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Fortune Real Estate Investment Trust

(a Hong Kong collective investment scheme authorized under section 104
of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))
(Stock Code: 778)

Managed by



ARA Asset Management (Fortune) Limited

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011 AND CLOSURE OF REGISTER OF UNITHOLDERS

Fortune Real Estate Investment Trust ("**Fortune REIT**") is a real estate investment trust constituted by a trust deed ("**Trust Deed**") entered into on 4 July 2003 (as amended) made between ARA Asset Management (Fortune) Limited, as the manager of Fortune REIT (the "**Manager**"), and HSBC Institutional Trust Services (Singapore) Limited, as the trustee of Fortune REIT (the "**Trustee**"). Fortune REIT was listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and The Stock Exchange of Hong Kong Limited ("**SEHK**") on 12 August 2003 and 20 April 2010 respectively.

Fortune REIT holds a portfolio of fourteen retail properties in Hong Kong, spread across Kowloon and the New Territories, comprising approximately 2.0 million square feet ("**Sq. ft.**") of retail space and 1,660 car parking lots. The retail properties are City One Shatin Property, Ma On Shan Plaza, Metro Town, The Metropolis Mall, Waldorf Garden Property, Caribbean Bazaar, Smartland, Jubilee Court Shopping Centre, Tsing Yi Square Property, 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.

The board of directors of the Manager (the “**Board**”) is pleased to announce the unaudited results of Fortune REIT for the six months ended 30 June 2011 (the “**Reporting Period**”) as follows:

FINANCIAL HIGHLIGHTS

| | Six months ended 30 June 2011 | Six months ended 30 June 2010 | % change |
|--|----------------------------------|----------------------------------|----------|
| Revenue (HK\$ million) | 446.8 | 413.8 | 8.0% |
| Net property income (HK\$ million) | 319.5 | 302.3 | 5.7% |
| Cost-to-revenue ratio | 26.3% | 24.7% | 1.6% |
| Income available for distribution (HK\$ million) | 214.8 | 204.6 | 5.0% |
| Distribution per unit (HK cents) | 12.80 | 12.27 | 4.3% |
| | As at 30 Jun 2011 | As at 31 Dec 2010 | % change |
| Net asset value per unit (HK\$) | 7.52 | 6.18 | 21.7% |
| Property valuation (HK\$ million) | 15,688 | 13,300 | 18.0% |
| Gearing ratio / Aggregate leverage ¹ | 18.1% | 21.0% | (2.9%) |

Note:

1. Gearing ratio is defined as total borrowings as a percentage of gross assets. Aggregate leverage is defined as the value of total borrowings and deferred payments as a percentage of gross assets. As at 30 June 2011, there was no deferred payment.

DISTRIBUTION

Fortune REIT’s distribution policy is to distribute to unitholders on a semi-annual basis, the higher of (i) 100% of its tax exempt income (except dividends paid out of interest income and gains, if any, which are distributable at the discretion of the Manager) after deduction of applicable expenses; and (ii) 90% of consolidated net profit after tax (before transactions with unitholders) for the relevant financial year adjusted to eliminate the effects of certain adjustments in accordance with the Code on Real Estate Investment Trusts (the “**REIT Code**”) published by the Securities and Futures Commission of Hong Kong (“**SFC**”).

FINANCIAL REVIEW

Fortune REIT continued to deliver a strong set of results in the first half of 2011, demonstrating its capacity for sustained growth.

For the six months ended 30 June 2011, Fortune REIT’s revenue and net property income grew by 8.0% and 5.7% year-on-year to HK\$446.8 million and HK\$319.5 million respectively. The rise in financial performance compared to the first half of 2010 is attributed to further improvement in both occupancies and rental rates across the entire portfolio, underpinned by the robust growth in the Hong Kong retail sector. In addition, the renovation at Ngan Shing Commercial Centre (“**NSCC**”), which was completed in September 2010, has effectively lifted the overall performance of City One Shatin Property compared to the previous year.

Borrowing costs, excluding debt front-end fee, for the Reporting Period totalled to HK\$62.7 million, an increase of HK\$6.4 million or 11.4% over the first half of 2010. This is due primarily to the one-time write-off of an unamortised commitment fee of HK\$12.9 million arising from the early prepayment of the previous facilities in April 2011. Nevertheless, Fortune REIT enjoyed a lower borrowing cost as a result of the reduced interest margin of the new facilities starting from April 2011.

Despite the one-time commitment fee during the Reporting Period, Fortune REIT has continued a consistent trend of growing its distributable income. The unaudited income available for distribution for the Reporting Period amounted to HK\$214.8 million, a year-on-year increase of 5.0%. The distribution per unit (“DPU”) for the Reporting Period was 12.80 Hong Kong cents, 4.3% higher than the DPU of 12.27 Hong Kong cents for the corresponding period in 2010.

The interim DPU of 12.80 Hong Kong cents represents an annualised distribution yield of 6.7% based on the average of the two closing unit prices of HK\$3.82 in Singapore and HK\$3.85 in Hong Kong as at 30 June 2011. The payment date for the interim distribution will be on Monday, 29 August 2011.

Capital Management

Fortune REIT’s financial position was significantly strengthened during the Reporting Period. Capitalising on the opportunities in Hong Kong’s credit market, the Manager successfully refinanced Fortune REIT’s entire loan facilities of HK\$3,100 million under more favourable terms on 15 April 2011. The new facilities with an aggregate principal amount of HK\$3,800 million, comprising a HK\$2,830 million term loan facility and a HK\$970 million revolving credit facility, bear an interest margin of 0.91% per annum over the Hong Kong Interbank Offer Rate (“HIBOR”). The new facilities provided for a five-year loan term, effectively extending Fortune REIT’s loan maturity to 11 April 2016 (The previous loan would have matured on 15 October 2013). As a result of the lower interest margin, there were immediate interest savings compared to the previous loan (which was at 2% per annum over HIBOR). The enhanced revolving credit facility also provides flexibility for potential acquisition opportunities and value-added asset enhancement initiatives (“AEIs”) in the pipeline. As at 30 June 2011, the entire term loan facility and HK\$120 million of the revolving credit facility had been drawn.

The facilities are secured over Fortune REIT’s nine investment properties, which carried an aggregate fair value of HK\$11,157 million as at 30 June 2011. The Trustee has provided a guarantee for the facility.

The Manager continued to take a prudent approach in managing the risk in the fluctuation of interest costs. As at 30 June 2011, the interest cost for Fortune REIT’s entire term loan of HK\$2,830 million was fixed through entering into plain vanilla interest rate swaps. Fortune REIT’s effective cost of borrowing, after accounting for the interest rate hedging and the one-time write-off of the unamortised commitment fee from the previous facilities, was 4.44% for the Reporting Period (First Half 2010: 4.01%).

Driven primarily by an increase in the value of investment properties, both the gearing ratio and aggregate leverage of Fortune REIT were 18.1% as at 30 June 2011 (31 December 2010: 21.0%). The gross liability, as a percentage of gross assets of Fortune REIT, was 22.8% as at 30 June 2011 (31 December 2010: 25.5%).

Net asset value per unit amounted to HK\$7.52 as at 30 June 2011, up 21.7% from HK\$6.18 reported as at the end of 2010. The increase was largely due to the rise in the value of investment properties.

Fortune REIT, with a cash balance of HK\$592.4 million and a committed undrawn revolving credit facility of approximately HK\$850 million as at 30 June 2011, possesses sufficient financial resources to satisfy its financial commitments and working capital requirements.

Portfolio Valuation

The valuation of Fortune REIT's 14 retail properties were appraised at a valuation of HK\$15,688 million by Knight Frank Petty Limited, an independent valuer, as at 30 June 2011. This represents an increase of 18.0% from the valuation of HK\$13,300 million as at 31 December 2010. The higher valuation is attributed to a reduction in capitalisation rates and an improvement in asset performance. It has resulted in a revaluation gain of HK\$2,381.2 million for the Reporting Period.

PORTFOLIO HIGHLIGHTS

As at 30 June 2011, Fortune REIT owns a geographically diverse portfolio of 14 retail malls and properties in Hong Kong, comprising approximately 2.0 million Sq.ft. of retail space and 1,660 car parking lots.

| Property | Gross Rentable Area (Sq. ft.) | Valuation (HK\$ million) | Occupancy | No. of car parking lots |
|--------------------------------|-------------------------------|--------------------------|--------------|-------------------------|
| City One Shatin Property | 414,469 | 4,772 | 98.2% | 658 |
| Ma On Shan Plaza | 310,084 | 2,998 | 100.0% | 290 |
| Metro Town | 180,822 | 2,128 | 100.0% | 74 |
| The Metropolis Mall | 332,168 | 1,700 | 92.1% | 179 |
| Waldorf Garden Property | 80,842 | 1,108 | 99.7% | 73 |
| Caribbean Bazaar | 63,018 | 639 | 100.0% | 117 |
| Smartland | 123,544 | 477 | 99.2% | 67 |
| Jubilee Court Shopping Centre | 170,616 | 450 | 100.0% | 97 |
| Tsing Yi Square Property | 78,836 | 426 | 100.0% | 27 |
| The Household Center | 91,779 | 348 | 97.5% | 43 |
| Centre de Laguna Property | 43,000 | 212 | 100.0% | N.A. |
| Hampton Loft | 74,734 | 206 | 100.0% | 35 |
| Lido Garden Property | 9,836 | 130 | 100.0% | N.A. |
| Rhine Garden Property | 14,604 | 94 | 100.0% | N.A. |
| Total / Overall average | 1,988,352 | 15,688 | 98.1% | 1,660 |

OPERATIONS REVIEW

Fortune REIT continued its strong asset performance and upheld a solid portfolio occupancy of 98.1% as at 30 June 2011 (30 June 2010: 96.2%). Benefitting from Hong Kong's strong domestic consumption and robust economic conditions, Fortune REIT's properties achieved a rental reversion for renewals of 13.8% during the Reporting Period. Portfolio passing rent rose by 10.2% year-on-year to HK\$30.3 per Sq.ft as at 30 June 2011.

The Manager seeks to drive organic growth, as well as plan and execute AEs effectively across the Fortune REIT portfolio to unlock the full potential of the properties. The AEs at City One Plaza ("**COP**") of City One Shatin Property are under planning and progressing well. Works are expected to commence in the third quarter of 2011 and will be carried out in phases until end of 2012. Upon completion of the renovation, the mall will be transformed, with a more attractive retail ambience, a refreshing new Central Park, a more efficient layout and zoning, enhanced building facilities and exciting new retail offerings. The cost of the project is estimated to be approximately HK\$100 million and the project is targeting a 15% return on investment ("**ROI**").

Fortune REIT has established a solid track record of achieving satisfactory return for AEs. Notably, the AEs at NSCC last year achieved a ROI of 22%. The Manager will leverage on the experience and success gained in the project to roll out yield-enhancing AEs at other properties. In particular, in response to the strong leasing demand in Ma On Shan Plaza, the Manager is planning a 50,000 Sq.ft. layout reconfiguration to downsize the Chinese restaurant space and efficiently subdivide the available space to accommodate more diversified retail offerings and provide better services to the community. More than 50% of the space has already been pre-committed prior to works commencing in August 2011. The subdivision will take about three months and is expected to be completed by the end of 2011.

OUTLOOK

Hong Kong's economy remained robust in the first quarter of 2011. Gross domestic product grew 7.2% compared to a year earlier, after a similarly strong 7.0% growth in 2010. Upbeat consumer sentiment supported domestic demand amid broad-based improvement in the labour market. The total value of retail sales in Hong Kong for the period from January to May 2011 increased by 23.6% compared to the same period last year. Private consumption grew strongly and accelerated by 7.6% year-on-year in the first quarter of 2011. Fortune REIT's portfolio of 14 private housing estate retail properties should continue to benefit from the buoyant retail environment.

The leases that expire in the second half of 2011 accounted for 25.5% and 22.1% of the gross rentable area and gross rental income of Fortune REIT's portfolio respectively. The Manager plans to continue implementing effective leasing and tenant repositioning strategies, as well as executing various AEs to drive revenue growth for Fortune REIT's retail properties.

Fortune REIT's financial position has been significantly strengthened by a lower interest margin, extended debt maturity and an enlarged revolving credit facility. With these new financial flexibilities and an even stronger capital structure, the Manager will continue to prudently seek acquisition opportunities that fit its investment objectives and provide long term benefit to the unitholders of Fortune REIT.

EMPLOYEES

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

NEW UNITS ISSUED

As at 30 June 2011, the total number of issued units of Fortune REIT was 1,674,182,145. As compared with the position as at 31 December 2010, a total of 5,149,898 new units were issued during the Reporting Period in the following manner:

- On 5 January 2011, 2,567,653 new units were issued to the Manager at the price of HK\$3.9168 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's base fee of approximately HK\$10.1 million payable by Fortune REIT for the period from 1 October 2010 to 31 December 2010.
- On 4 April 2011, 2,582,245 new units were issued to the Manager at the price of HK\$3.8100 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's base fee of approximately HK\$9.8 million payable by Fortune REIT for the period from 1 January 2011 to 31 March 2011.

REPURCHASE, SALE OR REDEMPTION OF UNITS

During the Reporting Period, other than the disposal of 5,150,000 units by the Manager, there was no repurchase, sale or redemption of the units of Fortune REIT by Fortune REIT or its subsidiaries.

CORPORATE GOVERNANCE

With the objectives of establishing and maintaining high standards of corporate governance, certain policies and procedures have been put in place to promote the operation of Fortune REIT in a transparent manner and with built-in checks and balances. The Manager has adopted a compliance manual (the "**Compliance Manual**") which sets out the key processes, systems, measures, and certain corporate governance policies and procedures applicable for governing the management and operation of Fortune REIT and for compliance with the applicable Hong Kong regulations and legislation. The Manager is also subject to the applicable Singapore regulations and legislation as well as corporate governance practices and policies referred to in the Singapore Code of Corporate Governance 2005 (the "**Singapore Code**"). The Manager confirmed that it has in material terms complied with the provisions of the Compliance Manual and has adhered to the principles and guidelines set out in the Singapore Code which are applicable to Fortune REIT and the Manager throughout the Reporting Period.

DISTRIBUTION ENTITLEMENT AND CLOSURE OF REGISTER OF UNITHOLDERS

The Hong Kong register of unitholders will be closed on Friday, 5 August 2011, during which day no transfer of units on the Hong Kong register of unitholders will be effected. In order to qualify for the interim distribution, all unit certificates with completed transfer forms must be lodged with Fortune REIT's Hong Kong unit registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712-16, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 4 August 2011. The payment of interim distribution will be made to unitholders on Monday, 29 August 2011.

REVIEW OF INTERIM RESULTS

The unaudited interim results of Fortune REIT for the Reporting Period have been reviewed by the Audit Committee and the Disclosures Committee of the Manager in accordance with their terms of reference. The unaudited interim results have also been reviewed by Fortune REIT's auditors in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

PUBLIC FLOAT

As far as the Manager is aware, more than 25% of the issued and outstanding units of Fortune REIT were held in public hands as at 30 June 2011.

ISSUANCE OF INTERIM REPORT 2011

The 2011 Interim Report of Fortune REIT for the Reporting Period will be dispatched to unitholders on or before 31 August 2011.

By order of the Board of directors of
ARA Asset Management (Fortune) Limited
(in its capacity as manager of Fortune Real Estate Investment Trust)
ANG Meng Huat, Anthony
Director

Hong Kong, 22 July 2011

The Directors of the Manager as at the date of this announcement are Mr. Chiu Kwok Hung, Justin (Chairman), Mr. Lim Hwee Chiang, Mr. Ip Tak Chuen, Edmond and Ms. Yeung, Eirene as Non-executive Directors; Mr. Ang Meng Huat, Anthony and Ms. Chiu Yu, Justina as Executive Directors; Mr. Lim Lee Meng, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Mr. Lan Hong Tsung, David as Independent Non-executive Directors; and Mr. Ma Lai Chee, Gerald as Alternate Director to Mr. Ip Tak Chuen, Edmond.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

| | | <i>Six months ended 30 June</i> | |
|--|--------------|---------------------------------|-----------------------|
| | <i>Notes</i> | <i>2011</i> | <i>2010</i> |
| | | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Revenue | 4 | 446,837 | 413,809 |
| Property operating expenses | | <u>(127,310)</u> | <u>(111,510)</u> |
| Net property income | | 319,527 | 302,299 |
| Manager's base fee | | (21,572) | (17,797) |
| Foreign currency exchange gain/ (loss) | | 100 | (62) |
| Interest income | | 1,435 | 311 |
| Trust expenses | | (7,313) | (33,662) |
| Change in fair value of investment properties | | 2,381,242 | 912,910 |
| Change in fair value of derivative financial instruments | | 13,119 | (56,230) |
| Borrowing costs | 6 | <u>(120,809)</u> | <u>(68,390)</u> |
| Profit before taxation and transactions with unitholders | 7 | 2,565,729 | 1,039,379 |
| Income tax expense | 8 | <u>(41,316)</u> | <u>(39,926)</u> |
| Profit for the period, before transactions with unitholders | | 2,524,413 | 999,453 |
| Distributions to unitholders | | <u>(214,805)</u> | <u>(204,571)</u> |
| Profit for the period, after transactions with unitholders | | 2,309,608 | 794,882 |
| Other comprehensive income | | | |
| Change in fair value of derivative financial instruments under cash flow hedge | | <u>(52,592)</u> | 27,097 |
| Total comprehensive income for the period | | <u>2,257,016</u> | <u>821,979</u> |
| Income available for distribution to unitholders | | <u>214,805</u> | <u>204,571</u> |
| Basic earnings per unit (HK cents) | 9 | <u>150.62</u> | <u>60.01</u> |

Distribution Statement

For the six months ended 30 June 2011

| | | <i>Six months ended 30 June</i> | |
|--|--------------|---------------------------------|--------------------|
| | | <i>2011</i> | <i>2010</i> |
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Profit for the period, before transactions with unitholders | | 2,524,413 | 999,453 |
| Adjustments: | | | |
| Manager's base fee | | 21,572 | 17,797 |
| Change in fair value of investment properties | | (2,381,242) | (912,910) |
| Change in fair value of derivative financial instruments | | (13,119) | 56,230 |
| Front end fees | | 58,103 | 12,087 |
| Foreign currency exchange (gain)/ loss | | (100) | 62 |
| Other non-tax deductible trust expenses | | 5,178 | 31,852 |
| Income available for distribution | (i) | 214,805 | 204,571 |
| Distribution per unit (HK cents) | (ii) | 12.80 | 12.27 |

Notes:

- (i) The distribution policy of Fortune REIT has been amended on 26 March 2010. The current distribution policy is to distribute to unitholders on a semi-annual basis, the higher of (a) 100% of its tax-exempt income (exclude dividends paid out of interest income and gains, if any, which are distributable at the discretion of the Manager), after deduction of applicable expenses; and (b) 90% of consolidated net profit after tax (before transactions with unitholders) for the relevant financial period adjusted to eliminate the effects of certain adjustments in accordance with the REIT Code issued by the SFC.
- (ii) The distribution per unit of 12.80 HK cents for the six months ended 30 June 2011 (six months ended 30 June 2010: 12.27 HK cents) is calculated based on the income available for distribution for the period of HK\$214.8 million (six months ended 30 June 2010: HK\$204.6 million) over 1,677,297,276 units (30 June 2010: 1,666,597,743 units), representing issued units as at 30 June 2011 of 1,674,182,145 units (30 June 2010: 1,663,952,387 units) plus the number of units issued after the distribution period to the Manager as settlement of the Manager's base fee for its service in the second quarter of 2011 of 3,115,131 units (second quarter of 2010: 2,645,356 units).

Condensed Consolidated Statement of Financial Position

As at 30 June 2011

| | Notes | 30 June 2011 HK\$'000 (Unaudited) | 31 December 2010 HK\$'000 (Audited) |
|--|-------|--|--|
| ASSETS AND LIABILITIES | | | |
| Non-current asset | | | |
| Investment properties | 10 | 15,688,000 | 13,300,000 |
| Current assets | | | |
| Trade and other receivables | 11 | 50,684 | 63,241 |
| Bank balances and cash | | 592,409 | 506,073 |
| Total current assets | | 643,093 | 569,314 |
| Total assets | | 16,331,093 | 13,869,314 |
| Non-current liabilities | | | |
| Derivative financial instruments | | 94,767 | 55,294 |
| Borrowings | 12 | 2,790,051 | 2,772,448 |
| Deferred tax liabilities | | 154,747 | 148,165 |
| Total non-current liabilities | | 3,039,565 | 2,975,907 |
| Current liabilities | | | |
| Trade and other payables | 13 | 300,907 | 269,747 |
| Borrowings | 12 | 120,000 | 79,000 |
| Distribution payable | | 214,805 | 201,995 |
| Provision for taxation | | 43,540 | 8,977 |
| Total current liabilities | | 679,252 | 559,719 |
| Total liabilities, excluding net assets attributable to unitholders | | 3,718,817 | 3,535,626 |
| Net assets attributable to unitholders | | 12,612,276 | 10,333,688 |
| Units in issue and to be issued ('000) | 14 | 1,677,297 | 1,671,600 |
| Net asset value per unit (HK\$) attributable to unitholders | 15 | 7.52 | 6.18 |

Notes

(1) General

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 SGX-ST and SEHK on 12 August 2003 and 20 April 2010, respectively.

The principal activity of Fortune REIT is investment holding whereas its subsidiaries (together with Fortune REIT referred to as the “**Group**”) is to own and invest in a portfolio of retail shopping malls located in Hong Kong with the primary objective of producing stable distributions for unitholders and to achieve long term growth in the net asset value per unit.

(2) Basis of preparation

The condensed consolidated financial statements are presented in Hong Kong dollars, which is the functional currency of Fortune REIT.

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of SEHK and with International Accounting Standard 34 “Interim Financial Reporting” and the relevant disclosure requirements set out in Appendix C of the REIT Code issued by the SFC.

The Manager is of the opinion that, taking into account the fair value of investment properties, presently available banking facilities and internal financial resources of the Group, the Group has sufficient working capital for its present requirements within one year from the end of the reporting period. Hence, the condensed consolidated financial statements have been prepared on a going concern basis.

(3) Principal Accounting Policies

The condensed consolidated financial statements have been prepared under the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in these condensed consolidated financial statements are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2010 except as described below.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“**new and revised IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”).

| | |
|-----------------------|---|
| IFRSs (Amendments) | Improvements to IFRSs 2010 |
| IAS 24 (Revised 2009) | Related Party Disclosures |
| IAS 32 (Amendments) | Classification of Rights Issues |
| IFRIC 14 (Amendments) | Prepayments of a Minimum Funding Requirement |
| IFRIC 19 | Extinguishing Financial Liabilities with Equity Instruments |

The adoption of the new and revised IFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustments have been recognised.

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

| | |
|-----------------------|--|
| IFRS 7 (Amendments) | Disclosures – Transfers of Financial Assets ¹ |
| IFRS 9 | Financial Instruments ³ |
| IFRS 10 | Consolidated Financial Statements ³ |
| IFRS 11 | Joint Arrangements ³ |
| IFRS 12 | Disclosure of Interests in Other Entities ³ |
| IFRS 13 | Fair Value Measurement ³ |
| IAS 1 (Amendments) | Presentation of Items of Other Comprehensive Income ² |
| IAS 19 (Revised 2011) | Employee Benefits ³ |
| IAS 27 (Revised 2011) | Separate Financial Statements ³ |
| IAS 28 (Revised 2011) | Investments in Associates and Joint Ventures ³ |

¹Effective for annual periods beginning on or after 1 July 2011

²Effective for annual periods beginning on or after 1 July 2012

³Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised standards and amendments upon initial application but is not yet in a position to state whether these new and revised standards and amendments would have a significant impact on its results of operations and financial position of the Group.

(4) Revenue

| | <i>Six months ended 30 June</i> | |
|------------------------|---------------------------------|--------------------|
| | <i>2011</i> | <i>2010</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Base rental | 318,877 | 294,284 |
| Charge-out collections | 86,996 | 78,910 |
| Short term rental | 40,507 | 39,887 |
| Other income | 457 | 728 |
| | <u>446,837</u> | <u>413,809</u> |

(5) Segmental reporting

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, which is the management of the Manager, in order to allocate resources to segments and to assess their performance.

The Group owns 14 (30 June 2010: 14) properties as at 30 June 2011 which are located in Hong Kong. Revenue and net property income of each property (which constitutes an operating segment) is the measure reported to the Manager for the purposes of resource allocation and performance assessment. The accounting policies of the operating segments are the same as the Group's accounting policies. The Manager considers that all existing properties held by the Group, consisting of retail shopping malls, have similar economic characteristics and have similar nature in providing leasing service to similar type of retail tenants for rental income. In addition, the cost structure and the economic environment in which they operate are similar. Therefore, the Manager concluded that each of the properties or operating segments are aggregated into a single reportable segment and no further analysis for segment information is presented.

(6) Borrowing costs

| | <i>Six months ended 30 June</i> | |
|--|---------------------------------|--------------------|
| | <i>2011</i> | <i>2010</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Interest expense on | | |
| - term loans | 25,432 | 11,986 |
| - revolving loan | 177 | 17 |
| Equalisation of interest expense through cash flow hedge | 21,857 | 39,500 |
| Commitment fee | 15,240 | 4,800 |
| Front end fee | | |
| - amortisation | 7,485 | 12,087 |
| - written off upon early redemption of term loan | 50,618 | - |
| | <u>120,809</u> | <u>68,390</u> |

(7) Profit before taxation and transactions with unitholders

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

| | <i>Six months ended 30 June</i> | |
|---|---------------------------------|--------------------|
| | <i>2011</i> | <i>2010</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Audit fees | 1,298 | 951 |
| Fees to internal auditor | 171 | 240 |
| Valuation fees (paid to principal valuer) | 227 | 160 |
| Allowance for doubtful debts | - | 3 |
| Depreciation of plant and equipment | - | 38 |
| Bank charges | 179 | 146 |

(8) Income tax expense

| | <i>Six months ended 30 June</i> | |
|-------------------|---------------------------------|--------------------|
| | <i>2011</i> | <i>2010</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | <i>(Unaudited)</i> | <i>(Unaudited)</i> |
| Current tax: | | |
| - Hong Kong | 34,493 | 31,358 |
| - Singapore | 241 | 52 |
| | <u>34,734</u> | <u>31,410</u> |
| Deferred taxation | 6,582 | 8,516 |
| | <u>41,316</u> | <u>39,926</u> |

Fortune REIT's subsidiaries in Hong Kong are subject to Hong Kong Profits Tax at 16.5% (six months ended 30 June 2010: 16.5%) for the period. Fortune REIT, which is established in Singapore, is subject to Singapore income tax at 17% (six months ended 30 June 2010: 17%) for the period.

Deferred tax is provided on temporary differences in relation to accelerated tax depreciation and tax losses using the applicable rate of 16.5%. The Manager expects to recover the carrying amount of investment properties through sale. Hence, deferred tax is determined by reference to tax consequence following disposal of the properties.

(9) Earnings per unit

Basic earnings per unit is calculated by dividing the profit for the period, before transactions with unitholders of HK\$2,524.4 million (six months ended 30 June 2010: HK\$999.5 million) by the weighted average of 1,676,058,306 (six months ended 30 June 2010: 1,665,532,127) units outstanding during the period.

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

(10) Investment properties

| | <i>30 June 2011 HK\$'000 (Unaudited)</i> | <i>31 December 2010 HK\$'000 (Audited)</i> |
|---|--|--|
| Fair value at beginning of the period/ year | 13,300,000 | 11,500,000 |
| Capital expenditure incurred | 6,758 | 39,023 |
| Change in fair value of investment properties | 2,381,242 | 1,760,977 |
| Fair value at end of the period/ year | <u>15,688,000</u> | <u>13,300,000</u> |

(11) Trade and other receivables

| | <i>30 June 2011 HK\$'000 (Unaudited)</i> | <i>31 December 2010 HK\$'000 (Audited)</i> |
|-------------------------------------|--|--|
| Trade receivables | 28,900 | 27,794 |
| Less: Allowances for doubtful debts | (3) | (3) |
| | <u>28,897</u> | <u>27,791</u> |
| Other receivables and prepayments | | |
| Security deposits | 17,456 | 17,404 |
| Other receivables | 3,527 | 2,089 |
| Prepayments | 804 | 15,957 |
| | <u>21,787</u> | <u>35,450</u> |
| | <u>50,684</u> | <u>63,241</u> |

Aging analysis of the Group's trade receivables (net of allowance for doubtful debts) presented based on the invoice date at the end of the reporting period is as follows:

| | <i>30 June 2011 HK\$'000 (Unaudited)</i> | <i>31 December 2010 HK\$'000 (Audited)</i> |
|--------------|--|--|
| 1 - 30 days | 28,820 | 27,772 |
| 31 - 90 days | 54 | 5 |
| Over 90 days | 23 | 14 |
| | <u>28,897</u> | <u>27,791</u> |

(12) Borrowings

| | 30 June 2011 HK\$'000 (Unaudited) | 31 December 2010 HK\$'000 (Audited) |
|---|--|--|
| Secured term loans | 2,830,000 | 2,828,700 |
| Secured revolving loans | 120,000 | 79,000 |
| Less: unamortised front end fee | (39,949) | (56,252) |
| | <u>2,910,051</u> | <u>2,851,448</u> |
| Carrying amount repayable: | | |
| On demand or within one year | 120,000 | 79,000 |
| More than one year, but not more than five years | 2,790,051 | 2,772,448 |
| | <u>2,910,051</u> | <u>2,851,448</u> |
| Less: Amount due within one year shown under current liabilities | (120,000) | (79,000) |
| | <u>2,790,051</u> | <u>2,772,448</u> |

(13) Trade and other payables

| | 30 June 2011 HK\$'000 (Unaudited) | 31 December 2010 HK\$'000 (Audited) |
|--|--|--|
| Trade payables | | |
| Tenants' deposits | | |
| - Outside parties | 211,926 | 189,909 |
| - Related parties | 6,464 | 6,616 |
| Rental received in advance – Outside parties | 9,368 | 7,572 |
| | <u>227,758</u> | <u>204,097</u> |
| Other payables | | |
| Trustee's fee | 847 | 753 |
| Other expenses | | |
| - Outside parties | 33,418 | 35,889 |
| - Related parties | 30,016 | 21,164 |
| - Manager | 3,187 | 3,188 |
| Interest payable | 779 | 1,089 |
| Others | 4,902 | 3,567 |
| | <u>73,149</u> | <u>65,650</u> |
| | <u>300,907</u> | <u>269,747</u> |

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

The tenants' deposits to be settled after twelve months from the Reporting Period based on lease term amounted to HK\$148.1 million (31 December 2010: HK\$122.3 million).

(14) Units in issue and to be issued

| | <i>Number of units '000</i> | <i>HK\$'000</i> |
|---|-------------------------------------|-----------------|
| Balance as at 1 January 2010 | 1,661,595 | 6,308,340 |
| Issue of new units during the year: | | |
| As payment of Manager's base fee | 7,437 | 27,189 |
| Balance in issue as at 31 December 2010 | 1,669,032 | 6,335,529 |
| New units to be issued: | | |
| As payment of Manager's base fee for the period from 1 October to 31 December 2010 | 2,568 | 10,057 |
| Balance as at 1 January 2011 | 1,671,600 | 6,345,586 |
| Issue of new units during the period: | | |
| As payment of Manager's base fee for the period from 1 January to 31 March 2011 | 2,582 | 9,838 |
| Balance in issue as at 30 June 2011 | 1,674,182 | 6,355,424 |
| New units to be issued: | | |
| As payment of Manager's base fee for the period from 1 April to 30 June 2011 | 3,115 | 11,734 |
| Balance as at 30 June 2011 | 1,677,297 | 6,367,158 |

(15) Net asset value per unit attributable to unitholders

Net asset value per unit is calculated based on the net assets attributable to unitholders of the Group of HK\$12,612.3 million (31 December 2010: HK\$10,333.7 million) and the total number of 1,677,297,276 (31 December 2010: 1,671,599,900) units in issue or to be issued, including the new units to be issued as payment of Manager's base fee.

(16) Net current liabilities and total assets less current liabilities

As at 30 June 2011, the Group's net current liabilities, defined as current assets less current liabilities, amounted to HK\$36.2 million (31 December 2010: net current assets HK\$9.6 million).

As at 30 June 2011, the Group's total assets less current liabilities amounted to HK\$15,651.8 million (31 December 2010: HK\$13,309.6 million).