



**Fortune Real Estate Investment Trust**  
**Financial Statements**  
**For the financial period from 1 January 2009 to 30 September 2009**

These figures have not been audited nor 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 (Singapore) 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 on 12 August 2003.

On 15 October 2009, Fortune REIT acquired three retail properties, adding to the existing portfolio of 11 properties. Following the acquisitions, Fortune REIT now holds a portfolio of fourteen retail properties in Hong Kong, spread across Kowloon and the New Territories, through the ownership of property companies ("the Property Companies"), worth approximately HK\$11.0 billion. The retail properties are City One Shatin Property, Ma On Shan Plaza, Metro Town, The Metropolis Mall, Waldorf Garden Property, Caribbean Bazaar, Smartland, Tsing Yi Square Property, Jubilee Court Shopping Centre, The Household Center, Centre de Laguna Property, Hampton Loft, Lido Garden Property and Rhine Garden Property. They house tenants from diverse trade sectors such as supermarkets, food and beverage outlets, banks, real estate agencies, and education providers. Notable tenants include Park'N Shop, 7-Eleven, Aji Ichiban, Maxim's Chinese Restaurant, Watsons, Mannings, Modern Beauty Salon, Fortress, McDonald's, Kentucky Fried Chicken, Watami Japanese Restaurant, Centaline Property Agency, Midland Realty, DBS Bank, Bank of China (Hong Kong), HSBC, Japan Home Centre, Jumpin Gym U.S.A., International Christian School and the Hong Kong Jockey Club.

**Financial Statements Announcement**  
**For the period from 1 January 2009 to 30 September 2009**

**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 1/7/09 to 30/9/09 <sup>(a)</sup>	Actual 1/7/08 to 30/9/08 <sup>(a)</sup>		Actual 1/1/09 to 30/9/09 <sup>(a)</sup>	Actual 1/1/08 to 30/9/08 <sup>(a)</sup>	
Revenue <sup>(b)</sup>	135,272	130,260	3.8%	406,183	380,434	6.8%
Charge-out collections <sup>(c)</sup>	32,170	31,656	1.6%	95,572	90,423	5.7%
<b>Total revenue</b>	<b>167,442</b>	<b>161,916</b>	<b>3.4%</b>	<b>501,755</b>	<b>470,857</b>	<b>6.6%</b>
Property management fees	(3,849)	(3,700)	4.0%	(11,583)	(10,801)	7.2%
Other property operating expenses <sup>(d)</sup>	(41,333)	(41,885)	(1.3%)	(122,124)	(107,681)	13.4%
Property Operating Expenses	(45,182)	(45,585)	(0.9%)	(133,707)	(118,482)	12.9%
Net Property Income (before manager's performance fee)	122,260	116,331	5.1%	368,048	352,375	4.4%
Manager's performance fee	(3,668)	(3,490)	5.1%	(11,041)	(10,571)	4.5%
<b>Net Property Income</b>	<b>118,592</b>	<b>112,841</b>	<b>5.1%</b>	<b>357,007</b>	<b>341,804</b>	<b>4.4%</b>
Changes in fair value of properties <sup>(e)</sup>	-	-	NM	281,282	-	NM
Net Property Income before finance costs	118,592	112,841	5.1%	638,289	341,804	86.7%
Borrowing costs	(20,839)	(23,928)	(12.9%)	(64,781)	(77,071)	(15.9%)
Profit Before Tax	97,753	88,913	9.9%	573,508	264,733	116.6%
Hong Kong Taxation :						
Current taxation	(12,003)	(11,738)	2.3%	(36,587)	(34,532)	6.0%
Deferred taxation <sup>(f)</sup>	(3,981)	(2,805)	41.9%	(10,816)	(2,247)	381.4%
Total Hong Kong Taxation	(15,984)	(14,543)	9.9%	(47,403)	(36,779)	28.9%
<b>Net Profit of Property Companies</b>	<b>81,769</b>	<b>74,370</b>	<b>9.9%</b>	<b>526,105</b>	<b>227,954</b>	<b>130.8%</b>
Loss on disposal of investment property	-	(30)	(100.0%)	-	(225)	(100.0%)
Manager's base fee	(6,730)	(7,344)	(8.4%)	(19,750)	(21,795)	(9.4%)
Foreign exchange (loss)/gain <sup>(g)</sup>	26	(888)	(102.9%)	69	98	(29.4%)
Non-tax deductible trust expenses	(1,681)	(2,512)	(33.1%)	(4,985)	(7,623)	(34.6%)
Tax deductible trust expenses	(618)	(3,550)	(82.6%)	(2,519)	(5,713)	(55.9%)
Non tax-exempt income <sup>(h)</sup>	73	7,142	(99.0%)	728	12,709	(94.3%)
Singapore current taxation	(12)	(46)	(74.2%)	(122)	(1,212)	(89.9%)
Total Trust Expenses	(8,942)	(7,228)	23.7%	(26,579)	(23,761)	11.9%
Net Profit of Group	72,827	67,142	8.5%	499,526	204,193	144.6%
Add / (less) :						
Manager's base fee	6,730	7,344	(8.4%)	19,750	21,795	(9.4%)
Foreign exchange loss/(gain) <sup>(g)</sup>	(26)	888	(102.9%)	(69)	(98)	(29.4%)
Non-tax deductible trust expenses	1,681	2,512	(33.1%)	4,985	7,623	(34.6%)
Non tax-exempt income <sup>(h)</sup>	-	(6,724)	(100.0%)	-	(11,438)	(100.0%)
Changes in fair value of properties <sup>(e)</sup>	-	-	NM	(281,282)	-	NM
<b>Income Available For Distribution<sup>(i)</sup></b>	<b>81,212</b>	<b>71,162</b>	<b>14.1%</b>	<b>242,910</b>	<b>222,075</b>	<b>9.4%</b>

**Footnotes:**

- (a) *The Group's financial information incorporates the financial statements of the Trust and the 11 Property Companies.*
- (b) *Revenue includes rental income, car park income, licence 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) *Included in the other property operating expenses for the period 1 January 2009 to 30 September 2009 is provision for doubtful debts of HK\$2.1 million (2008:NIL). There is no provision for the period from 1 July 2009 to 30 September 2009 (2008: NIL).*
- (e) *On 30 June 2009, an independent valuation was undertaken by Savills Valuation and Professional Services 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 eleven properties were based on a combination of the Investment Method, Direct Comparison Method and Discounted Cash Flow Analysis. The valuations were arrived at by reference to market evidence of transaction prices of similar properties. The valuations adopted amounted to HK\$8,900 million (31 December 2008: HK\$8,602 million).*
- (f) *There was a one-off write-back of deferred tax in the 2<sup>nd</sup> quarter of 2008 due to the change in Hong Kong tax rate from 17.5% to 16.5% with effect from April 2008.*
- (g) *Foreign exchange loss/gain 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 balance sheet date. The realised exchange difference arose from the settlement of foreign currencies payables at the transaction dates. All exchange differences are included in the income statements.*
- (h) *Non tax-exempt income refers mainly to interest income from fixed deposits and structured swaps entered on 28 June 2006. There was no structured swaps interest income for the period 1 January 2009 to 30 September 2009 (2008: HK\$5.7 million) as both the "MINT" & "CMS" swaps were unwound in FY2008.*
- (i) *Fortune REIT is required to distribute 100.0% 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"). Fortune REIT's distribution policy is to distribute its net Tax-Exempt Income to Unitholders on a semi-annual basis.*
- (j) *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

With effect from 1 January 2009, FRS 1 Presentation of Financial Statements requires an entity to present all non-owner changes in the equity in a Statement of Comprehensive Income. Non-owner changes will include income and expenses recognized directly in equity. This is a change of presentation and does not affect the recognition or measurement of the entity's transactions. Previously, such non-owner changes are included in the Statement of change in unitholders' fund.

	HK\$ '000			HK\$ '000		
	Actual 1/7/09 to 30/9/09	Actual 1/7/08 to 30/9/08	% Increase/ (Decrease)	Actual 1/1/09 to 30/9/09	Actual 1/1/08 to 30/9/08	% Increase/ (Decrease)
Net Profit of Group	72,827	67,142	8.5%	499,526	204,193	144.6%
Other comprehensive income:						
Cash flow hedge <sup>(a)</sup>	(392)	12,562	(103.1%)	24,637	16,199	52.1%
Total comprehensive income	72,435	79,704	(9.1%)	524,163	220,392	137.8%

**Footnote:**

(a) There is no tax effect relating to the component of the total comprehensive income.

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

	Trust HK\$ '000		Group <sup>(a)</sup> HK\$ '000	
	Actual 30/9/09	Actual 31/12/08	Actual 30/9/09	Actual 31/12/08
<b>Current Assets</b>				
Cash and bank balances	105,457	105,675	210,565	243,361
Trade and other receivables	4,807	162,156	31,678	36,914
<b>Total Current Assets</b>	<b>110,264</b>	<b>267,831</b>	<b>242,243</b>	<b>280,275</b>
<b>Non-Current Assets</b>				
Investment in property companies	3,939,224	3,939,224	-	-
Investment properties <sup>(b)</sup>	-	-	8,907,201	8,602,000
Fixed assets	-	-	62	117
<b>Total Non-Current Assets</b>	<b>3,939,224</b>	<b>3,939,224</b>	<b>8,907,263</b>	<b>8,602,117</b>
<b>Total Assets</b>	<b>4,049,488</b>	<b>4,207,055</b>	<b>9,149,506</b>	<b>8,882,392</b>
<b>Current Liabilities</b>				
Trade and other payables	5,342	5,671	205,490	194,461
Derivative liability <sup>(c)</sup>	-	-	38,369	11,472
Provision for taxation	2,848	2,726	45,793	9,209
<b>Total Current Liabilities</b>	<b>8,190</b>	<b>8,397</b>	<b>289,652</b>	<b>215,142</b>
<b>Non-Current Liabilities</b>				
Borrowings	-	-	2,345,681	2,342,663
Deferred tax liabilities	-	-	125,594	114,777
Derivative liability <sup>(c)</sup>	-	-	1,912	53,446
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>2,473,187</b>	<b>2,510,886</b>
<b>Total Liabilities</b>	<b>8,190</b>	<b>8,397</b>	<b>2,762,839</b>	<b>2,726,028</b>
<b>Net Assets</b>	<b>4,041,298</b>	<b>4,198,658</b>	<b>6,386,667</b>	<b>6,156,364</b>
<b>Unitholders' Equity</b>				
Issued equity	4,390,280	4,370,531	4,390,281	4,370,531
Unit issue costs <sup>(d)</sup>	(173,097)	(173,097)	(173,097)	(173,097)
Hedging reserve <sup>(c)</sup>	-	-	(40,281)	(64,919)
Revenue reserve	(175,885)	1,224	2,209,764	2,023,848
<b>Total Unitholder's Equity</b>	<b>4,041,298</b>	<b>4,198,658</b>	<b>6,386,667</b>	<b>6,156,364</b>

**Footnotes:**

- (a) *The Group's financial information incorporates the financial statements of the Trust and the 11 Property Companies.*
- (b) *Investment properties are stated at valuation based on an independent professional valuation carried out by Savills Valuation and Professional Services Limited, the independent valuer, on 30 June 2009. During the period, minor capital costs were incurred and included in the investment properties value.*
- (c) *The derivative liability relates to the fair value of the plain vanilla interest rate swaps transacted to hedge the interest rate risk on 100% of the term loan.*
- (d) *Unit issue costs comprise listing and perusal fee, professional and other fees, underwriting and selling commission and miscellaneous expenses. It includes an amount of approximately HK\$169.7 million paid as of 30 September 2009 (31 December 2008: HK\$169.7 million) as well as accruals of approximately HK\$3.4 million (31 December 2008: HK\$3.4 million).*

**1 (b)(ii) Aggregate amount of borrowings**

As at 30/9/09

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

Secured <sup>(a)</sup>	Unsecured
HK\$ '000	HK\$ '000
-	-
2,345,681	-
2,345,681	-

As at 31/12/08

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

Secured <sup>(a)</sup>	Unsecured
HK\$ '000	HK\$ '000
-	-
2,342,663	-
2,342,663	-

**Footnote:**

- (a) *Fortune REIT has in place an omnibus facility ("the Facility") of HK\$2,613.7 million (2008: HK\$2,613.7 million) comprising a HK\$2,348.7 million (2008: HK\$2,348.7 million) term loan facility and a HK\$265.0 million (2008: HK\$265.0 million) revolving credit facility.*

*As Fortune REIT had entered into a loan commitment on 24 August 2009 to refinance the term loan facility and revolving loan facility for a term of 4 years, the borrowings has been reclassified as long term liabilities. The credit agreement was executed on 15 October 2009.*

*Included in the amount payable after one year is a debt front end fee of HK\$3.0 million (31 December 2008: HK\$6.0 million). The Facility is secured by, inter alia, a mortgage over all Fortune REIT's properties (except for Jubilee Court Shopping Centre and Waldorf Garden Property).*

### **Post Balance Sheet Note**

Subsequent to the balance sheet date, Fortune REIT raised gross proceeds of approximately HK\$1,889.0 million from the Rights Issue as well as acquired 3 retail malls in Hong Kong namely Metro Town, Caribbean Bazaar and Hampton Loft (the "Acquisitions"), for an aggregate purchase consideration of HK\$2,039.0 million. The Acquisitions were partly financed by net proceeds from the Rights Issue as well as a term loan of HK\$480.0 million.

On 15 October 2009, the Group entered into a credit agreement for a term loan facility of HK\$2,830.0 million and a revolving credit facility of HK\$270.0 million for a term of 4 years. HK\$480.0 million of the term loan has been drawn down on 15 October 2009 for the Acquisitions. The remaining term loan facility is expected to be drawn down on 28 June 2010 to refinance the Facility.

### **Significant Impact to Balance Sheet**

#### **1. Investment Properties**

Valuation of investment properties increased from HK\$8,907.0 million to HK\$10,977.0 million with the newly acquired malls.

#### **2. Borrowings**

Borrowings increased from HK\$2,348.7 million to HK\$2,828.7 million with the additional term loan of HK\$480.0 million.

#### **3. Cash and bank balances**

Cash and bank balances increased by approximately HK\$130.0 million from net proceeds from the Rights Issue after the Acquisitions and debt related costs. The balance proceeds will be used for working capital and asset enhancement initiatives.

#### **4. Issued Equity**

Issued equity enlarged to HK\$6,299.7 million with the increase of approximately HK\$1,889.0 million and HK\$20.4 million from the Rights Issue and the payment of acquisition fees in units respectively.

**1 (c) Statement of cash flows**

	Group		Group	
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
	Actual 1/7/09 to 30/9/09	Actual 1/7/08 to 30/9/08	Actual 1/1/09 to 30/9/09	Actual 1/1/08 to 30/9/08
<b>Operating Activities</b>				
Profit before taxation	88,823	81,731	547,051	242,184
Adjustments for:				
Changes in fair value of properties	-	-	(281,282)	-
Changes in fair value of derivative asset	-	(6,724)	-	(5,729)
Amortisation of debt front end fee	1,006	1,006	3,018	3,019
Loss on disposal of investment properties	-	30	-	225
Depreciation	18	19	55	56
Allowance for doubtful debts	-	-	2,138	-
Base fee paid in units	6,730	7,344	19,750	21,795
Interest income	(73)	(417)	(728)	(6,981)
Borrowing costs	20,838	23,928	64,781	77,071
Operating Profit before changes in working capital	117,342	106,917	354,784	331,640
Decrease/(increase) in trade and other receivables	2,443	(2,273)	2,973	(3,205)
Increase/(decrease) in trade and other payables	3,461	(10,481)	11,029	3,872
Cash generated from operating activities	123,246	94,163	368,786	332,307
Income taxes paid	-	-	-	-
<b>Cash flows from operating activities</b>	<b>123,246</b>	<b>94,163</b>	<b>368,786</b>	<b>332,307</b>
<b>Investing Activities</b>				
Disposal of investment properties	-	200	-	1,143
Upgrading of investment properties	(7,201)	(3,752)	(23,919)	(9,835)
Interest received	73	417	728	6,981
<b>Cash flow used in investing activities</b>	<b>(7,128)</b>	<b>(3,135)</b>	<b>(23,191)</b>	<b>(1,711)</b>
<b>Financing Activities</b>				
Distribution paid	(161,676)	(150,912)	(313,610)	(292,409)
Repayment of borrowings	(30,000)	-	-	-
Borrowing costs paid	(20,838)	(23,928)	(64,781)	(77,071)
<b>Cash flow used in financing activities</b>	<b>(212,514)</b>	<b>(174,840)</b>	<b>(378,391)</b>	<b>(369,480)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(96,396)</b>	<b>(83,812)</b>	<b>(32,796)</b>	<b>(38,884)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>306,961</b>	<b>287,046</b>	<b>243,361</b>	<b>242,118</b>
<b>Cash and cash equivalents at end of the period</b>	<b>210,565</b>	<b>203,234</b>	<b>210,565</b>	<b>203,234</b>



1 (d)(i) Statement of changes in unitholders' funds

Statement for the third quarter	HK\$ '000			
	Trust		Group	
	Actual 1/7/09 to 30/9/09	Actual 1/7/08 to 30/9/08	Actual 1/7/09 to 30/9/09	Actual 1/7/08 to 30/9/08
<b>Balance as at beginning of period</b>	<b>4,205,186</b>	<b>4,197,533</b>	<b>6,469,178</b>	<b>7,319,894</b>
<b>Operations</b>				
Net profit (loss)	(8,942)	(7,199)	72,827	67,142
Other comprehensive income	-	-	(392)	12,559
Total comprehensive income	(8,942)	(7,199)	72,435	79,701
(Decrease)/Increase in net assets resulting from operations	(8,942)	(7,199)	72,435	79,701
<b>Unitholders' transactions</b>				
Creation of units				
-management fee paid/payable in units	6,730	7,344	6,730	7,344
Distribution to Unitholders	(161,676)	(150,912)	(161,676)	(150,912)
Net decrease in net assets resulting from Unitholders' transactions	(154,946)	(143,568)	(154,946)	(143,568)
<b>Unitholders' funds as at end of period</b>	<b>4,041,298</b>	<b>4,046,766</b>	<b>6,386,667</b>	<b>7,256,027</b>

Statement for the year-to-date	HK\$ '000			
	Trust		Group	
	Actual 1/1/09 to 30/9/09	Actual 1/1/08 to 30/9/08	Actual 1/1/09 to 30/9/09	Actual 1/1/08 to 30/9/08
<b>Balance as at beginning of year</b>	<b>4,198,658</b>	<b>4,187,772</b>	<b>6,156,364</b>	<b>7,306,249</b>
<b>Operations</b>				
Net profit	136,500	129,608	499,526	204,193
Other comprehensive income	-	-	24,637	16,199
Total comprehensive income	136,500	129,608	524,163	220,392
Increase in net assets resulting from operations	136,500	129,608	524,163	220,392
<b>Unitholders' transactions</b>				
Creation of units				
-management fee paid/payable in units	19,750	21,795	19,750	21,795
Distribution to Unitholders	(313,610)	(292,409)	(313,610)	(292,409)
Net decrease in net assets resulting from Unitholders' transactions	(293,860)	(270,614)	(293,860)	(270,614)
<b>Unitholders' funds as at end of year</b>	<b>4,041,298</b>	<b>4,046,766</b>	<b>6,386,667</b>	<b>7,256,027</b>

**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 July 2009	823,118,206	
10 July 2009	1,761,221	As payment of management fee for the period from 1 April 2009 to 30 June 2009
As at 30 September 2009	<u>824,879,427</u>	
8 October 2009	2,634,306	As payment of management fee for the period from 1 July 2009 to 30 September 2009
Deemed units as at 30 September 2009 <sup>(a)</sup>	<u>827,513,733</u>	

**Footnote:**

(a) *The deemed units as at 30 September 2009 excludes rights units of 824.9 million that were issued on 15 October 2009 pursuant to the fully underwritten one-for-one renounceable rights issue and the additional 6.4 million units issued on 16 October 2009 as the acquisition fee to the Manager in relation to the acquisitions of Metro Town, Caribbean Bazaar and Hampton Loft. The total number of units in issue as at 16 October 2009 is 1,658.8 million.*

**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 nor reviewed by the auditors.

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

Not applicable.

**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 2008.

**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 2009 to 30 September 2009

	Actual 1/7/09 to 30/9/09 HK cents	Actual 1/7/08 to 30/9/08 HK cents	Actual 1/1/09 to 30/9/09 HK cents	Actual 1/1/08 to 30/9/08 HK cents
Earnings per unit for the period based on the weighted average number of units in issue <sup>(a)</sup>	8.80	8.16	60.53	24.97
Weighted average number of units in issue (million)	825.2	815.7	825.2	815.7
Distribution per unit for the period based on the total number of units in issue <sup>(a)</sup>	9.75	8.65	29.35	27.16
Total number of units in issue (million)	827.5	817.7	827.5	817.7

### Footnote:

- (a) Earnings per unit and Distribution per unit are derived without taking into account the rights units of 824.9 million and the acquisition fee in units of 6.4 million which have been issued on 15 October 2009 and 16 October 2009 respectively.

Earnings per unit for the period 1 January 2009 to 30 September 2009 includes the increase in the fair value of the investment properties of HK\$281.3 million as at 30 June 2009.

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

	Actual 30/9/09 HK\$	Actual 31/12/08 HK\$
Net asset value per unit <sup>(a)</sup>	7.77	7.58

### Footnote:

- (a) Net asset value is calculated based on net assets of the Group excluding hedging reserves. The total number of deemed units used for the computation of net asset value per unit is 827.5 million as at 30 September 2009 (31 December 2008: 820.8 million), excluding the rights units of 824.9 million and the acquisition fee in units of 6.4 million which have been issued on 15 October 2009 and 16 October 2009 respectively. The increase in net asset value were mainly due to an increase in the fair value of the investment properties as at 30 June 2009, and have not taken into account the effect on the balance sheet after the acquisitions and the rights issue.

## 8. Review of performance

### Income Statement

	HK\$ '000		%	HK\$ '000		%
	Actual 1/7/09 to 30/9/09	Actual 1/7/08 to 30/9/08		Increase	Actual 1/1/09 to 30/9/09	
Total Revenue	167,442	161,916	3.4%	501,755	470,857	6.6%
Net Property Income	118,592	112,841	5.1%	357,007	341,804	4.4%
Income Available for Distribution	81,212	71,162	14.1%	242,910	222,075	9.4%

### **3Q 2009 (“Reporting Period”) versus 3Q 2008**

Total Revenue for the Reporting Period was HK\$167.4 million, 3.4% higher compared to the same quarter last year. The higher revenue was mainly contributed by The Metropolis Mall, Ma On Shan Plaza and Waldorf Garden Property.

Portfolio occupancy rate was 93.1% as at 30 September 2009. Passing rent improved by 2.2% to HK\$27.57 psf.

Property Operating Expenses was HK\$45.2 million compared to HK\$45.6 million in the corresponding period last year. Cost to revenue ratio was at 27.0%. Net Property Income was HK\$118.6 million, a 5.1% increase over the same period last year.

Borrowing costs was HK\$20.8 million for the period, about 12.9% lower than the corresponding quarter last year mainly due to the current low interest rate environment.

Net Profit of the Property Companies was HK\$81.8 million. Income Available for Distribution for the Reporting Period was HK\$81.2 million, 14.1% higher than the corresponding period last year.

### **YTD September 2009 versus YTD September 2008**

For YTD 30 September 2009 (“YTD3Q09”), Total Revenue was higher than the same period last year by 6.6%, at HK\$501.8 million. The higher revenue was mainly contributed by The Metropolis Mall, Ma On Shan Plaza and Waldorf Garden Property. A rental reversion of 3.9% was achieved for YTD3Q09.

Property Operating Expenses was HK\$133.7 million, 12.9% higher year-on-year. Cost to revenue ratio was at 26.6%. Net Property Income was HK\$357.0 million, a 4.4% increase over the same period last year.

Borrowing costs was HK\$64.8 million for YTD3Q09, a decrease of 15.9% over the same period last year. The weighted average borrowing cost was 3.64% for YTD3Q09, excluding the amortization of debt front-end fee.

Net Profit of the Property Companies was up 130.8%, mainly due to the higher revenues, lower borrowing costs and the increase in the fair value changes of property valuation as at 30 June 2009. However, the increase in property valuation would not have any impact on Income Available for Distribution.

Overall, Income Available for Distribution for YTD3Q09 was HK\$242.9 million. This was higher than the same period in 2008 by 9.4% mainly due to higher revenues and lower borrowing costs.

### **9. Variance between actual and the forecast results for the period from 1 January 2009 to 30 September 2009**

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 registered a growth of 3.3% in the second quarter of 2009 over the previous quarter, reversing the contraction in the preceding four quarters. The stabilized unemployment rate and resilient local consumption exhibited confidence on the Hong Kong economy. Along with the encouraging signs of an economic recovery, Hong Kong Government's forecast for the economy has been revised upwards to a contraction of 3.5% - 4.5% from 5.5% - 6.5% for year 2009 as a whole.

The value of total retail sales in September 2009 increased by 2.4%, the first year-on-year increase in 8 months. The improvement of the local economy, coupled with the stabilizing effect of the Government's relief measures should continue to render support to consumer confidence.

According to Savills market research report, shopping centre rents rose by 5.1% in the third quarter of 2009 over the previous quarter. Mainland footfall and local spending power gradually returned. In particular, rents in Kowloon and New Territories centers out-performed during the quarter, rising 6.0% and 5.4% respectively.

*Sources: Hong Kong Census and Statistics Department, Savills.*

### **Outlook for the financial year ending 31 December 2009**

The near term outlook for retail business will be determined by the pace of economic recovery. The revenue outlook for Fortune REIT will, to a certain extent, depend on the impact of the economic stabilization on Fortune REIT's existing tenants as well as demand for new retail space. However, the Manager has always taken a proactive approach in managing the Fortune REIT portfolio. The Manager will continue to negotiate leases with tenants well in advance and will, at the same time intensify marketing and promotion activities in the retail malls in order to assist tenants in maintaining their sales momentum.

With the successful completion of the recent refinancing and the Rights Issue, Fortune REIT has reinforced its financial position with no refinancing needs until 2013. In addition, the acquisitions of Metro Town, Caribbean Bazaar and Hampton Loft were completed on 15 October 2009. These three new assets will provide Fortune REIT with a more stable cash flow thereby enhancing the income profile of its portfolio.

## **11. Distributions**

### **(a) Current financial period**

Any distribution declared for the current period?	NIL
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### **(b) Corresponding period of the immediate preceding financial year**

Any distribution declared for the current period?	NIL
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<b>(c) Date Payable</b>	N.A.
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<b>(d) Book Closure Date</b>	N.A.
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**Footnote:**

*N.A. - Not applicable*

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

Not applicable.

**13. Confirmation pursuant to Rule 705(4) 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 unitholders’ funds and consolidated statement of cash flows, together with their accompanying notes) as at 30 September 2009 and the results of the business, changes in unitholders’ funds and cash flows of the Group for the 9 months ended on that date, to be false or misleading in any material aspect.

On behalf of the Board of the Manager,

Chiu Kwok Hung, Justin  
Director

Lim Hwee Chiang  
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 (SINGAPORE) LIMITED  
AS MANAGER OF FORTUNE REAL ESTATE INVESTMENT TRUST

Lim Hwee Chiang  
Director

4 November 2009