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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

OVERSEAS REGULATORY ANNOUNCEMENT

This overseas regulatory announcement is issued pursuant to paragraph 10.3 of the Code on Real Estate Investment Trusts published by the Securities and Futures Commission of Hong Kong.

Please refer to the attached announcement on the next page issued on the Singapore Exchange Securities Trading Limited by Fortune REIT on 8 May 2015.

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 Yu, Justina
Chief Executive Officer

Hong Kong, 8 May 2015

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



**Fortune Real Estate Investment Trust
Financial Statements
For the First Quarter Ended 31 March 2015**

These figures have not been audited nor reviewed by our auditors.

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

On 9 January 2015, Fortune REIT completed the acquisition of Laguna Plaza. Subsequent to the first quarter of 2015, Fortune REIT completed the disposal of Nob Hill Square on 2 April 2015. Following the acquisition and the disposal mentioned above, Fortune REIT currently holds a portfolio of 17 private housing estate retail properties in Hong Kong, comprising approximately 3.18 million square feet ("Sq.ft.") of retail space and 2,713 car parking lots. The retail properties are Fortune City One, Fortune Kingswood, Ma On Shan Plaza, Metro Town, Fortune Metropolis, Laguna Plaza, Belvedere Square, Waldorf Avenue, Caribbean Square, Provident Square, Jubilee Square, Smartland, Tsing Yi Square, Centre de Laguna, Hampton Loft, Lido Avenue and Rhine Avenue. They house tenants from diverse trade sectors such as supermarkets, food and beverage outlets, banks, real estate agencies, and education providers.

Financial Statements Announcement
For the period from 1 January 2015 to 31 March 2015

1 (a) (i) Statement of profit or loss (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	HK\$ '000		%
	Actual 1/1/15 to 31/3/15 ^(a)	Actual 1/1/14 to 31/3/14 ^(a)	Increase/ (Decrease)
Revenue ^(b)	373,742	330,023	13.2%
Charge-out collections ^(c)	85,080	73,827	15.2%
Total revenue	458,822	403,850	13.6%
Property management fees	(10,106)	(9,346)	8.1%
Other property operating expenses	(113,618)	(96,340)	17.9%
Property operating expenses	(123,724)	(105,686)	17.1%
Net property income (before manager's performance fee)	335,098	298,164	12.4%
Manager's performance fee	(10,082)	(8,988)	12.2%
Net property income	325,016	289,176	12.4%
Interest Income	974	1,450	(32.8%)
Net property income after interest income	325,990	290,626	12.2%
Change in fair value of financial instruments ^(d)	(33,248)	8,224	NM
Profit before borrowing costs	292,742	298,850	(2.0%)
Borrowing costs	(57,506)	(54,189)	6.1%
Profit before tax	235,236	244,661	(3.9%)
Hong Kong taxation :			
Current taxation	(41,911)	(34,945)	19.9%
Deferred taxation	(6,946)	(7,514)	(7.6%)
Total Hong Kong taxation	(48,857)	(42,459)	15.1%
Net profit of property companies	186,379	202,202	(7.8%)
Manager's base fee	(25,623)	(21,702)	18.1%
Foreign exchange loss ^(e)	(258)	(40)	NM
Non-tax deductible trust expenses ^(f)	(31,683)	(11,861)	167.1%
Tax deductible trust expenses	(1,116)	(1,072)	4.1%
Non tax-exempt income ^(g)	277	1,187	(76.7%)
Singapore taxation	(47)	(201)	(76.6%)
Total trust expenses	(58,450)	(33,689)	73.5%
Net profit of the Group, before transactions with unitholders	127,929	168,513	(24.1%)
Distributions to unitholders ^(h)	(218,741)	(193,892)	12.8%
Net loss of the Group, after transactions with unitholders⁽ⁱ⁾	(90,812)	(25,379)	257.8%
Net profit of the Group, before transactions with unitholders	127,929	168,513	(24.1%)
Add/(Less):			
Manager's base fee	25,623	21,702	18.1%
Foreign exchange loss ^(e)	258	40	NM
Non-tax deductible trust expenses ^(f)	31,683	11,861	167.1%
Change in fair value of financial instruments ^(d)	33,248	(8,224)	NM
Income available for distribution^(j)	218,741	193,892	12.8%

Footnotes:

- (a) *The Group's financial information incorporates the financial statements of the Trust and the Property Companies.*
- (b) *Revenue includes rental income, car park income, license income, atrium income and others.*
- (c) *Charge-out collections consist of expenses related to the operation of the properties that are payable by tenants and licensees and these expenses include air conditioning charges, management fees, promotional charges, government rents, utility charges, cleaning charges and government rates.*
- (d) *The amount relates to the net (loss)/gain arising from the re-measurement of the interest rate swaps and caps which were ineffective under cash flow hedge or not designated for hedge accounting as at 31 March 2015.*
- (e) *Foreign exchange loss represents realised and unrealised foreign exchange differences. The unrealised exchange difference arose from translation of monetary assets and liabilities denominated in foreign currencies into Hong Kong dollars at rates of exchange ruling at the end of the reporting period. The realised exchange difference arose from the settlement of foreign currencies payables at the transaction dates. All exchange differences are included in the statement of profit or loss.*
- (f) *Included in the non-tax deductible trust expenses for the period from 1 January 2015 to 31 March 2015 (the "Reporting Period") was mainly an acquisition fee of HK\$19.2 million paid in cash to the Manager as well as an acquisition cost of HK\$3.1 million for the acquisition of Laguna Plaza.*
- (g) *Non tax-exempt income refers mainly to interest income from fixed deposits.*
- (h) *The amount of distributions to unitholders have been distributed and/or accrued as distribution payable in the Statement of Financial Position.*
- (i) *The increase in the net loss of the Group, after transactions with unitholders for the Reporting Period was mainly due to change in fair value of financial instruments from gain to loss (see footnote (d) above). This non-cash item has no effect on the income available for distribution to unitholders.*
- (j) *Fortune REIT's distribution policy is to distribute to unitholders on a semi-annual basis, the higher of (i) 100% of its tax-exempt income (except dividends paid out of interest income and gains, if any, which are distributable at the discretion of the Manager) after deduction of applicable expenses ("Net Tax-Exempt Income"); and (ii) 90% of consolidated net profit after tax (before transactions with unitholders) for the relevant financial period adjusted to eliminate the effects of certain adjustments in the Code on Real Estate Investment Trust (the "REIT Code").*
- (k) *Save as disclosed, there is no investment income, write-off for stock obsolescence, impairment in the value of investments, profit on sale of investments, properties or plant and equipment, exceptional and extraordinary items during the financial period and the previous corresponding financial period.*

1 (a) (ii) Statement of other comprehensive income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	HK\$ '000		%
	Actual 1/1/15 to 31/3/15	Actual 1/1/14 to 31/3/14	Increase/ (Decrease)
Net loss of the Group, after transactions with unitholders	(90,812)	(25,379)	257.8%
Other comprehensive income - Items that will be reclassified to profit or loss:			
Cash flow hedge			
- Change in fair value of financial instruments	1,905	5,255	(63.7%)
- Release to profit or loss ^(a)	3,470	1,244	178.9%
	5,375	6,499	(17.3%)
Total comprehensive loss	(85,437)	(18,880)	352.5%

Footnote:

- (a) As certain interest rate swap contracts were no longer highly effective, the respective cumulative losses from inception of the hedge until then that previously recognised in hedging reserve is released to profit or loss over the periods during which the interest payment in relation to the interest rate swap contracts affects the statement of profit or loss. During the period, release of such cumulative losses from the hedging reserve amounted to HK\$3.5 million.

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

	Trust		Group ^(a)	
	HK\$ '000		HK\$ '000	
	Actual 31/3/15	Actual 31/12/14	Actual 31/3/15	Actual 31/12/14
Current assets				
Cash and bank balances	73,809	424,418	655,688	688,407
Trade and other receivables	51,727	56,710	81,688	60,853
	125,536	481,128	737,376	749,260
Assets classified as held for sale ^(b)	130,431	-	439,795	-
Total current assets	255,967	481,128	1,177,171	749,260
Non-current assets				
Investment in property companies	6,298,888	6,429,319	-	-
Investment properties ^(c)	-	-	34,227,879	32,720,000
Derivative assets ^(e)	-	-	9,660	32,306
Deposit paid for acquisition of property companies	-	-	-	95,925
Total non-current assets	6,298,888	6,429,319	34,237,539	32,848,231
Total assets	6,554,855	6,910,447	35,414,710	33,597,491
Current liabilities				
Trade and other payables	73,639	6,135	712,957	588,627
Distribution payable ^(d)	218,741	390,316	218,741	390,316
Borrowings	-	-	1,646,500	940,000
Provision for taxation	470	423	55,944	10,049
	292,850	396,874	2,634,142	1,928,992
Liabilities associated with assets classified as held for sale ^(b)	-	-	25,954	-
Total current liabilities	292,850	396,874	2,660,096	1,928,992
Non-current liabilities				
Borrowings	-	-	10,029,947	8,881,110
Deferred tax liabilities	-	-	370,100	378,235
Derivative liabilities ^(e)	-	-	38,844	33,617
Total non-current liabilities	-	-	10,438,891	9,292,962
Total liabilities	292,850	396,874	13,098,987	11,221,954
Net assets attributable to unitholders	6,262,005	6,513,573	22,315,723	22,375,537

Footnotes:

(a) The Group's financial information incorporates the financial statements of the Trust and the Property Companies.

(b) On 11 February 2015, the Trustee entered into a sale and purchase agreement with an independent third party to sell all the issued shares of Art Full Resources Limited ("Art Full"), the legal and beneficial owner of Nob Hill Square (the "Disposal") for a consideration of HK\$649 million (being the value the property of HK\$648 million plus other net assets of HK\$1 million of Art Full), subject to post-completion adjustments. As at 31 March 2015, the Group received a deposit of HK\$64.8 million for the Disposal which is included in trade and other payables.

Subsequent to the end of the Reporting Period, upon the fulfillment of the conditions as set out in the sale and purchase agreement, the Disposal was completed on 2 April 2015 and the sales proceeds, net of expenses, have been used to repay part of the 2011 Facilities. The Disposal resulted in a gain of approximately HK\$214.6 million which will be reflected in the quarter ending 30 June 2015.

- (c) *Investment properties (excluding Laguna Plaza) are stated at valuation based on an independent professional valuation carried out by Jones Lang LaSalle Limited on 31 December 2014. Laguna Plaza was included in the investment properties at acquisition cost as the acquisition was completed during this Reporting Period. In addition, some capital costs for the properties were incurred and included in the investment properties during the Reporting Period.*
- (d) *Distribution payable is the amount of income available for distribution accrued from 1 January 2015 to 31 March 2015. This is to comply with the REIT Code after the dual primary listing in Hong Kong, and for Fortune REIT's distribution policy please refer to footnote (j) of section 1(a)(i).*
- (e) *The derivative assets/liabilities relate to the fair value of the interest rate swaps and caps transacted economically to hedge the interest rate risk on the borrowings.*

1 (b)(ii) Aggregate amount of borrowings

As at 31/3/15	Secured ^(a)	Unsecured ^(a)
	HK\$ '000	HK\$ '000
Amount repayable in one year or less, or on demand	1,470,000	176,500
Amount repayable after one year	8,423,272	1,606,675
	9,893,272	1,783,175

As at 31/12/14	Secured ^(a)	Unsecured ^(a)
	HK\$ '000	HK\$ '000
Amount repayable in one year or less, or on demand	940,000	-
Amount repayable after one year	7,275,397	1,605,713
	8,215,397	1,605,713

Footnote:

- (a) *Fortune REIT has in place four credit facilities, being the 2011 Facilities, the 2013 Facilities, the 2014 Facilities and the 2015 Facilities.*

The 2011 Facilities is a 5-year term loan and revolving credit facilities of total HK\$3,800.0 million, comprising of a HK\$2,830.0 million term loan facility and a HK\$970.0 million revolving credit facility, which will mature in 2016. As at 31 March 2015, HK\$3,798.0 million had been drawn down (31 December 2014: HK\$3,268.0 million).

The 2013 Facilities is a term loan facilities of HK\$5,025.0 million, with terms between 3.5 years to 5 years. As at 31 March 2015, HK\$5,025.0 million had been drawn down (31 December 2014: HK\$5,025.0 million).

The 2014 Facilities is a 5-year term loan and revolving credit facility of up to an aggregate principal amount of HK\$1,800.0 million, comprising of a HK\$1,100.0 million term loan facility and a HK\$700.0 million revolving credit facility, which will mature in 2019. As at 31 March 2015, HK\$1,600.0 million had been drawn down (31 December 2014: HK\$1,600.0 million).

On 2 January 2015, in connection with the acquisition of Laguna Plaza, Fortune REIT entered into credit agreements, comprising a HK\$1,155.1 million 5-year term loan and a HK\$400.0 million 2-year revolving credit facility, which will mature in 2020 and 2017 respectively. As at 31 March 2015, HK\$1,335.1 million had been drawn down. The Group has paid front end fees of HK\$18.4 million to secure the loan facilities. The front end fees are amortised over the respective loan periods.

There is an option to rollover the revolving credit facility of the 2011 Facilities, 2014 Facilities and 2015 Facilities up until maturity.

Included in the borrowings is an unamortized debt front end fee of HK\$81.6 million (31 December 2014: HK\$71.8 million). The 2011 Facilities are secured by, inter alia, a mortgage over Fortune City One, Ma On Shan Plaza, Fortune Metropolis, Smartland, Tsing Yi Square, Nob Hill Square, Centre de Laguna, Lido Avenue and Rhine Avenue. HK\$3,406.3 million of the 2013 Facilities are secured by, inter alia, a mortgage over Metro Town and Fortune Kingswood. The 2014 Facilities are secured by, inter alia, a mortgage over Belvedere Square, Provident Square, Caribbean Square and Hampton Loft. HK\$1,155.1 million of the 2015 Facilities are secured by, inter alia, a mortgage over Laguna Plaza.

1 (c) Statement of cash flows

	Group	
	HK\$ '000	HK\$ '000
	Actual 1/1/15 to 31/3/15	Actual 1/1/14 to 31/3/14
Operating Activities		
Profit before taxation	176,833	211,173
Adjustments for:		
Change in fair value of financial instruments	33,248	(8,224)
Amortisation of debt front end fee	8,715	9,259
Base fee paid in units	25,623	21,702
Interest income	(1,251)	(2,637)
Borrowing costs	55,249	54,189
Operating profit before changes in working capital	298,417	285,462
(Increase)/decrease in trade and other receivables	(19,235)	7,824
Increase/(decrease) in trade and other payables	31,663	(4,122)
Cash generated from operating activities	310,845	289,164
Income taxes paid	(298)	(31,294)
Cash flow from operating activities	310,547	257,870
Investing Activities		
Acquisition of property companies, net of cash acquired	(1,785,840)	-
Upgrading of investment properties	(27,868)	(19,723)
Interest received	611	2,568
Deposits received for the disposal of property company	64,800	-
Cash flow used in investing activities	(1,748,297)	(17,155)
Financing Activities		
Drawdown of borrowings	1,865,060	30,000
Repayment of borrowings	-	(30,000)
Distribution paid	(390,267)	(335,256)
Borrowing costs paid	(51,324)	(54,038)
Payment of debt front end fee	(18,438)	-
Cash flow from/(used in) financing activities	1,405,031	(389,294)
Net decrease in cash and cash equivalents	(32,719)	(148,579)
Cash and cash equivalents at beginning of the period	688,407	858,175
Cash and cash equivalents at end of the period	655,688	709,596

Financial Statements Announcement
For the period from 1 January 2015 to 31 March 2015

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

	Actual				
	Issued Units	Unit issue costs	Hedging reserve	Retained profits	Net
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Statement for the first quarter FY2015					
Group					
Balance as at 1 January 2015	7,665,247	(286,279)	(30,427)	15,026,996	22,375,537
Profit for the period, before transactions with unitholders	-	-	-	127,929	127,929
Cash flow hedge					
- Change in fair value of financial instruments	-	-	1,905	-	1,905
- Release to profit or loss	-	-	3,470	-	3,470
Unitholders' transactions					
Creation of units					
- management fee paid/payable in units	25,623	-	-	-	25,623
Distribution paid/payable to Unitholders	-	-	-	(218,741)	(218,741)
Increase/(decrease) in net assets resulting from Unitholders' transactions	25,623	-	-	(218,741)	(193,118)
Balance as at 31 March 2015	7,690,870	(286,279)	(25,052)	14,936,184	22,315,723
Balance as at 1 January 2014					
7,572,356	(286,279)	(53,610)	11,876,860	19,109,327	
Profit for the period, before transactions with unitholders	-	-	-	168,513	168,513
Cash flow hedge					
- Change in fair value of financial instruments	-	-	5,255	-	5,255
- Release to profit or loss	-	-	1,244	-	1,244
Unitholders' transactions					
Creation of units					
- management fee paid/payable in units	21,702	-	-	-	21,702
Distribution paid/payable to Unitholders	-	-	-	(193,892)	(193,892)
Increase/(decrease) in net assets resulting from Unitholders' transactions	21,702	-	-	(193,892)	(172,190)
Balance as at 31 March 2014	7,594,058	(286,279)	(47,111)	11,851,481	19,112,149

	Actual			
	Issued Units	Unit issue costs	Accumulated losses	Net
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Statement for the first quarter FY2015				
Trust				
Balance as at 1 January 2015	7,665,247	(286,279)	(865,395)	6,513,573
Loss for the period, before transactions with unitholders	-	-	(58,450)	(58,450)
Unitholders' transactions				
Creation of units				
- management fee paid/payable in units	25,623	-	-	25,623
Distribution paid/payable to Unitholders	-	-	(218,741)	(218,741)
Increase/(decrease) in net assets resulting from Unitholders' transactions	25,623	-	(218,741)	(193,118)
Balance as at 31 March 2015	7,690,870	(286,279)	(1,142,586)	6,262,005
Balance as at 1 January 2014				
7,572,356	(286,279)	(722,984)	6,563,093	
Loss for the period, before transactions with unitholders	-	-	(33,689)	(33,689)
Unitholders' transactions				
Creation of units				
- management fee paid/payable in units	21,702	-	-	21,702
Distribution paid/payable to Unitholders	-	-	(193,892)	(193,892)
Increase/(decrease) in net assets resulting from Unitholders' transactions	21,702	-	(193,892)	(172,190)
Balance as at 31 March 2014	7,594,058	(286,279)	(950,565)	6,357,214

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 January 2015	1,873,046,294	Total units since the end of previous financial period
2 January 2015	3,243,664	As payment of management fee for the period from 1 October 2014 to 31 December 2014
As at 31 March 2015	<u>1,876,289,958</u>	
2 April 2015 ^(a)	3,128,838	As payment of management fee for the period from 1 January 2015 to 31 March 2015
Deemed units as at 31 March 2015	<u>1,879,418,796</u>	

Footnote:

(a) On 2 April 2015, there was an additional 3,128,838 units issued to the Manager as payment of management fee for the period from 1 January 2015 to 31 March 2015.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Review Engagement 2400 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have not been audited nor reviewed by the auditors.

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

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited financial statements have been applied

The same accounting policies and methods of computation were followed during the current financial period as compared with those contained in the audited financial statements for the year ended 31 December 2014.

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 2015 to 31 March 2015

	Actual 1/1/15 to 31/3/15 HK cents	Actual 1/1/14 to 31/3/14 HK cents
Earnings per unit for the period based on the weighted average number of units in issue, before transactions with unitholders	6.81	9.04
Weighted average number of units in issue (million)	1,878.4	1,865.0
Distribution per unit ("DPU") for the period	11.63	10.38
Total number of deemed units in issue (million)	1,879.4	1,866.3

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

	Actual 31/3/15 HK\$	Actual 31/12/14 HK\$
Net asset value per unit ^(a)	11.87	11.93

Footnote:

(a) Net asset value per unit is calculated based on net assets of the Group over the total number of deemed units in issue of 1,879.4 million (31 December 2014: 1,876.3 million).

8. Review of performance

Income Statement

	HK\$ '000		%
	Actual 1/1/15 to 31/3/15	Actual 1/1/14 to 31/3/14	Increase
Total revenue	458,822	403,850	13.6%
Net property income	325,016	289,176	12.4%
Income available for distribution	218,741	193,892	12.8%

1Q 2015 versus 1Q 2014

Total revenue for the Reporting Period was HK\$458.8 million, 13.6% higher year-on-year. The improved financial performance compared to the corresponding period last year was mainly attributed to income contribution from Laguna Plaza acquired in January 2015 and strong rental reversions across the portfolio.

Portfolio occupancy rate was 98.1% as at 31 March 2015. Passing rent was HK\$37.0 per sq. ft. while a 18.4% rental reversion was achieved from renewed leases for the Reporting Period.

Property operating expenses was HK\$123.7 million, up 17.1% year-on-year. Cost-to-revenue ratio was maintained at 27.0%. Net property income was HK\$325.0 million, an increase of 12.4% year-on-year. Income available for distribution was HK\$218.7 million, 12.8% higher year-on-year.

Total borrowing costs (excluding non-tax deductible front end fees) were HK\$57.5 million for the Reporting Period, an increase of 6.1% year-on-year due to the drawdown of additional loan facilities to finance the acquisition of Laguna Plaza in January 2015. The effective interest cost decreased year-on-year from 2.22% to 2.02%. As at 31 March 2015, the interest cost for 46% (31 December 2014: 55%) of Fortune REIT's loan was hedged through interest rate swaps and caps.

The gearing ratio and aggregate leverage was at 33.2% as at the end of the Reporting Period (31 December 2014: 29.4%). The net current liabilities as at 31 March 2015 was HK\$1,482.9 million, the majority of which came from revolving credit facilities. There is an option to roll over the revolving credit facilities up to their maturities. The weighted average term to maturity of debt was 2.4 years (31 December 2014: 2.4 years).

9. Variance between actual and the forecast results for the period from 1 January 2015 to 31 March 2015

The asset performance in this quarter is broadly in line with the commentary under paragraph 10 in the fourth quarter 2014 results released on 21 January 2015.

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

The Hong Kong economy grew modestly in 2014, with GDP expanded by 2.3%, slower than the 2.9% growth in 2013 and the annual average growth of 3.9% in the past decade. The Hong Kong retail sales ended a period of high-speed growth and registered a decrease of 0.2% in value for 2014. For the first three months of 2015, Hong Kong retail sales showed a decline of 2.3% in value year-on-year. The subdued performance was mainly driven by a notable fall in the sales of jewellery, watches and valuable gifts resulted from weak tourist spending on big ticket items.

The Manager remains mindful of the economic uncertainties associated with factors such as the changing pattern of tourist spending and the uncertain external environment. These factors are compounded by the prospects of slower domestic demand and the anticipation of the potential interest rate hikes. Nevertheless, Fortune REIT's portfolio of private housing estate retail properties, which cater mainly to day-to-day shopping needs, tends to maintain a more resilient performance when compared to the overall market and economic conditions.

As there could be continuing pressure in the coming year on certain costs such as rising wages and electricity costs, inflation and other external factors, the Manager will closely monitor the operating expenses. As part of Fortune REIT's green policy, initiatives such as energy-saving measures will continue to be adopted to help mitigate the impact of higher electricity tariffs.

Looking ahead, despite the disposal of Nob Hill Square on 2 April 2015, the additional income from Laguna Plaza and the full-year effect of the strong rental reversions from 2014, should contribute to further revenue growth for Fortune REIT - barring any unforeseen circumstances.

11. Distributions

(a) Current financial period

Any distribution declared for the current period? NIL

(b) Corresponding period of the immediate preceding financial year

Any distribution declared for the current period? NIL

(c) Date Payable Not applicable

(d) Book Closure Date Not applicable

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

No distribution has been declared or recommended for the current financial period from 1 January 2015 to 31 March 2015.

13. Interested Person Transaction Mandate

Fortune REIT has not obtained a general mandate from Unitholders for Interested Person Transactions.

14. Confirmation pursuant to Rule 705(5) of the Listing Manual

To the best of our knowledge, nothing has come to the attention of the Board of Directors of the manager of Fortune Real Estate Investment Trust (the "Manager") which may render the unaudited interim financial results of the Group and the Trust (comprising the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to Unitholders and consolidated statement of cash flows, together with their accompanying notes) as at 31 March 2015 and the results of the business, changes in net assets attributable to Unitholders and cash flows of the Group for the 3 months ended on that date, to be false or misleading in any material respect.

On behalf of the Board of the Manager,

Chiu Yu, Justina
Director

Ang Meng Huat, Anthony
Director

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other developments or companies, shifts in expected levels of occupancy rate, property rental income, charge out collections, changes in operating expenses, including employee wages, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward looking statements, which are based on current view of management on future events.

BY ORDER OF THE BOARD
ARA ASSET MANAGEMENT (FORTUNE) LIMITED
AS MANAGER OF FORTUNE REAL ESTATE INVESTMENT TRUST

Chiu Yu, Justina
Director

8 May 2015