



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

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 by the Amending and Restating Deed dated 29 June 2005 and a 2<sup>nd</sup> Supplemental Deed dated 20 April 2006) 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.

Fortune REIT holds a portfolio of eleven retail malls in Hong Kong, spread across Kowloon and the New Territories, through the ownership of property companies ("the Property Companies"), worth approximately HK\$8.9 billion. The retail malls are City One Shatin Property, Ma On Shan Plaza, The Metropolis Mall, Waldorf Garden Property, Smartland, Tsing Yi Square Property, Jubilee Court Shopping Centre, The Household Center, Centre de Laguna Property, Lido Garden Property and Rhine Garden Property. Together they house a total of 839 tenants as at 30 June 2009 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 June 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 1/4/09 to 30/6/09 <sup>(a)</sup>	Actual 1/4/08 to 30/6/08 <sup>(a)</sup>	Increase/ (Decrease)	Actual 1/1/09 to 30/6/09 <sup>(a)</sup>	Actual 1/1/08 to 30/6/08 <sup>(a)</sup>	Increase/ (Decrease)
Revenue <sup>(b)</sup>	133,831	127,056	5.3%	270,912	250,174	8.3%
Charge-out collections <sup>(c)</sup>	32,233	29,502	9.3%	63,402	58,767	7.9%
<b>Total revenue</b>	<b>166,064</b>	<b>156,558</b>	<b>6.1%</b>	<b>334,314</b>	<b>308,941</b>	<b>8.2%</b>
Property management fees	(3,817)	(3,610)	5.7%	(7,734)	(7,101)	8.9%
Other property operating expenses <sup>(d)</sup>	(43,400)	(34,438)	26.0%	(80,791)	(65,796)	22.8%
Property Operating Expenses	(47,217)	(38,048)	24.1%	(88,525)	(72,897)	21.4%
Net Property Income (before manager's performance fee)	118,847	118,510	0.3%	245,789	236,044	4.1%
Manager's performance fee	(3,565)	(3,555)	0.3%	(7,374)	(7,081)	4.1%
<b>Net Property Income</b>	<b>115,282</b>	<b>114,954</b>	<b>0.3%</b>	<b>238,415</b>	<b>228,963</b>	<b>4.1%</b>
Changes in fair value of properties <sup>(e)</sup>	281,282	-	NM	281,282	-	NM
Net Property Income before finance costs	396,564	114,954	245.0%	519,697	228,963	127.0%
Borrowing costs	(20,443)	(26,182)	(21.9%)	(43,943)	(53,142)	(17.3%)
Profit Before Tax	376,121	88,772	323.7%	475,754	175,821	170.6%
Hong Kong Taxation :						
Current taxation	(12,219)	(10,740)	13.8%	(24,584)	(22,794)	7.9%
Deferred taxation <sup>(f)</sup>	(3,335)	3,563	(193.6%)	(6,835)	558	(1,324.9%)
Total Hong Kong Taxation	(15,554)	(7,177)	116.7%	(31,419)	(22,236)	41.3%
<b>Net Profit of Property Companies</b>	<b>360,567</b>	<b>81,595</b>	<b>341.9%</b>	<b>444,335</b>	<b>153,585</b>	<b>189.3%</b>
Loss on disposal of investment property	-	(195)	(100.0%)	-	(195)	(100.0%)
Manager's base fee	(6,657)	(7,265)	(8.4%)	(13,020)	(14,450)	(9.9%)
Foreign exchange (loss)/gain <sup>(g)</sup>	56	279	(79.9%)	43	986	(95.6%)
Non-tax deductible trust expenses <sup>(h)</sup>	(1,660)	(2,574)	(35.5%)	(3,304)	(6,106)	(45.9%)
Tax deductible trust expenses	(620)	(1,168)	(46.9%)	(1,900)	(2,163)	(12.2%)
Non tax-exempt income <sup>(i)</sup>	257	21,885	(98.8%)	655	6,563	(90.0%)
Singapore current taxation	(52)	(1,115)	(95.3%)	(110)	(1,165)	(90.6%)
Total Trust Expenses	(8,676)	9,847	(188.1%)	(17,636)	(16,530)	6.7%
Net Profit of Group	351,891	91,442	284.8%	426,699	137,055	211.3%
Add / (less) :						
Manager's base fee	6,657	7,265	(8.4%)	13,020	14,450	(9.9%)
Foreign exchange loss/(gain) <sup>(g)</sup>	(56)	(279)	(79.9%)	(43)	(986)	(95.6%)
Non-tax deductible trust expenses <sup>(h)</sup>	1,660	2,574	(35.5%)	3,304	6,106	(45.9%)
Non tax-exempt income <sup>(i)</sup>	-	(21,615)	(100.0%)	-	(5,709)	(100.0%)
Changes in fair value of properties <sup>(e)</sup>	(281,282)	-	NM	(281,282)	-	NM
<b>Income Available For Distribution<sup>(j)</sup></b>	<b>78,870</b>	<b>79,387</b>	<b>(0.7%)</b>	<b>161,698</b>	<b>150,916</b>	<b>7.1%</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 April 2009 to 30 June 2009, and 1 January 2009 to 30 March 2009 are provision of doubtful debts of HK\$0.1 million (2008: NIL) and HK\$2.0 million (2008: NIL) respectively.*
- (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\$8,900,000,000 (31 December 2008: HK\$8,602,000,000).*
- (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) *There was no fair value changes in the non-tax deductible trust expenses for the period 1 January 2009 to 30 June 2009 (2008: negative fair value HK\$1.0 million) arising from the structured swaps entered on 28 June 2006 as both the "MINT" & "CMS" swaps were unwound in FY2008.*
- (i) *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 June 2009 (2008: HK\$5.7 million) as both the "MINT" & "CMS" swaps were unwound in FY2008.*
- (j) *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.*
- (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

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 1/4/09 to 30/6/09	Actual 1/4/08 to 30/6/08	Increase/ (Decrease)	Actual 1/1/09 to 30/6/09	Actual 1/1/08 to 30/6/08	Increase/ (Decrease)
Net Profit of Group	351,891	91,442	284.8%	426,699	137,055	211.3%
Other comprehensive income:						
Cash flow hedge <sup>(a)</sup>	16,456	31,114	(47.1%)	25,029	3,637	588.2%
Total comprehensive income	368,347	122,556	200.6%	451,728	140,692	221.1%

**Footnotes:**

(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 30/6/09	Actual 31/12/08	Actual 30/6/09	Actual 31/12/08
<b>Current Assets</b>				
Cash and bank balances	268,916	105,675	306,961	243,361
Trade and other receivables	5,168	162,156	34,121	36,914
<b>Total Current Assets</b>	<b>274,084</b>	<b>267,831</b>	<b>341,082</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>	-	-	8,900,000	8,602,000
Fixed assets	-	-	80	117
Derivative asset <sup>(c)</sup>	-	-	5,785	-
<b>Total Non-Current Assets</b>	<b>3,939,224</b>	<b>3,939,224</b>	<b>8,905,865</b>	<b>8,602,117</b>
<b>Total Assets</b>	<b>4,213,308</b>	<b>4,207,055</b>	<b>9,246,947</b>	<b>8,882,392</b>
<b>Current Liabilities</b>				
Trade and other payables	5,286	5,671	202,030	194,461
Borrowings	-	-	2,374,675	-
Derivative liability <sup>(c)</sup>	-	-	45,674	11,472
Provision for taxation	2,836	2,726	33,778	9,209
<b>Total Current Liabilities</b>	<b>8,122</b>	<b>8,397</b>	<b>2,656,157</b>	<b>215,142</b>
<b>Non-Current Liabilities</b>				
Borrowings	-	-	-	2,342,663
Deferred tax liabilities	-	-	121,612	114,777
Derivative liability <sup>(c)</sup>	-	-	-	53,446
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>121,612</b>	<b>2,510,886</b>
<b>Total Liabilities</b>	<b>8,122</b>	<b>8,397</b>	<b>2,777,769</b>	<b>2,726,028</b>
<b>Net Assets</b>	<b>4,205,186</b>	<b>4,198,658</b>	<b>6,469,178</b>	<b>6,156,364</b>
<b>Unitholders' Equity</b>				
Issued equity	4,383,551	4,370,531	4,383,551	4,370,531
Unit issue costs <sup>(d)</sup>	(173,097)	(173,097)	(173,097)	(173,097)
Hedging reserve <sup>(c)</sup>	-	-	(39,889)	(64,918)
Revenue reserve	(5,268)	1,224	2,298,613	2,023,848
<b>Total Unitholder's Equity</b>	<b>4,205,186</b>	<b>4,198,658</b>	<b>6,469,178</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 asset/ 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 June 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 30/6/09

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

Secured <sup>(a)</sup>	Unsecured
HK\$ '000	HK\$ '000
2,374,675	-
-	-
2,374,675	-

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 million (2008: HK\$265 million) revolving credit facility. The term loan facility and revolving credit facility will be due for refinancing in June 2010, and the group is currently in the process of arranging for refinancing of this loan facilities.

Included in the amount payable within one year is a debt front end fee of HK\$4.0 million (31 December 2008: HK\$6.0 million). The facilities are secured by, inter alia, a mortgage over all Fortune REIT's properties (except for Jubilee Court Shopping Centre and Waldorf Garden Property).

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

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

	Group		Group	
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
	Actual 1/4/09 to 30/6/09	Actual 1/4/08 to 30/6/08	Actual 1/1/09 to 30/6/09	Actual 1/1/08 to 30/6/08
<b>Operating Activities</b>				
Profit before taxation	367,497	99,735	458,228	160,456
Adjustments for:				
Changes in fair value of properties	(281,282)	-	(281,282)	-
Changes in fair value of derivative asset	-	(16,595)	-	995
Amortisation of debt front end fee	1,006	1,006	2,012	2,013
Loss on disposal of investment properties	-	195	-	195
Depreciation	18	19	37	37
Allowance for doubtful debts	183	-	2,138	-
Base fee paid in units	6,657	7,265	13,020	14,450
Interest income	(257)	(5,290)	(655)	(6,563)
Borrowing costs	20,443	26,182	43,943	53,142
Operating Profit before changes in working capital	114,265	112,517	237,441	224,725
Decrease/(increase) in trade and other receivables	1,086	246	530	(934)
Increase in trade and other payables	5,652	6,739	7,569	14,353
Cash generated from operating activities	121,003	119,502	245,540	238,144
Income taxes paid	-	-	-	-
<b>Cash flows from operating activities</b>	<b>121,003</b>	<b>119,502</b>	<b>245,540</b>	<b>238,144</b>
<b>Investing Activities</b>				
Disposal of investment properties	-	943	-	943
Upgrading of investment properties	(6,233)	(3,314)	(16,718)	(6,083)
Interest received	257	5,290	655	6,563
<b>Cash flow (used in)/from investing activities</b>	<b>(5,976)</b>	<b>2,919</b>	<b>(16,063)</b>	<b>1,423</b>
<b>Financing Activities</b>				
Distribution paid	-	-	(151,934)	(141,497)
Bank loan	30,000	-	30,000	-
Borrowing costs paid	(20,443)	(26,182)	(43,943)	(53,142)
<b>Cash flow (used in)/from financing activities</b>	<b>9,557</b>	<b>(26,182)</b>	<b>(165,877)</b>	<b>(194,639)</b>
<b>Net increase in cash and cash equivalents</b>	<b>124,584</b>	<b>96,239</b>	<b>63,600</b>	<b>44,928</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>182,377</b>	<b>190,807</b>	<b>243,361</b>	<b>242,118</b>
<b>Cash and cash equivalents at end of the period</b>	<b>306,961</b>	<b>287,046</b>	<b>306,961</b>	<b>287,046</b>

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

Statement for the second quarter	HK\$ '000			
	Trust		Group	
	Actual 1/4/09 to 30/6/09	Actual 1/4/08 to 30/6/08	Actual 1/4/09 to 30/6/09	Actual 1/4/08 to 30/6/08
<b>Balance as at beginning of period</b>	<b>4,044,126</b>	<b>4,027,083</b>	<b>6,094,174</b>	<b>7,190,073</b>
<b>Operations</b>				
Net profit	154,403	163,185	351,891	91,442
Other comprehensive income	-	-	16,456	31,114
Total comprehensive income	-	-	368,347	122,556
Increase in net assets resulting from operations	154,403	163,185	368,347	122,556
<b>Unitholders' transactions</b>				
Creation of units				
-management fee paid/payable in units	6,657	7,265	6,657	7,265
Net increase in net assets resulting from Unitholders' transactions	6,657	7,265	6,657	7,265
<b>Unitholders' funds as at end of period</b>	<b>4,205,186</b>	<b>4,197,533</b>	<b>6,469,178</b>	<b>7,319,894</b>

Statement for the year-to-date	HK\$ '000			
	Trust		Group	
	Actual 1/1/09 to 30/6/09	Actual 1/1/08 to 30/6/08	Actual 1/1/09 to 30/6/09	Actual 1/1/08 to 30/6/08
<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	145,442	136,808	426,699	137,055
Other comprehensive income	-	-	25,029	3,637
Total comprehensive income	-	-	451,728	140,692
Increase in net assets resulting from operations	145,442	136,808	451,728	140,692
<b>Unitholders' transactions</b>				
Creation of units				
-management and acquisition fee paid/payable in units	13,020	14,450	13,020	14,450
Distribution to Unitholders	(151,934)	(141,497)	(151,934)	(141,497)
Net decrease in net assets resulting from Unitholders' transactions	(138,914)	(127,047)	(138,914)	(127,047)
<b>Unitholders' funds as at end of year</b>	<b>4,205,186</b>	<b>4,197,533</b>	<b>6,469,178</b>	<b>7,319,894</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 April 2009	820,818,975	Total units since the end of previous financial period
6 April 2009	2,299,231	As payment of management fee for the period from 1 January 2009 to 31 March 2009
As at 30 June 2009	<u>823,118,206</u>	
10 July 2009 <sup>(a)</sup>	1,761,221	As payment of management fee for the period from 1 April 2009 to 30 June 2009
Deemed units as at 30 June 2009	<u>824,879,427</u>	

**Footnote:**

(a) On 10 July 2009, there was an additional 1,761,221 Units issued to the Manager as payment of management fee for the period from 1 April 2009 to 30 June 2009.



**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 Singapore 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 2008. The preparation and presentation of this interim financial information is in accordance with the Singapore Financial Reporting Standard 34 Interim Financial Reporting ("FRS 34").

**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 June 2009

Earning per unit for the period based on the weighted average number of units in issue

Weighted average number of units in issue (million)

Distribution per unit for the period based on the total number of units in issue

Total number of units in issue (million)

Actual 1/4/09 to 30/6/09 HK cents	Actual 1/4/08 to 30/6/08 HK cents	Actual 1/1/09 to 30/6/09 HK cents	Actual 1/1/08 to 30/6/08 HK cents
42.64	11.20	51.73	16.81
824.1	814.6	824.1	814.6
9.54	9.72	19.60	18.51
824.9	815.3	824.9	815.3

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

Net asset value per unit<sup>(a)</sup>

Actual 30/6/09 HK\$	Actual 31/12/08 HK\$
7.89	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 824.9 million (31 December 2008: 820.8 million). The increase in net asset value was mainly due to an increase in the fair value of the investment properties as at 30 June 2009.

## 8. Review of performance

### Income Statement

	HK\$ '000		%	HK\$ '000		%
	Actual 1/4/09 to 30/6/09	Actual 1/4/08 to 30/6/08	Increase	Actual 1/1/09 to 30/6/09	Actual 1/1/08 to 30/6/08	Increase
Total Revenue	166,064	156,558	6.1%	334,314	308,941	8.2%
Net Property Income	115,282	114,954	0.3%	238,415	228,963	4.1%
Income Available for Distribution	78,870	79,387	-0.7%	161,698	150,916	7.1%

### 2Q 2009 (“Reporting Period”) versus 2Q 2008

Total Revenue for the Reporting Period was HK\$166.1 million, which was about 6.1% higher as compared to the same quarter last year. The higher revenue was mainly contributed by The Metropolis Mall, City One Shatin Property, Ma On Shan Plaza as well as Waldorf Garden Property.

Portfolio occupancy rate was at 92.1% as at 30 June 2009. Passing rent improved by 4.0% to HK\$27.60 psf.

Property Operating Expenses was HK\$47.2 million compared to HK\$38.0 million in the corresponding period last year mainly due to higher staff costs for leasing activities, advertising and promotion expenses as well as repair and maintenance expenses. Cost to revenue ratio was at 28.4%.

Net Property Income was HK\$115.3 million, represented a 0.3% increase over the same period last year.

Borrowing costs was HK\$20.4 million for the period. This was about 21.9% lower than the corresponding quarter last year.

Net Profit of the Property Companies was HK\$360.6 million, mainly due to the increase in the valuation of the properties from HK\$8,602 million to HK\$8,900 million as at 30 June 2009.

Income Available for Distribution for the Reporting Period was HK\$78.9 million which was slightly below the corresponding period last year by 0.7%.

### 1H 2009 versus 1H 2008

For the half year ended 30 June 2009 (“1H09”), Total Revenue was higher than the same period last year by 8.2%, to HK\$334.3 million. The higher revenue was mainly contributed by The Metropolis Mall, City One Shatin Property, Ma On Shan Plaza as well as Waldorf Garden Property. A rental reversion of 4.0% was achieved for 1H09.

Property Operating Expenses was HK\$88.5 million, a 21.4% higher year-on-year. Cost to revenue ratio was at 26.5%. Net Property Income was HK\$238.4 million, a 4.1% increase over the same period last year.

Borrowing costs was HK\$43.9 million for 1H09, which represented a decrease of 17.3% over the same period last year. The weighted average borrowing cost was 3.73% for 1H09.

Net Profit of the Property Companies was up 189.3%, mainly due to the increase in property valuation, higher revenues and lower borrowing costs, however, the increase in property valuation would not have any impact on income available for distribution.

Overall, Income Available for Distribution for 1H09 was HK\$161.7 million. It was higher than the same period in 2008 by 7.1% 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 June 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**

Following a contraction of 2.6% in fourth quarter of 2008, the Hong Kong GDP registered a sharp decline of 7.8% in first quarter of 2009 (yoy). The private consumption expenditure fell a further 5.5% (yoy) in the first quarter of 2009, after the 4.1% fall in previous quarter. Retail sales continued to decline in May 2009. The value of total retail sales decreased by 6.2% (yoy) to HK\$21.6 billion. However, non-discretionary spending items such as supermarkets (+6.6%) and food and drinks (+3.2%) still recorded a growth.

According to Savills, shopping centres in fringe core areas targeting the midmarket were the hardest hit while those in traditional residential areas serving necessities proved to be more insulated from the economic downturn. For the six months since October 2008, retail rental in Hong Kong Island slid by 10.6% compared with a more moderate drop of 4.0% in New Territories.

Consumer were still cautious in spending on big-ticket items such as motor vehicles and jewellery, yet retail sales of some other consumption items held stable or showed some relative improvement. The stabilization of global economy together with the new round relief from the Government should help to support the consumer as well as the retail trade.

*Source: Census and Statistics Department, First Quarter Hong Kong Economic Report, Hong Kong Government*

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

The near term outlook for retail business will continue to be affected by the uncertainties surrounding the pace of economic recovery and the impact of H1N1. The revenue outlook for Fortune REIT will, to a certain extent, depend on the impact of the economic situation on Fortune REIT's existing tenants as well as demand for new retail space. Nevertheless, Fortune REIT which invests in Hong Kong decentralized retail properties tends to maintain a more resilient performance when compared to the overall market and economic conditions in general.

**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 2009 to 30 June 2009
Distribution Type	Tax-exempt income
Distribution Rate	19.60 Hong Kong cents per unit
Par value of units	N.M.
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 2008 to 30 June 2008
Distribution Type	Tax-exempt income
Distribution Rate	18.51 Hong Kong cents per unit
Par value of units	N.M.
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** 28 August 2009

**(d) Book Closure Date** 5 August 2009

**Footnote:**

*N.M. - Not meaningful*

**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 June 2009 and the results of the business, changes in unitholders' funds 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,

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

28 July 2009

**ARA Asset Management (Singapore) Limited**  
(as Manager of Fortune REIT)  
6 Temasek Boulevard  
#16-02 Suntec City Tower 4  
Singapore 038986

**HSBC Institutional Trust Services (Singapore) Limited**  
(as Trustee of Fortune REIT)  
21 Collyer Quay  
#10-01, HSBC Building  
Singapore 049320

**Attention: Ms Justina Chiu**

Dear Sirs

## **Introduction**

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, 2009 and statements of changes in unitholders' funds of the Group and of Fortune REIT, and the statement of comprehensive income and consolidated cash flow statement of the Group for the six-month period then ended and other explanatory notes.

The management of ARA Asset Management (Singapore) Limited is responsible for the preparation and presentation of this interim financial information in accordance with the Singapore Financial Reporting Standard 34 Interim Financial Reporting ("FRS 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 Singapore 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 Singapore 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 FRS 34.

Yours faithfully

*Deloitte & Touche LLP*

Public Accountants and  
Certified Public Accountants  
Singapore

July 28, 2009