.9%)
Profit before tax	1,101,404	2,505,310	(56.0%)	1,259,909	2,651,182	(52.5%)
Hong Kong taxation :						
Current taxation	(22,564)	(16,173)	39.5%	(44,516)	(34,493)	29.1%
Deferred taxation	(5,278)	(3,317)	59.1%	(9,695)	(6,582)	47.3%
Total Hong Kong taxation	(27,842)	(19,490)	42.9%	(54,211)	(41,075)	32.0%
Net profit of property companies	1,073,562	2,485,820	(56.8%)	1,205,698	2,610,107	(53.8%)
Manager's base fee	(14,411)	(11,734)	22.8%	(28,097)	(21,572)	30.2%
Foreign exchange (loss)/gain ^(f)	(39)	84	(146.4%)	(11)	100	(111.0%)
Non-tax deductible trust expenses ^(g)	(6,515)	(57,096)	(88.6%)	(31,784)	(63,281)	(49.8%)
Tax deductible trust expenses	(966)	(1,254)	(23.0%)	(1,956)	(2,135)	(8.4%)
Non tax-exempt income ^(h)	658	767	(14.2%)	1,842	1,435	28.4%
Singapore taxation	(110)	(128)	(14.1%)	(311)	(241)	29.0%
Total trust expenses	(21,383)	(69,361)	(69.2%)	(60,317)	(85,694)	(29.6%)
Net profit of the Group, before transactions with unitholders	1,052,179	2,416,459	(56.5%)	1,145,381	2,524,413	(54.6%)
Distributions to unitholders ⁽ⁱ⁾	(136,538)	(102,027)	33.8%	(268,327)	(214,805)	24.9%
Net profit of the Group, after transactions with unitholders	915,641	2,314,432	(60.4%)	877,054	2,309,608	(62.0%)
Net profit of the Group, before transactions with unitholders	1,052,179	2,416,459	(56.5%)	1,145,381	2,524,413	(54.6%)
Add/(Less):						
Manager's base fee	14,411	11,734	22.8%	28,097	21,572	30.2%
Foreign exchange loss/(gain) ^(f)	39	(84)	(146.4%)	11	(100)	(111.0%)
Non-tax deductible trust expenses ^(g)	6,515	57,096	(88.6%)	31,784	63,281	(49.8%)
Change in fair value of financial instruments ^(e)	(3,761)	(1,936)	94.3%	(4,101)	(13,119)	(68.7%)
Change in fair value of properties ^(d)	(932,845)	(2,381,242)	(60.8%)	(932,845)	(2,381,242)	(60.8%)
Income available for distribution⁽ⁱ⁾	136,538	102,027	33.8%	268,327	214,805	24.9%

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) *On 30 June 2012, an independent valuation was undertaken by Knight Frank Petty 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 Investment Method and Direct Comparison Method. The valuations adopted amounted to HK\$19,268 million (31 December 2011: HK\$16,388 million).*
- (e) *The amount relates to the gain arising from the re-measurement of the plain vanilla interest rate swaps which were not designated for hedge accounting as at 30 June 2012.*
- (f) *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.*
- (g) *Included in the non-tax deductible trust expenses for the period 1 January 2012 to 30 June 2012 is 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. Included in the non-tax deductible trust expenses for the period 1 January 2011 to 30 June 2011 is a one-time write-off of unamortized debt front end fee of HK\$50.6 million relating to the previous term loan and revolving credit facility of HK\$3,100 million before the refinancing.*
- (h) *Non tax-exempt income refers mainly to interest income from fixed deposits.*
- (i) *The amount of distribution to unitholders has been accrued as distribution payable in the Statement of Financial Position.*
- (j) *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").*
- (k) *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 1/4/12 to 30/6/12	Actual 1/4/11 to 30/6/11	Increase/ (Decrease)	Actual 1/1/12 to 30/6/12	Actual 1/1/11 to 30/6/11	Increase/ (Decrease)
Net profit of the Group, after transactions with unitholders	915,641	2,314,432	(60.4%)	877,054	2,309,608	(62.0%)
Other comprehensive loss:						
Cash flow hedge	(9,145)	(52,592)	(82.6%)	(17,137)	(52,592)	(67.4%)
Total comprehensive income	906,496	2,261,840	(59.9%)	859,917	2,257,016	(61.9%)

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 30/6/12	Actual 31/12/11	Actual 30/6/12	Actual 31/12/11
Current assets				
Cash and bank balances	427,990	434,237	664,975	881,721
Trade and other receivables	63,137	39,615	52,212	49,809
Total current assets	491,127	473,852	717,187	931,530
Non-current assets				
Investment in property companies	5,470,134	5,470,134	-	-
Investment properties ^(b)	-	-	19,268,000	16,388,000
Total non-current assets	5,470,134	5,470,134	19,268,000	16,388,000
Total assets	5,961,261	5,943,986	19,985,187	17,319,530
Current liabilities				
Trade and other payables	7,457	18,055	381,335	347,940
Distribution payable ^(c)	268,327	227,478	268,327	227,478
Borrowings	-	-	960,000	420,000
Provision for taxation	1,292	1,472	54,089	7,225
Total current liabilities	277,076	247,005	1,663,751	1,002,643
Non-current liabilities				
Borrowings	-	-	3,869,035	2,794,231
Deferred tax liabilities	-	-	179,762	170,067
Derivative liabilities ^(d)	-	-	137,855	124,819
Total non-current liabilities	-	-	4,186,652	3,089,117
Total liabilities	277,076	247,005	5,850,403	4,091,760
Net assets attributable to unitholders	5,684,185	5,696,981	14,134,784	13,227,770

Financial Statements Announcement
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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 Knight Frank Petty Limited, the independent valuer on 30 June 2012. During the period, some capital costs for the properties were incurred and included in the investment properties' value.
- (c) Distribution payable is the amount of income available for distribution accrued from 1 January 2012 to 30 June 2012. 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 (j) of section 1(a)(i).
- (d) The derivative liabilities relate to the fair value of the plain vanilla interest rate swaps transacted to hedge the interest rate risk on the term loan.

1 (b)(ii) Aggregate amount of borrowings

As at 30/6/12

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

Secured ^(a)	Unsecured
HK\$ '000	HK\$ '000
960,000	-
3,869,035	-
4,829,035	-

As at 31/12/11

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

Secured ^(a)	Unsecured
HK\$ '000	HK\$ '000
420,000	-
2,794,231	-
3,214,231	-

Footnote:

- (a) Fortune REIT has in place a term loan and revolving credit facility (the "2011 Facilities") of a total of HK\$3,800.0 million. As at 30 June 2012, HK\$3,790.0 million had been drawn down (31 December 2011: HK\$3,250.0 million).

On 14 February 2012, Fortune REIT entered into a new credit agreement which consist of 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 (the "2012 Facilities"). The term loan from the 2012 Facilities, together with part of the revolving credit facility from the 2011 Facilities was drawn down to finance the acquisition of Belvedere Square and Provident Square.

Included in the amount repayable after one year is an unamortized debt front end fee of HK\$61.0 million (31 December 2011: HK\$35.8 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 1/4/12 to 30/6/12	Actual 1/4/11 to 30/6/11	Actual 1/1/12 to 30/6/12	Actual 1/1/11 to 30/6/11
Operating Activities				
Profit before taxation	1,080,131	2,436,077	1,199,903	2,565,729
Adjustments for:				
Change in fair value of properties	(932,845)	(2,381,242)	(932,845)	(2,381,242)
Change in fair value of financial instruments	(3,761)	(1,936)	(4,101)	(13,119)
Amortisation of debt front end fee	4,889	53,066	8,404	58,103
Base fee paid in units	14,411	11,734	28,097	21,572
Acquisition fee paid in units	-	-	19,000	-
Interest income	(1,481)	(767)	(3,614)	(1,435)
Borrowing costs	32,824	36,350	60,918	62,706
Operating profit before changes in working capital	194,168	153,282	375,762	312,314
(Increase)/decrease in trade and other receivables	(656)	10,839	2,587	12,743
Increase in trade and other payables	6,682	5,741	10,184	16,163
Cash generated from operating activities	200,194	169,862	388,533	341,220
Income taxes paid	(490)	(171)	(490)	(171)
Cash flow from operating activities	199,704	169,691	388,043	341,049
Investing Activities				
Acquisition of property companies/properties, net of cash acquired	(409)	-	(1,896,231)	-
Upgrading of investment properties	(24,491)	(2,006)	(37,655)	(6,758)
(Increase)/decrease in fixed deposits	-	(50,000)	150,000	(120,000)
Interest received	4,365	1,249	6,939	1,249
Cash flow used in investing activities	(20,535)	(50,757)	(1,776,947)	(125,509)
Financing Activities				
Drawdown of borrowings	-	121,300	1,940,000	121,300
Repayment of borrowings	-	-	(300,000)	(79,000)
Distribution paid	-	-	(227,342)	(201,929)
Payment of debt front end fee	-	(41,800)	(33,600)	(41,800)
Borrowing costs paid	(32,952)	(21,630)	(56,900)	(47,775)
Cash flow from/(used in) financing activities	(32,952)	57,870	1,322,158	(249,204)
Net increase/(decrease) in cash and cash equivalents	146,217	176,804	(66,746)	(33,664)
Cash and cash equivalents at beginning of the period	518,758	215,605	731,721	426,073
Cash and cash equivalents at end of the period^(a)	664,975	392,409	664,975	392,409

Footnote:

(a) Cash and cash equivalents as at 30 June 2011 excluded HK\$200.0 million fixed deposits with maturity date more than 3 months.

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

<u>Statement for the second quarter FY2012</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 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
Balance as at 1 April 2011	6,355,424	(271,593)	(415)	4,255,286	10,338,702
Total comprehensive (loss)/income	-	-	(52,592)	2,416,459	2,363,867
Unitholders' transactions					
Creation of units					
- management fee paid/payable in units	11,734	-	-	-	11,734
Distribution paid/payable to Unitholders	-	-	-	(102,027)	(102,027)
Increase/(decrease) in net assets resulting from Unitholders' transactions	11,734	-	-	(102,027)	(90,293)
Balance as at 30 June 2011	6,367,158	(271,593)	(53,007)	6,569,718	12,612,276

<u>Statement for the first half FY2012</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 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
Balance as at 1 January 2011	6,345,586	(271,593)	(415)	4,260,110	10,333,688
Total comprehensive (loss)/income	-	-	(52,592)	2,524,413	2,471,821
Unitholders' transactions					
Creation of units					
- management fee paid/payable in units	21,572	-	-	-	21,572
Distribution paid/payable to Unitholders	-	-	-	(214,805)	(214,805)
Increase/(decrease) in net assets resulting from Unitholders' transactions	21,572	-	-	(214,805)	(193,233)
Balance as at 30 June 2011	6,367,158	(271,593)	(53,007)	6,569,718	12,612,276

Financial Statements Announcement
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Statement for the second quarter FY2012

Trust

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

Balance as at 1 April 2011

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 2011

Actual			
Issued Units	Unit issue costs	Retained profits	Net
HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
6,355,424	(271,593)	(425,941)	5,657,890
-	-	146,387	146,387
11,734	-	-	11,734
-	-	(102,027)	(102,027)
11,734	-	(102,027)	(90,293)
6,367,158	(271,593)	(381,581)	5,713,984

Statement for the first half FY2012

Trust

Balance as at 1 January 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

Balance as at 1 January 2011

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 2011

Actual			
Issued Units	Unit issue costs	Retained profits	Net
HK\$'000	HK\$'000	HK\$'000	HK\$'000
6,391,413	(271,593)	(422,839)	5,696,981
-	-	208,434	208,434
19,000	-	-	19,000
28,097	-	(268,327)	(240,230)
47,097	-	(268,327)	(221,230)
6,438,510	(271,593)	(482,732)	5,684,185
6,345,586	(271,593)	(296,830)	5,777,163
-	-	130,054	130,054
21,572	-	-	21,572
-	-	(214,805)	(214,805)
21,572	-	(214,805)	(193,233)
6,367,158	(271,593)	(381,581)	5,713,984

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 2012	1,688,826,817	Total units since the end of previous financial period
2 April 2012	3,360,308	As payment of management fee for the period from 1 January 2012 to 31 March 2012
As at 30 June 2012	<u>1,692,187,125</u>	
4 July 2012 ^(a)	3,150,378	As payment of management fee for the period from 1 April 2012 to 30 June 2012
Deemed units as at 30 June 2012	<u>1,695,337,503</u>	

The total number of issued units as at the end of the immediately preceding year (31 December 2011) was 1,680,695,942.

Footnote:

(a) On 4 July 2012, there was an additional 3,150,378 units issued to the Manager as payment of management fee for the period from 1 April 2012 to 30 June 2012.

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 not been audited but have been reviewed by the auditors in accordance with International Standard on Review Engagement 2410.

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

Please see attached review 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 2011.

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 2012 to 30 June 2012	Actual 1/4/12 to 30/6/12 HK cents	Actual 1/4/11 to 30/6/11 HK cents	Actual 1/1/12 to 30/6/12 HK cents	Actual 1/1/11 to 30/6/11 HK cents
Earnings per unit for the period based on the weighted average number of units in issue, before transactions with unitholders	62.21	144.17	67.72	150.62
Weighted average number of units in issue (million)	1,691.5	1,676.1	1,691.5	1,676.1
Distribution per unit for the period	8.04	6.07	15.82	12.80
Total number of deemed units in issue (million)	1,695.3	1,677.3	1,695.3	1,677.3

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

	Actual 30/6/12 HK\$	Actual 31/12/11 HK\$
Net asset value per unit ^(a)	8.34	7.85

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 1,695.3 million (2011: 1,684.0 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 1/4/12 to 30/6/12	Actual 1/4/11 to 30/6/11		Increase	Actual 1/1/12 to 30/6/12	
Total revenue	278,162	227,995	22.0%	537,381	446,837	20.3%
Net property income	196,799	158,482	24.2%	382,109	319,527	19.6%
Income available for distribution	136,538	102,027	33.8%	268,327	214,805	24.9%

Financial Review

Fortune REIT achieved record-breaking results during the first half of 2012, driven by the spectacular success of its three core growth strategies.

For the six months ended 30 June 2012, Fortune REIT's revenue and net property income surged by 20.3% and 19.6% year-on-year to a historical high of HK\$537.4 million and HK\$382.1 million respectively, representing some of the highest growth rates recorded in its nine years of operating history. Fortune REIT's exceptional financial performance was attributable to (i) the strong rental reversions across its enlarged portfolio; (ii) the additional income generated by the two new properties acquired in February 2012; as well as (iii) remarkable returns from the completed asset enhancement initiatives ("AEIs"). The successful execution of the three core growth strategies: active leasing management, yield-accretive acquisition and AEIs have contributed to Fortune REIT's success.

Borrowing costs, excluding debt front-end fees, for the Reporting Period totalled HK\$60.9 million, a decrease of 2.9% over the first half of 2011.

Stronger financial results have kept the positive growth momentum in distributable income on track. The unaudited income available for distribution for the Reporting Period amounted to HK\$268.3 million, a year-on-year increase of 24.9%. The distribution per unit (“DPU”) for the Reporting Period was 15.82 Hong Kong cents, 23.6% higher than the DPU of 12.80 Hong Kong cents from the corresponding period in 2011.

The interim DPU of 15.82 Hong Kong cents represents an annualised distribution yield of 6.9% based on an unit price of HK\$4.60, the average of the two closing unit prices in Singapore and Hong Kong as at 29 June 2012. Supported by the good first quarter results and the resilient nature of Fortune REIT, unit price performance during the Reporting Period was particularly strong even amidst a downward macroeconomic trend. With an increase of 21.9% during the Reporting Period, Fortune REIT’s unit performance outperformed its peers and the other benchmarking market indices.

The outstanding performance of Fortune REIT has been widely recognised in the industry. Fortune REIT was selected as Hong Kong Best Mid-Cap Company and ranked third in the category of “Most Committed to a Strong Dividend Policy in Hong Kong” in the Asia’s Best Companies 2012 Poll by FinanceAsia.

Acquisition completed in February 2012

Fortune REIT successfully completed the acquisitions of Belvedere Square and Provident Square from the subsidiaries of Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited and an independent third party for a consideration of approximately HK\$1,932 million. Subsequent to obtaining unanimous approval from the independent Unitholders present in person or by proxy and voting at the extraordinary general meeting held on 19 January 2012, the transaction was completed on 17 February 2012.

To efficiently utilize Fortune REIT’s debt headroom and achieve an optimized financing cost, the acquisition was funded fully by debt, thereby enhancing returns to the Unitholders.

With only a partial contribution during the Reporting Period, the two properties accounted for approximately 11.2% of the revenue increment during the Reporting Period. The valuation of Belvedere Square and Provident Square as at 30 June 2012 were appraised at HK\$1,398 million and HK\$737 million, representing a 7.5% and 8.4% increase from their valuations as at 30 September 2011 respectively.

Capital Management

Total committed loan facilities amounted to HK\$5,200 million as at 30 June 2012. These comprised the existing loan facilities of HK\$3,800 million (the “2011 Facilities”) and a new three-year loan facility of HK\$1,400 million (the “2012 Facilities”), which was entered into in February 2012. During the Reporting Period, HK\$840 million and HK\$1,100 million were drawn from the 2011 Facilities and 2012 Facilities respectively to fully finance the acquisition costs of the two new properties. As a result, the gearing ratio and aggregate leverage of Fortune REIT rose to 24.5% as at 30 June 2012 (31 December 2011: 18.8%). The gross liability, as a percentage of gross assets of Fortune REIT, was 29.3% as at 30 June 2012 (31 December 2011: 23.6%). The net current liabilities as at 30 June 2012 was HK\$946.6 million mainly as a result of drawdown of the revolving credit facility of the 2011 Facilities to part finance the Acquisitions. There is an option to rollover the said revolving credit facility up until maturity.

Overall, the weighted average debt maturity of the 2011 Facilities and 2012 Facilities was 3.5 years and the debt expiry periods have been further spread out. The two Facilities are secured over Fortune REIT's 13 investment properties, which carried an aggregate fair value of HK\$15,251 million as at 30 June 2012. The Trustee has provided a guarantee for both of the Facilities.

Available liquidity stood at HK\$975 million as at 30 June 2012, comprising committed undrawn facilities of HK\$310 million and cash on hand of HK\$665 million. Fortune REIT possesses sufficient financial resources to satisfy its financial commitments and working capital requirements.

As at 30 June 2012, approximately 58% of Fortune REIT's debt exposure has been hedged to fixed rates through plain vanilla interest rate swaps. After taking into account the interest rate hedging arrangement and the interest savings from the 2011 Facilities, Fortune REIT's weighted average effective cost of borrowing has been brought down by 167 basis points to 2.77% for the Reporting Period (first half of 2011: 4.44%). 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\$8.34 as at 30 June 2012, up 6.2% from HK\$7.85 reported as at the end of 2011, mainly as a result of the increase in valuation of investment properties.

Portfolio Valuation

The valuation of Fortune REIT's 16 retail properties was HK\$19,268 million as appraised by Knight Frank Petty Limited, an independent valuer, as at 30 June 2012. This represents a 17.6% increase from the valuation of HK\$16,388 million as at 31 December 2011. The increase in valuation was contributed by an overall improvement in asset performance and the addition of two new properties. The higher valuation has resulted in a revaluation gain of HK\$932.8 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 96.5% as at 30 June 2012 (30 June 2011: 98.1%), despite frictional vacancies due to on-going AEs at Fortune City One ("FCO") and Jubilee Square. A strong rental reversion of 20.6% was recorded for renewals during the Reporting Period, representing a significant improvement from 13.8% for the same period last year. Consequently, passing rent for the original portfolio went up by 11.5% year-on-year.

Operating expenses (excluding manager performance fee) stood at HK\$143.4 million, 22.1% higher from the corresponding period last year. The increase was mainly due to the additional operating expenses for the two new properties as well as some one-off initial costs incurred when taking over the new properties. Meanwhile, cost-to-revenue ratio was contained at a healthy level of 26.7% (first half 2011: 26.3%).

Belvedere Square and Provident Square have seen notable improvement in operations after they were integrated into Fortune REIT's portfolio. Belvedere Square, with an immediate catchment of approximately 30,000 people, had previously been focusing on necessity and service trades. With more than 30% of leases expiring in the rest of 2012, the Manager is actively looking to broaden tenant and trade mix. Since February 2012, various retail shops and a new food and beverage shop have been introduced at Belvedere Square. On the other hand, Provident Square, Fortune REIT's first foray into Hong Kong Island, saw its occupancy significantly boosted to 99.6% as at 30 June 2012 (30 September 2011: 92.3%). These two new properties will continue to present growth opportunities for Fortune REIT.

Asset Enhancement Initiatives

The AElS at Ma On Shan Plaza (“MOSP”), the second largest property in the portfolio, were completed at the end of last year with a total capital expenditure of approximately HK\$12 million. The AElS involved the downsizing of a 50,000 sq. ft. Chinese restaurant space, thus opening up a new corridor to allow for more retail and food and beverages offerings. Net property income for MOSP jumped 20.7% year-on-year and the AElS provided an excellent return on investment (“ROI”) of 73%.

The HK\$100 million project to fully renovate FCO commenced in October 2011. The first phase of the renovation has already been completed and contributed to enhanced rental income during the Reporting Period. The remaining phases of AElS at FCO are progressing well and scheduled for completion by the end of 2012. The Manager remains optimistic of achieving an ROI of at least 15% for the project.

The Manager has embarked on AElS at Jubilee Square to capture the increasing demand within the immediate and expanding catchment area. Taking advantage of the expiry of approximately 40% of leases in the second half of 2012, a repositioning exercise has been developed for the third, sixth and seventh floors to improve tenant mix and bring in more diversified trades. Capital expenditure for the project is estimated to be HK\$15 million with a target ROI of 15%. The AElS are expected to be completed by the first half of 2013.

Additional Quarterly Review

Revenue and net property income for the second quarter of 2012 rose 22.0% and 24.2% year-on-year to HK\$278.2 million and HK\$196.8 million respectively. The improvement in financial performance compared to the second quarter of 2011 is mainly attributed to the inclusion of the two new properties as well as the increase in unit rent of the property portfolio. Borrowing costs for the second quarter of 2012 was HK\$32.8 million. Income available for distribution was HK\$136.5 million, 33.8% higher than the corresponding period last year.

9. Variance between actual and the forecast results for the period from 1 January 2012 to 30 June 2012

Not applicable.

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 moderated further in the first quarter of 2012. Gross domestic product grew just 0.4% from a year earlier, a notable reduction on the 5% growth in 2011. Nevertheless, the domestic economy has remained robust and resilient, with private consumption expenditure expanding 5.6% year-on-year in the first quarter of 2012. The retail sentiment remained positive, as the total value of retail sales in Hong Kong for the period from January to May 2012 increased by 13.5% compared to the same period last year. Fortune REIT’s portfolio of 16 private housing estates retail properties will continue to benefit from the strong retail environment.

The leases that will expire in the second half of 2012 account for 18.2% and 16.7% of the gross rentable area and gross rental income of Fortune REIT’s portfolio respectively. The Manager plans to continue to implement effective leasing and tenant repositioning strategies, as well as to execute a number of AElS to drive revenue growth for Fortune REIT’s retail properties. In addition, the Manager is looking to create synergies and improve the operating efficiency of the two newly acquired properties going forward.

Fortune REIT's financial position has been diversified and strengthened with the new 2012 Facilities. Refinancing risk has been kept to the minimum in the medium term with no loan facility expiring until 2015. With a low effective interest cost at 2.77%, a debt headroom of approximately HK\$3.0 billion and available funds of HK\$975 million, Fortune REIT's strong and flexible capital structure should continue to bode well for the Manager to capitalise on future acquisition opportunities that reinforce its investment objectives and provide long term benefits to its Unitholders.

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 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.

(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 2011 to 30 June 2011
Distribution Type	Tax-exempt income
Distribution Rate	12.80 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 2012

(d) Book Closure Date 3 August 2012

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 unaudited 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 2012 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

20 July 2012

ARA Asset Management (Fortune) Limited
(as Manager of Fortune REIT)
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Singapore 038986

HSBC Institutional Trust Services (Singapore) Limited
(as Trustee of Fortune REIT)
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Attention: Mr Anthony Ang/Ms Justina Chiu

Dear Sirs

We have reviewed the accompanying interim financial information of Fortune Real Estate Investment Trust ("Fortune REIT") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and Fortune REIT as of June 30, 2012, and the statements of changes in unitholders' funds of the Group and of Fortune REIT and the statement of comprehensive income and statement of cash flows of the Group for the six month period then ended and other explanatory notes.

The management of ARA Asset Management (Fortune) Limited is responsible for the preparation and fair presentation of this interim financial information in accordance with the International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 - *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information of Fortune REIT and the Group are not presented fairly, in all material respects, in accordance with IAS 34.

Yours faithfully

Deloitte & Touche LLP

Public Accountants and
Certified Public Accountants
Singapore

July 20, 2012