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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 2010 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 and the Hong Kong Stock Exchange 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, 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.

The board of directors (the “**Board**”) of the Manager is pleased to announce the unaudited results of Fortune REIT for the six months ended 30 June 2010 (the “**Reporting Period**”) as follows:

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2010	Six months ended 30 June 2009	% change
Revenue (HK\$ million)	413.8	334.3	23.8%
Net property income (HK\$ million)	302.3	238.4	26.8%
Cost-to-revenue ratio	24.7%	26.5%	(1.8%)
Income available for distribution (HK\$ million)	204.6	161.7	26.5%
Distribution per unit (HK cents)	12.27	19.60	(37.4%)
	As at 30 Jun 2010	As at 31 Dec 2009	% change
Net asset value per unit (HK\$)	5.70	5.32	6.9%
Property valuation (HK\$ million)	12,421	11,500	8.0%
Gearing ratio / Aggregate leverage ¹	21.9%	23.7%	(1.8%)

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.

DISTRIBUTION

Fortune REIT’s distribution policy is to distribute to unitholders on a semi-annual basis, the higher of (i) 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; and (ii) 90.0% of audited consolidated net profit after tax 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 SFC.

Interim Distribution

The unaudited income available for distribution of Fortune REIT for the Reporting Period amounted to HK\$204.6 million, representing a year-on-year increase of 26.5%. The distribution per unit (“**DPU**”) for the Reporting Period was 12.27 HK cents, 37.4% lower than the DPU of 19.60 HK cents for the corresponding period in 2009. The lower DPU was attributed to the enlarged unit base as a result of the rights issue in October 2009.

The income available for distribution for the Reporting Period is calculated as the consolidated net profit of Fortune REIT and the subsidiaries of Fortune REIT for the Reporting Period, as adjusted for the Manager’s base fee, foreign exchange loss, non-tax deductible trust expenses and changes in fair value of financial instruments as well as investment properties.

The interim DPU of 12.27 HK cents represents an annualized distribution yield of 7.0%, based on the average closing unit price of HK\$3.55 and HK\$3.51 respectively in Singapore and Hong Kong as at 30 June 2010. The payment date for the interim distribution will be on Friday, 27 August 2010.

FINANCIAL REVIEW

For the six months ended 30 June 2010, Fortune REIT's revenue and net property income rose 23.8% and 26.8% year-on-year to HK\$413.8 million and HK\$302.3 million respectively. Cost-to-revenue ratio was well-managed at 24.7% as compared to 26.5% recorded for the first half of 2009. In spite of the short-term impact from the renovation at City One Shatin Property, Fortune REIT has delivered a broad-based improvement for its portfolio from a year ago. The rise in financial performance compared to the first half of 2009 is mainly attributed to the income contribution from the 3 new properties acquired in October 2009, as well as an overall increase in occupancy and rental rates for the 11 existing properties.

As at 30 June 2010, Fortune REIT had in place loan facilities totaling of HK\$3,100.0 million, from which the HK\$2,828.7 million term loan facility and HK\$15.0 million of the revolving credit facility had been drawn. Both the term loan facility and the revolving credit facility will be due on 14 October 2013. The facility is secured over Fortune REIT's 9 investment properties, which carried an aggregate fair value of HK\$8,902.0 million as at 30 June 2010. The Trustee has provided a guarantee for the facility.

The Manager also actively manages Fortune REIT's interest rate exposure. As at 30 June 2010, around 50% of the total debt was fixed through various plain vanilla interest rate swaps. As a result of drawn down of new financing facilities and related cost, Fortune REIT's effective cost of borrowing, after taking into account the interest rate hedging, was 4.01% for the Reporting Period (First Half 2009: 3.73%).

Driven primarily by an increase in the value of investment properties, both the gearing ratio and aggregate leverage of Fortune REIT, was 21.9% as at 30 June 2010 (31 December 2009: 23.7%). The gross liability as a percentage of gross assets of Fortune REIT was 26.9% as at 30 June 2010.

Net asset value per unit amounted to HK\$5.70 as at 30 June 2010, up 6.9% from HK\$5.32 reported at the end of 2009. The increase was largely due to the increase in the value of investment properties.

Fortune REIT, with a cash balance of HK\$514.5 million and an available revolving credit facility of approximately HK\$255.0 million as at 30 June 2010, has sufficient financial resources to satisfy its financial commitments and working capital requirements.

Portfolio Valuation

Fortune REIT's portfolio of 14 retail properties was appraised at HK\$12,421.0 million by Savills Valuation and Professional Services Limited, an independent valuer, as at 30 June 2010. This represents an increase of 8.0% from the valuation as at 31 December 2009 (HK\$11,500.0 million). The increase in valuation was a combined result of a reduction in capitalization rates and an improvement in asset performance. The higher valuation has resulted in a revaluation gain of HK\$912.9 million for the Reporting Period.

PORTFOLIO HIGHLIGHTS

As at 30 June 2010, 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	3,883	89.6%	658
Ma On Shan Plaza	310,084	2,166	100.0%	290
Metro Town	180,822	1,666	99.0%	74
The Metropolis Mall	332,168	1,489	95.1%	179
Waldorf Garden Property	80,842	869	100.0%	73
Caribbean Bazaar	63,018	483	100.0%	117
Smartland	123,544	389	98.7%	67
Tsing Yi Square Property	78,836	340	100.0%	27
Jubilee Court Shopping Centre	170,616	328	93.7%	97
The Household Center	91,779	286	98.7%	43
Centre de Laguna Property	43,000	175	100.0%	N.A.
Hampton Loft	74,734	173	100.0%	35
Lido Garden Property	9,836	105	100.0%	N.A.
Rhine Garden Property	14,604	69	100.0%	N.A.
Total / Overall average	1,988,352	12,421	96.2%	1,660

OPERATIONS REVIEW

Following the strong asset performance reported for the first quarter of 2010, Fortune REIT continued to uphold a solid portfolio occupancy of 96.2% as at 30 June 2010 (30 June 2009: 92.1%). Portfolio occupancy slid slightly from 97.3% a quarter ago as a result of the renovation works at City One Shatin Property, while the average occupancy of the other 13 malls remained strong at 98.0%. Portfolio passing rent was recorded at HK\$27.5 per Sq. ft. as at 30 June 2010.

For the expired leases during the Reporting Period, about 66.5% of the total gross rentable area have been renewed with existing tenants. In addition, rental reversion was 11.9% for renewals during the Reporting Period.

During the Reporting Period, the Manager continued to undertake asset enhancement initiatives to improve the performance of the assets. The renovation works at Ngan Shing Commercial Centre of City One Shatin Property commenced in May 2010 and are expected to finish by the end of the third quarter 2010. The renovation works includes enhancing the overall design of the mall, reconfiguring the existing retail space, and upgrading various building facilities. More than 98.0% of the renovated space has already been pre-leased at higher rental rates, with most of the new leases commencing from September 2010 onwards. The cost of the renovation works will be funded by Fortune REIT's internal financial resources.

OUTLOOK

Hong Kong's economy experienced its fastest economic expansion since the first quarter of 2006, registering a year-on-year GDP growth of 8.2% for the first quarter of 2010. The total value of retail sales in Hong Kong for the period from January to May 2010 increased by 18.3% compared to the same period last year. As a major contributor to the Hong Kong retail sales, private consumption for the first quarter of 2010 accelerated its growth further to 6.5% year-on-year.

Fortune REIT's portfolio of 14 suburban retail properties cater mainly to the day-to-day shopping needs of the respective large immediate catchment areas. Historically, Fortune REIT's asset performance has demonstrated resilience in tough economic situations and grown in a stable manner in good times. Along with the economic recovery in Hong Kong, Fortune REIT is expected to continue benefiting from the strong domestic consumption in Hong Kong.

Fortune REIT has recently been listed on the Hong Kong Stock Exchange as dual primary listing. This significant event not only set a milestone for Fortune REIT but also formed a platform that provides Fortune REIT with access to both the Singapore and Hong Kong capital markets, which are important for the growth and long term development of Fortune REIT. In addition, the acquisition of Metro Town, Caribbean Bazaar and Hampton Loft on 15 October 2009 has increased Fortune REIT's exposure to the resilient suburban retail property market. These new investments have given Fortune REIT greater income diversification, reducing any reliance on single assets. They also help to increase the Manager's flexibility in planning and executing asset enhancement initiatives.

Leases expired for the second half of 2010 account for 24.8% and 25.4% of the gross rentable area and gross rental income of Fortune REIT's portfolio respectively. The Manager will continue to adopt a proactive leasing strategy with a view to maintain a high and sustainable level of occupancy and a respectable rent level. Going forward, the Manager remains focused on driving revenue growth and executing asset enhancement initiatives on its properties. In addition, the Manager will continue to prudently seek for acquisition opportunities that are in line with its investment objectives, as well as 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 2010, the total number of issued units of Fortune REIT was 1,663,952,387. As compared with the position as at 31 December 2009, a total of 5,187,352 new units were issued during the Reporting Period in the following manner:

- On 7 January 2010, 2,830,232 new units were issued to the Manager at the price of HK\$3.0725 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's base fee of approximately HK\$8.70 million payable by Fortune REIT for the period from 1 October 2009 to 31 December 2009.
- On 12 April 2010, 2,357,120 new units were issued to the Manager at the price of HK\$3.6090 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's base fee of approximately HK\$8.51 million payable by Fortune REIT for the period from 1 January 2010 to 31 March 2010.

REPURCHASE, SALE OR REDEMPTION OF UNITS

During the Reporting Period, other than the disposal of 5,188,000 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. In particular, the Manager has adopted a compliance manual ("**Compliance Manual**") which sets out the key processes, systems, measures, and certain corporate governance policies and procedures to be applied for governing the management and operation of Fortune REIT and for compliance with all applicable regulations and legislation. The Manager has complied with the provisions of the Compliance Manual since listing of Fortune REIT in Hong Kong and has adhered to all the applicable corporate governance practices throughout the Reporting Period.

DISTRIBUTION ENTITLEMENT AND CLOSURE OF REGISTER OF UNITHOLDERS

The Hong Kong register of unitholders will be closed on Thursday, 12 August 2010, 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 Wednesday, 11 August 2010. The payment will be made to unitholders on Friday, 27 August 2010.

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 2010.

ISSUANCE OF INTERIM REPORT 2010

The 2010 Interim Report of Fortune REIT for the Reporting Period will be dispatched to unitholders on or before 31 August 2010.

By order of the Board of directors of
ARA Asset Management (Fortune) Limited
(in its capacity as manager of Fortune Real Estate Investment Trust)
CHIU Kwok Hung, Justin
Chairman

Hong Kong, 28 July 2010

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. Eirene Yeung as Non-executive Directors; Mr. Ang Meng Huat, Anthony and Ms. Chiu Yu, Justina as Executive Directors; Mr. Lim Lee Meng, Dr. Cheng Mo Chi, Moses and Mrs. Sng Sow-Mei (alias Poon Sow Mei) 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 2010

	Notes	Six months ended 30 June	
		2010	2009
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	4	413,809	334,314
Property operating expenses		(111,510)	(95,899)
Net property income		302,299	238,415
Manager's base fee		(17,797)	(13,020)
Foreign currency exchange (loss) gain		(62)	43
Interest income		311	655
Trust expenses		(33,662)	(3,192)
Change in fair value of investment properties		912,910	281,282
Change in fair value of derivative financial instruments		(56,230)	-
Borrowing costs	6	(68,390)	(45,955)
Profit before taxation and transactions with unitholders		1,039,379	458,228
Income tax expense	7	(39,926)	(31,529)
Profit for the period, before transactions with unitholders		999,453	426,699
Distributions to unitholders		(204,571)	-
Profit for the period, after transactions with unitholders		794,882	426,699
Other comprehensive income			
Reclassification adjustment in respect of derivative financial instruments under cash flow hedge		27,097	-
Change in fair value of derivative financial instruments under cash flow hedge		-	25,029
Total comprehensive income for the period		821,979	451,728
Income available for distribution to unitholders		204,571	161,698
Basic earnings per unit (HK cents)	8	60.01	51.78

DISTRIBUTION STATEMENT

For the six months ended 30 June 2010

	Notes	Six months ended 30 June	
		2010	2009
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Profit for the period, before transactions with unitholders		999,453	426,699
Adjustments:			
Manager's base fee		17,797	13,020
Change in fair value of investment properties		(912,910)	(281,282)
Change in fair value of derivative financial instruments		56,230	-
Amortisation of front end fees		12,087	2,012
Foreign currency exchange loss (gain)		62	(43)
Other non-tax deductible trust expenses		31,852	1,292
Income available for distribution	(i)	204,571	161,698
Distribution per unit (HK cents)	(ii)	12.27	19.60

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) 100.0% 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 ("net Tax-Exempt Income"); and (b) 90.0% 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 published by SFC.
- (ii) The distribution per unit of HK\$0.1227 (six months ended 30 June 2009: HK\$0.1960) is calculated based on Fortune REIT's income available for the distribution of HK\$204.6 million (six months ended 30 June 2009: HK\$161.7 million) over 1,666,597,743 units (30 June 2009: 824,879,427 units), representing issued units as at 30 June 2010 of 1,663,952,387 units (30 June 2009: 823,118,206 units) plus the number of units issued after the distribution period to the Manager as settlement of the Manager's base fee for the its service in second quarter of 2010 of 2,645,356 units (second quarter of 2009: 1,761,221 units).

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	30 June 2010 HK\$'000 (unaudited)	31 December 2009 HK\$'000 (audited)
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	9	12,421,000	11,500,000
Plant and equipment		6	44
Total non-current assets		<u>12,421,006</u>	<u>11,500,044</u>
Current assets			
Trade and other receivables	10	58,977	47,619
Bank balances and cash		514,523	515,341
Total current assets		<u>573,500</u>	<u>562,960</u>
Total assets		<u>12,994,506</u>	<u>12,063,004</u>
Non-current liabilities			
Derivative financial instruments		56,645	415
Borrowings	11	2,762,373	-
Deferred tax liabilities		141,507	132,991
Total non-current liabilities		<u>2,960,525</u>	<u>133,406</u>
Current liabilities			
Trade and other payables	12	280,996	276,474
Borrowings	11	15,000	2,786,286
Derivative financial instruments		-	27,097
Distribution payable		204,571	-
Provision for taxation		37,105	7,079
Total current liabilities		<u>537,672</u>	<u>3,096,936</u>
Total liabilities, excluding net assets attributable to unitholders		<u>3,498,197</u>	<u>3,230,342</u>
Net assets attributable to unitholders		<u><u>9,496,309</u></u>	<u><u>8,832,662</u></u>

	<i>Notes</i>	<i>30 June 2010 HK\$'000 (unaudited)</i>	<i>31 December 2009 HK\$'000 (audited)</i>
UNITHOLDERS' FUNDS			
Equity and reserves		-	8,832,662
Units in issue and to be issued ('000)	13	1,666,597	1,661,595
Net asset value per unit (HK\$) attributable to unitholders	14	5.70	5.32

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 (formally known as 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 and the Hong Kong Stock Exchange on 12 August 2003 and 20 April 2010 respectively.

The principal activity of Fortune REIT and its subsidiaries (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 Securities on Hong Kong Stock Exchange 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 SFC.

In accordance with the amended Trust Deed, Fortune REIT has adopted the International Financial Reporting Standards (“IFRSs”) with effect from the first quarter of 2010. Prior to 2010, Fortune REIT prepared its financial statements in accordance with the provisions of Singapore Financial Reporting Standards. The adoption of IFRSs does not result in changes to the Group’s accounting policies and accordingly no adjustments were made to prior or current accounting periods and no reconciliation of the Group’s equity and total comprehensive income has been prepared under IFRS 1 “First-time Adoption of International Financial Reporting Standards”.

(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.

In the current period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new and revised IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and the International Financial Reporting Interpretation Committee (the “IFRIC”) of the IASB, which are effective for the Group’s financial year beginning on 1 January 2010. Except as describes below, the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group’s annual financial statements for the year ended 31 December 2009.

IFRS 3 (Revised) Business Combinations and IAS 27 (Revised) Consolidated and Separate Financial Statements

The Group applies IFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in IAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which IFRS 3 (Revised) and IAS 27 (Revised) are applicable, the application of IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to other IFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to the other IFRSs are applicable.

The adoption of the remaining 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 adjustment has been recognised.

The Group has not early adopted the following new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Manager is in the process of assessing the potential impact on the results and the financial position of the Group.

IFRS (Amendments)	Improvements to IFRSs 2010 ¹
IAS 24 (Revised)	Related Party Disclosures ⁴
IAS 32 (Amendment)	Classification of Rights Issues ²
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosure for First-time Adopters ³
IFRS 9	Financial Instruments ⁵
IFRIC - Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
IFRIC - Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

² Effective for annual periods beginning on or after 1 February 2010.

³ Effective for annual periods beginning on or after 1 July 2010.

⁴ Effective for annual periods beginning on or after 1 January 2011.

⁵ Effective for annual periods beginning on or after 1 January 2013.

(4) Revenue

	<i>Six months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Base rental	294,284	238,184
Charge-out collections	78,910	63,402
Short term rental	39,887	31,855
Other income	728	873
	<u>413,809</u>	<u>334,314</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 Manager, in order to allocate resources to segments and to assess their performance.

The Group owns fourteen (30 June 2009: eleven) properties as at 30 June 2010 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 characteristic with 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 property or operating segment 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>2010</i>	<i>2009</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest expense on		
- term loans	11,986	14,959
- revolving loan	17	3
Equalisation of interest expense through cash flow hedge	39,500	28,784
Commitment fee	4,800	197
Amortisation of front end fees	12,087	2,012
	<u>68,390</u>	<u>45,955</u>

(7) Income tax expense

	<i>Six months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Current tax:		
- Hong Kong	31,358	24,584
- Singapore	52	110
	<u>31,410</u>	<u>24,694</u>
Deferred taxation	8,516	6,835
	<u>39,926</u>	<u>31,529</u>

Fortune REIT's subsidiaries in Hong Kong are subject to Hong Kong Profits Tax at 16.5% (1 January 2009 to 30 June 2009: 16.5%) for the period. Fortune REIT, which is established in Singapore, is subject to Singapore income tax at 17% (1 January 2009 to 30 June 2009: 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 disposal. Hence, deferred tax is determined by reference to the tax consequence following disposal of the properties.

(8) Earnings per unit

Basic earnings per unit is calculated by dividing the profit for the period, before transactions with unitholders of HK\$999.5 million (1 January 2009 to 30 June 2009: HK\$426.7 million), by the weighted average of 1,665,523,127 (1 January 2009 to 30 June 2009: 824,110,019) units in issue 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.

(9) Investment properties

	<i>30 June 2010 HK\$'000 (unaudited)</i>	<i>30 June 2009 HK\$'000 (unaudited)</i>
Fair value at beginning of the period	11,500,000	8,602,000
Capital expenditure incurred	8,090	16,718
Change in fair value of investment properties	912,910	281,282
	<hr/>	<hr/>
Fair value at end of the period	<u>12,421,000</u>	<u>8,900,000</u>

(10) Trade and other receivables

	<i>30 June 2010 HK\$'000 (unaudited)</i>	<i>31 December 2009 HK\$'000 (audited)</i>
Trade receivables	23,946	25,871
Less: allowances for doubtful debts	<u>(3,073)</u>	<u>(4,216)</u>
	<hr/>	<hr/>
Other receivables	20,873	21,655
Security deposits	17,118	17,119
Other receivables	841	54
GST receivables	2,637	7,296
Prepayments	<u>17,508</u>	<u>1,495</u>
	<hr/>	<hr/>
	38,104	25,964
	<hr/>	<hr/>
	<u>58,977</u>	<u>47,619</u>

Aging analysis of the Group's trade receivables presented based on the invoice date at the end of the reporting period is as follows:

	<i>30 June 2010 HK\$'000 (unaudited)</i>	<i>31 December 2009 HK\$'000 (audited)</i>
1 - 30 days	16,748	17,936
31 - 90 days	4,112	3,715
Over 90 days	13	4
	<u>20,873</u>	<u>21,655</u>

(12) Borrowings

	<i>30 June 2010 HK\$'000 (unaudited)</i>	<i>31 December 2009 HK\$'000 (audited)</i>
Secured term loans	2,828,700	2,828,700
Secured revolving loans	15,000	36,000
Less: unamortised front end fees	<u>(66,327)</u>	<u>(78,414)</u>
	<u>2,777,373</u>	<u>2,786,286</u>
Carrying amount repayable:		
On demand or within one year	15,000	2,786,286
More than one year, but not more than five years	<u>2,762,373</u>	-
	2,777,373	2,786,286
Less: Amount due within one year shown under current liabilities	<u>(15,000)</u>	<u>(2,786,286)</u>
	<u>2,762,373</u>	-

(12) Trade and other payables

	<i>30 June 2010 HK\$'000 (unaudited)</i>	<i>31 December 2009 HK\$'000 (audited)</i>
Trade payables		
Tenants' deposits		
- Outside parties	192,036	178,610
- Related parties	4,650	7,875
Rental received in advance		
- Outside parties	11,292	10,158
	<u>207,978</u>	<u>196,643</u>
Other payables		
Trustee's fee	699	564
Other expenses		
- Outside parties	33,270	42,466
- Related parties	26,339	19,255
Interest payable	832	2,176
Others		
- Outside parties	11,878	12,223
- Related parties	-	3,147
	<u>73,018</u>	<u>79,831</u>
	<u>280,996</u>	<u>276,474</u>

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

The tenant's deposit to be settled after twelve months from the reporting period based on lease term amounted to HK\$124.5 million (31 December 2009: HK\$111.6 million).

(13) Units in issue and to be issued

	Number of units '000	HK\$'000
Balance as at 1 January 2010	1,661,595	6,308,340
Issued of new units during the period:		
As payment of Manager's base fee	<u>2,357</u>	<u>8,507</u>
Balance in issue as at 30 June 2010	1,663,952	6,316,847
New units to be issued:		
As payment of Manager's base fee for the period from 1 April 2010 to 30 June 2010	<u>2,645</u>	<u>9,290</u>
Balance as at 30 June 2010	<u>1,666,597</u>	<u>6,326,137</u>

(14) 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\$9,496.3 million (31 December 2009: unitholders' funds of HK\$8,832.7 million) and the total number of 1,666,597,743 (31 December 2009: 1,661,595,267) units in issue or to be issued, including the new units to be issued as payment of manager's base fee.

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

As at 30 June 2010, the Group's net current assets, defined as current assets less current liabilities, amounted to HK\$35.8 million (31 December 2009: net current liabilities HK\$2,534.0 million).

As at 30 June 2010, the Group's total assets less current liabilities amounted to HK\$12,456.8 million (31 December 2009: HK\$8,966.1 million).