

## Financial Statements and Related Announcement::Second Quarter and/ or Half Yearly Results

## Issuer &amp; Securities

<b>Issuer/ Manager</b>	ARA ASSET MANAGEMENT (FORTUNE) LIMITED
<b>Securities</b>	FORTUNE REAL ESTATE INV TRUST - SG1O33912138 - F25U
<b>Stapled Security</b>	No

## Announcement Details

<b>Announcement Title</b>	Financial Statements and Related Announcement
<b>Date &amp; Time of Broadcast</b>	27-Jul-2015 17:17:54
<b>Status</b>	New
<b>Announcement Sub Title</b>	Second Quarter and/ or Half Yearly Results
<b>Announcement Reference</b>	SG150727OTHRZMRW
<b>Submitted By (Co./ Ind. Name)</b>	Justina Chiu
<b>Designation</b>	Director and Chief Executive Officer
<b>Description (Please provide a detailed description of the event in the box below - Refer to the Online help for the format)</b>	Please see attached.

## Additional Details

<b>For Financial Period Ended</b>	30-Jun-2015
<b>Attachments</b>	<a href="#">e-FY 2Q15 results announcement SG.pdf</a> Total size =390K

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**Fortune Real Estate Investment Trust  
Financial Statements  
For the financial period from 1 January 2015 to 30 June 2015**

These figures have not been audited but have been reviewed by our auditors.

Fortune Real Estate Investment Trust ("Fortune REIT") is a real estate investment trust constituted by a Trust Deed entered into on 4 July 2003 (as amended) 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.

Fortune REIT 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 30 June 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		%	HK\$ '000		%
	Actual 1/4/15 to 30/6/15 <sup>(a)</sup>	Actual 1/4/14 to 30/6/14 <sup>(a)</sup>		Increase/ (Decrease)	Actual 1/1/15 to 30/6/15 <sup>(a)</sup>	
Revenue <sup>(b)</sup>	382,074	334,829	14.1%	755,816	664,852	13.7%
Charge-out collections <sup>(c)</sup>	81,696	74,776	9.3%	166,776	148,603	12.2%
<b>Total revenue</b>	<b>463,770</b>	<b>409,605</b>	<b>13.2%</b>	<b>922,592</b>	<b>813,455</b>	<b>13.4%</b>
Property management fees	(10,633)	(9,473)	12.2%	(20,739)	(18,819)	10.2%
Other property operating expenses	(113,569)	(99,175)	14.5%	(227,187)	(195,515)	16.2%
Property operating expenses	(124,202)	(108,648)	14.3%	(247,926)	(214,334)	15.7%
Net property income (before manager's performance fee)	339,568	300,957	12.8%	674,666	599,121	12.6%
Manager's performance fee	(10,221)	(9,084)	12.5%	(20,303)	(18,072)	12.3%
<b>Net property income</b>	<b>329,347</b>	<b>291,873</b>	<b>12.8%</b>	<b>654,363</b>	<b>581,049</b>	<b>12.6%</b>
Interest Income	1,136	1,837	NM	2,110	3,287	NM
<b>Net property income after interest income</b>	<b>330,483</b>	<b>293,710</b>	<b>12.5%</b>	<b>656,473</b>	<b>584,336</b>	<b>12.3%</b>
Gain on disposal of a property company <sup>(d)</sup>	218,598	-	NM	218,598	-	NM
Change in fair value of investment properties <sup>(e)</sup>	992,020	1,512,690	(34.4%)	992,020	1,512,690	(34.4%)
Change in fair value of financial instruments <sup>(f)</sup>	(3,263)	(29,424)	(88.9%)	(36,511)	(21,200)	72.2%
Profit before borrowing costs	1,537,838	1,776,976	(13.5%)	1,830,580	2,075,826	(11.8%)
Borrowing costs	(57,342)	(53,867)	6.5%	(114,848)	(108,056)	6.3%
Profit before tax	1,480,496	1,723,109	(14.1%)	1,715,732	1,967,770	(12.8%)
Hong Kong taxation :						
Current taxation	(40,321)	(34,936)	15.4%	(82,232)	(69,881)	17.7%
Deferred taxation	(8,892)	(7,915)	12.3%	(15,838)	(15,429)	2.7%
Total Hong Kong taxation	(49,213)	(42,851)	14.8%	(98,070)	(85,310)	15.0%
<b>Net profit of property companies</b>	<b>1,431,283</b>	<b>1,680,258</b>	<b>(14.8%)</b>	<b>1,617,662</b>	<b>1,882,460</b>	<b>(14.1%)</b>
Manager's base fee	(26,356)	(23,097)	14.1%	(51,979)	(44,799)	16.0%
Foreign exchange gain/(loss) <sup>(g)</sup>	132	86	53.5%	(126)	46	NM
Non-tax deductible trust expenses <sup>(h)</sup>	(11,562)	(18,840)	(38.6%)	(43,245)	(30,701)	40.9%
Tax deductible trust expenses	(2,427)	(1,001)	142.5%	(3,543)	(2,073)	70.9%
Non tax-exempt income <sup>(i)</sup>	19	686	(97.2%)	296	1,873	(84.2%)
Singapore taxation	(3)	(115)	(97.4%)	(50)	(316)	(84.2%)
Total trust expenses	(40,197)	(42,281)	(4.9%)	(98,647)	(75,970)	29.8%
<b>Net profit of the Group, before transactions with unitholders<sup>(k)</sup></b>	<b>1,391,086</b>	<b>1,637,977</b>	<b>(15.1%)</b>	<b>1,519,015</b>	<b>1,806,490</b>	<b>(15.9%)</b>
Distributions to unitholders <sup>(l)</sup>	(221,517)	(196,562)	12.7%	(440,258)	(390,454)	12.8%
Net profit of the Group, after transactions with unitholders	<b>1,169,569</b>	<b>1,441,415</b>	<b>(18.9%)</b>	<b>1,078,757</b>	<b>1,416,036</b>	<b>(23.8%)</b>
Net profit of the Group, before transactions with unitholders	1,391,086	1,637,977	(15.1%)	1,519,015	1,806,490	(15.9%)
Add/(Less):						
Manager's base fee	26,356	23,097	14.1%	51,979	44,799	16.0%
Foreign exchange (gain)/loss <sup>(g)</sup>	(132)	(86)	53.5%	126	(46)	NM
Non-tax deductible trust expenses <sup>(h)</sup>	11,562	18,840	(38.6%)	43,245	30,701	40.9%
Gain on disposal of a property company <sup>(d)</sup>	(218,598)	-	NM	(218,598)	-	NM
Change in fair value of financial instruments <sup>(f)</sup>	3,263	29,424	(88.9%)	36,511	21,200	72.2%
Change in fair value of investment properties <sup>(e)</sup>	(992,020)	(1,512,690)	(34.4%)	(992,020)	(1,512,690)	(34.4%)
<b>Income available for distribution</b>	<b>221,517</b>	<b>196,562</b>	<b>12.7%</b>	<b>440,258</b>	<b>390,454</b>	<b>12.8%</b>

**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) *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"). 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\$218.6 million.*
- (e) *On 30 June 2015, an independent valuation was undertaken by Savills Valuation and Professional Services Limited. The firm is an independent valuer having appropriate professional qualifications and experiences in the location and category of the properties being valued. The valuations for the 17 properties were based on a combination of the Income Capitalisation Method and Direct Comparison Method. The valuations adopted amounted to HK\$35,238 million.*
- (f) *The amount relates to the net loss 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 30 June 2015.*
- (g) *Foreign exchange gain/(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.*
- (h) *Included in the non-tax deductible trust expenses for the period from 1 January 2015 to 30 June 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\$4.0 million for the acquisition of Laguna Plaza.*
- (i) *Non tax-exempt income refers mainly to interest income from fixed deposits.*
- (j) *The amount of distributions to unitholders have been distributed and/or accrued as distribution payable in the Statement of Financial Position.*
- (k) *The decrease in the net profit of the Group, after transactions with unitholders for the Reporting Period was mainly due to (i) a decrease in change in fair value gain on investment properties; and (ii) an increase in change in fair value loss on financial instruments (see footnote (f) above). These non-cash items have no effect on the income available for distribution to unitholders.*
- (l) *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").*
- (m) *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		%	HK\$ '000		%
	Actual 1/4/15 to 30/6/15	Actual 1/4/14 to 30/6/14	Increase/ (Decrease)	Actual 1/1/15 to 30/6/15	Actual 1/1/14 to 30/6/14	Increase/ (Decrease)
Net profit of the Group, after transactions with unitholders	1,169,569	1,441,415	(18.9%)	1,078,757	1,416,036	(23.8%)
Other comprehensive income - Items that will be reclassified to profit or loss:						
Cash flow hedge						
- Change in fair value of financial instruments	2,286	1,756	30.2%	4,191	7,011	(40.2%)
- Release to profit or loss <sup>(a)</sup>	3,470	1,244	178.9%	6,940	2,488	178.9%
	5,756	3,000	91.9%	11,131	9,499	17.2%
Total comprehensive income	1,175,325	1,444,415	(18.6%)	1,089,888	1,425,535	(23.5%)

**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\$6.9 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 <sup>(a)</sup>	
	HK\$ '000		HK\$ '000	
	Actual 30/6/15	Actual 31/12/14	Actual 30/6/15	Actual 31/12/14
<b>Current assets</b>				
Cash and bank balances	470,110	424,418	836,165	688,407
Trade and other receivables	43,358	56,710	71,251	60,853
Total current assets	513,468	481,128	907,416	749,260
<b>Non-current assets</b>				
Investment in property companies	6,817,589	6,429,319	-	-
Investment properties <sup>(b)</sup>	-	-	35,238,000	32,720,000
Derivative assets <sup>(d)</sup>	-	-	9,073	32,306
Deposit for acquisition of property companies	-	-	-	95,925
Total non-current assets	6,817,589	6,429,319	35,247,073	32,848,231
<b>Total assets</b>	<b>7,331,057</b>	<b>6,910,447</b>	<b>36,154,489</b>	<b>33,597,491</b>
<b>Current liabilities</b>				
Trade and other payables	7,865	6,135	682,381	588,627
Distribution payable <sup>(c)</sup>	440,258	390,316	440,258	390,316
Borrowings	-	-	3,791,539	940,000
Derivative liabilities <sup>(d)</sup>	-	-	17,032	-
Provision for taxation	68	423	91,438	10,049
Total current liabilities	448,191	396,874	5,022,648	1,928,992
<b>Non-current liabilities</b>				
Borrowings	-	-	7,216,718	8,881,110
Deferred tax liabilities	-	-	378,987	378,235
Derivative liabilities <sup>(d)</sup>	-	-	18,732	33,617
Total non-current liabilities	-	-	7,614,437	9,292,962
<b>Total liabilities</b>	<b>448,191</b>	<b>396,874</b>	<b>12,637,085</b>	<b>11,221,954</b>
<b>Net assets attributable to unitholders</b>	<b>6,882,866</b>	<b>6,513,573</b>	<b>23,517,404</b>	<b>22,375,537</b>

**Footnotes:**

- (a) The Group's financial information incorporates the financial statements of the Trust and the Property Companies.
- (b) Investment properties are stated at valuation based on an independent professional valuation carried out by Savills Valuation and Professional Services Limited, the independent valuer on 30 June 2015. During the period, some capital costs for the properties were incurred and included in the investment properties.
- (c) Distribution payable is the amount of income available for distribution accrued from 1 January 2015 to 30 June 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 (l) of section 1(a)(i).
- (d) 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. The fair values are determined based on the discounted future cash flows using the applicable yield curve for the remaining duration of the instruments and fall under level 2 of the fair value hierarchy.

1 (b)(ii) Aggregate amount of borrowings

As at 30/6/15	Secured <sup>(a)</sup>	Unsecured <sup>(a)</sup>
	HK\$ '000	HK\$ '000
Amount repayable in one year or less, or on demand	3,614,539	177,000
Amount repayable after one year	5,608,540	1,608,178
	9,223,079	1,785,178

As at 31/12/14	Secured <sup>(a)</sup>	Unsecured <sup>(a)</sup>
	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 30 June 2015, HK\$3,120.0 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 30 June 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 30 June 2015, HK\$1,600.0 million had been drawn down (31 December 2014: HK\$1,600.0 million).

The 2015 Facilities is comprising a HK\$1,200.0 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 30 June 2015, HK\$1,335.1 million had been drawn down.

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\$71.8 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, 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		Group	
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
	Actual 1/4/15 to 30/6/15	Actual 1/4/14 to 30/6/14	Actual 1/1/15 to 30/6/15	Actual 1/1/14 to 30/6/14
<b>Operating Activities</b>				
Profit before taxation	1,440,302	1,680,943	1,617,135	1,892,116
Adjustments for:				
Change in fair value of investment properties	(992,020)	(1,512,690)	(992,020)	(1,512,690)
Change in fair value of financial instruments	3,263	29,424	36,511	21,200
Amortisation of debt front end fee	9,810	17,190	18,525	26,449
Gain on disposal of a property company	(218,598)	-	(218,598)	-
Base fee paid in units	26,356	23,097	51,979	44,799
Interest income	(1,155)	(2,523)	(2,406)	(5,160)
Borrowing costs	55,085	52,912	110,334	107,101
Operating profit before changes in working capital	323,043	288,353	621,460	573,815
Decrease/(increase) in trade and other receivables	14,679	(1,707)	(4,556)	6,117
Increase in trade and other payables	24,866	27,484	56,529	23,362
Cash generated from operating activities	362,588	314,130	673,433	603,294
Income taxes paid	(405)	(543)	(703)	(31,837)
<b>Cash flow from operating activities</b>	<b>362,183</b>	<b>313,587</b>	<b>672,730</b>	<b>571,457</b>
<b>Investing Activities</b>				
Acquisition of property companies	2,635	-	(1,783,205)	-
Proceeds from disposal of a property company	575,708	-	640,508	-
Upgrading of investment properties	(24,347)	(9,587)	(52,215)	(29,310)
Interest received	1,839	2,648	2,450	5,216
<b>Cash flow from/(used in) investing activities</b>	<b>555,835</b>	<b>(6,939)</b>	<b>(1,192,462)</b>	<b>(24,094)</b>
<b>Financing Activities</b>				
Drawdown of borrowings	-	-	1,865,060	30,000
Repayment of borrowings	(678,000)	-	(678,000)	(30,000)
Distribution paid	-	-	(390,267)	(335,256)
Borrowing costs paid	(59,541)	(54,530)	(110,865)	(108,568)
Payment of debt front end fee	-	(20,700)	(18,438)	(20,700)
<b>Cash flow (used in)/from financing activities</b>	<b>(737,541)</b>	<b>(75,230)</b>	<b>667,490</b>	<b>(464,524)</b>
<b>Net increase in cash and cash equivalents</b>	<b>180,477</b>	<b>231,418</b>	<b>147,758</b>	<b>82,839</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>655,688</b>	<b>709,596</b>	<b>688,407</b>	<b>858,175</b>
<b>Cash and cash equivalents at end of the period</b>	<b>836,165</b>	<b>941,014</b>	<b>836,165</b>	<b>941,014</b>



**Financial Statements Announcement**  
**For the period from 1 January 2015 to 30 June 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
<b>Statement for the second quarter FY2015</b>					
<b>Group</b>					
<b>Balance as at 1 April 2015</b>	<b>7,690,870</b>	<b>(286,279)</b>	<b>(25,052)</b>	<b>14,936,184</b>	<b>22,315,723</b>
Profit for the period, before transactions with unitholders	-	-	-	1,391,086	1,391,086
Cash flow hedge					
- Change in fair value of financial instruments	-	-	2,286	-	2,286
- Release to profit or loss	-	-	3,470	-	3,470
<b>Unitholders' transactions</b>					
Creation of units					
- management fee paid/payable in units	26,356	-	-	-	26,356
Distribution paid/payable to Unitholders	-	-	-	(221,517)	(221,517)
Increase/(decrease) in net assets resulting from Unitholders' transactions	26,356	-	-	(221,517)	(195,161)
<b>Balance as at 30 June 2015</b>	<b>7,717,226</b>	<b>(286,279)</b>	<b>(19,296)</b>	<b>16,105,753</b>	<b>23,517,404</b>
<b>Balance as at 1 April 2014</b>	<b>7,594,058</b>	<b>(286,279)</b>	<b>(47,111)</b>	<b>11,851,481</b>	<b>19,112,149</b>
Profit for the period, before transactions with unitholders	-	-	-	1,637,977	1,637,977
Cash flow hedge					
- Change in fair value of financial instruments	-	-	1,756	-	1,756
- Release to profit or loss	-	-	1,244	-	1,244
<b>Unitholders' transactions</b>					
Creation of units					
- management fee paid/payable in units	23,097	-	-	-	23,097
Distribution paid/payable to Unitholders	-	-	-	(196,562)	(196,562)
Increase/(decrease) in net assets resulting from Unitholders' transactions	23,097	-	-	(196,562)	(173,465)
<b>Balance as at 30 June 2014</b>	<b>7,617,155</b>	<b>(286,279)</b>	<b>(44,111)</b>	<b>13,292,896</b>	<b>20,579,661</b>

	Actual				
	Issued Units	Unit issue costs	Hedging reserve	Retained profits	Net
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Statement for the first half FY2015</b>					
<b>Group</b>					
<b>Balance as at 1 January 2015</b>	<b>7,665,247</b>	<b>(286,279)</b>	<b>(30,427)</b>	<b>15,026,996</b>	<b>22,375,537</b>
Profit for the period, before transactions with unitholders	-	-	-	1,519,015	1,519,015
Cash flow hedge					
- Change in fair value of financial instruments	-	-	4,191	-	4,191
- Release to profit or loss	-	-	6,940	-	6,940
<b>Unitholders' transactions</b>					
Creation of units					
- management fee paid/payable in units	51,979	-	-	-	51,979
Distribution paid/payable to Unitholders	-	-	-	(440,258)	(440,258)
Increase/(decrease) in net assets resulting from Unitholders' transactions	51,979	-	-	(440,258)	(388,279)
<b>Balance as at 30 June 2015</b>	<b>7,717,226</b>	<b>(286,279)</b>	<b>(19,296)</b>	<b>16,105,753</b>	<b>23,517,404</b>
<b>Balance as at 1 January 2014</b>	<b>7,572,356</b>	<b>(286,279)</b>	<b>(53,610)</b>	<b>11,876,860</b>	<b>19,109,327</b>
Profit for the period, before transactions with unitholders	-	-	-	1,806,490	1,806,490
Cash flow hedge					
- Change in fair value of financial instruments	-	-	7,011	-	7,011
- Release to profit or loss	-	-	2,488	-	2,488
<b>Unitholders' transactions</b>					
Creation of units					
- management fee paid/payable in units	44,799	-	-	-	44,799
Distribution paid/payable to Unitholders	-	-	-	(390,454)	(390,454)
Increase/(decrease) in net assets resulting from Unitholders' transactions	44,799	-	-	(390,454)	(345,655)
<b>Balance as at 30 June 2014</b>	<b>7,617,155</b>	<b>(286,279)</b>	<b>(44,111)</b>	<b>13,292,896</b>	<b>20,579,661</b>

**Financial Statements Announcement**  
**For the period from 1 January 2015 to 30 June 2015**

	Actual			
	Issued Units	Unit issue costs	Accumulated loss	Net
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Statement for the second quarter FY2015</b>				
<b>Trust</b>				
<b>Balance as at 1 April 2015</b>	<b>7,690,870</b>	<b>(286,279)</b>	<b>(1,142,586)</b>	<b>6,262,005</b>
Profit for the period, before transactions with unitholders	-	-	816,022	816,022
<b>Unitholders' transactions</b>				
Creation of units				
- management fee paid/payable in units	26,356	-	-	26,356
Distribution paid/payable to Unitholders	-	-	(221,517)	(221,517)
Increase/(decrease) in net assets resulting from Unitholders' transactions	26,356	-	(221,517)	(195,161)
<b>Balance as at 30 June 2015</b>	<b>7,717,226</b>	<b>(286,279)</b>	<b>(548,081)</b>	<b>6,882,866</b>
<b>Balance as at 1 April 2014</b>	<b>7,594,058</b>	<b>(286,279)</b>	<b>(950,565)</b>	<b>6,357,214</b>
Profit for the period, before transactions with unitholders	-	-	348,690	348,690
<b>Unitholders' transactions</b>				
Creation of units				
- management fee paid/payable in units	23,097	-	-	23,097
Distribution paid/payable to Unitholders	-	-	(196,562)	(196,562)
Increase/(decrease) in net assets resulting from Unitholders' transactions	23,097	-	(196,562)	(173,465)
<b>Balance as at 30 June 2014</b>	<b>7,617,155</b>	<b>(286,279)</b>	<b>(798,437)</b>	<b>6,532,439</b>

	Actual			
	Issued Units	Unit issue costs	Accumulated loss	Net
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Statement for the first half FY2015</b>				
<b>Trust</b>				
<b>Balance as at 1 January 2015</b>	<b>7,665,247</b>	<b>(286,279)</b>	<b>(865,395)</b>	<b>6,513,573</b>
Profit for the period, before transactions with unitholders	-	-	757,572	757,572
<b>Unitholders' transactions</b>				
Creation of units				
- management fee paid/payable in units	51,979	-	-	51,979
Distribution paid/payable to Unitholders	-	-	(440,258)	(440,258)
Increase/(decrease) in net assets resulting from Unitholders' transactions	51,979	-	(440,258)	(388,279)
<b>Balance as at 30 June 2015</b>	<b>7,717,226</b>	<b>(286,279)</b>	<b>(548,081)</b>	<b>6,882,866</b>
<b>Balance as at 1 January 2014</b>	<b>7,572,356</b>	<b>(286,279)</b>	<b>(722,984)</b>	<b>6,563,093</b>
Profit for the period, before transactions with unitholders	-	-	315,001	315,001
<b>Unitholders' transactions</b>				
Creation of units				
- management fee paid/payable in units	44,799	-	-	44,799
Distribution paid/payable to Unitholders	-	-	(390,454)	(390,454)
Increase/(decrease) in net assets resulting from Unitholders' transactions	44,799	-	(390,454)	(345,655)
<b>Balance as at 30 June 2014</b>	<b>7,617,155</b>	<b>(286,279)</b>	<b>(798,437)</b>	<b>6,532,439</b>

**1 (d)(ii) Details of any changes in the units since the end of the previous period reported on**

<u>Date</u>	<u>Units Issued</u>	<u>Purpose</u>
As at 1 April 2015	1,876,289,958	Total units since the end of previous financial period
2 April 2015	3,128,838	As payment of management fee for the period from 1 January 2015 to 31 March 2015
As at 30 June 2015	<u>1,879,418,796</u>	
3 July 2015 <sup>(a)</sup>	3,386,932	As payment of management fee for the period from 1 April 2015 to 30 June 2015
Deemed units as at 30 June 2015	<u>1,882,805,728</u>	

The total number of issued units as at the end of the immediately preceding year (31 December 2014) was 1,873,046,294.

**Footnote:**

(a) On 3 July 2015, there was an additional 3,386,932 units issued to the Manager as payment of management fee for the period from 1 April 2015 to 30 June 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 but have been reviewed by the auditors in accordance with International Standard on Review Engagements 2410.

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

Please see attached review report.

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

The same accounting policies and methods of computation were followed during the current financial period as compared with those contained in the audited financial statements for the year ended 31 December 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 30 June 2015	Actual		Actual	
	1/4/15 to 30/6/15 HK cents	1/4/14 to 30/6/14 HK cents	1/1/15 to 30/6/15 HK cents	1/1/14 to 30/6/14 HK cents
Earnings per unit for the period based on the weighted average number of units in issue, before transactions with unitholders	73.99	87.73	80.80	96.77
Weighted average number of units in issue (million)	1,880.0	1,866.8	1,880.0	1,866.8
Distribution per unit ("DPU") for the period	11.75	10.50	23.38	20.88
Total number of deemed units in issue (million)	1,882.8	1,869.7	1,882.8	1,869.7

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

Net asset value per unit <sup>(a)</sup>	Actual	Actual
	30/6/15 HK\$	31/12/14 HK\$
	12.49	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 1,882.8 million (31 December 2014: 1,876.3 million). The increase in net asset value per unit was mainly due to the increase in the fair value of the investment properties.

## 8. Review of performance

Income Statement	HK\$ '000		%	HK\$ '000		%
	Actual 1/4/15 to 30/6/15	Actual 1/4/14 to 30/6/2016	Increase	Actual 1/1/15 to 30/6/15	Actual 1/1/14 to 30/6/14	Increase
Total revenue	463,770	409,605	13.2%	922,592	813,455	13.4%
Net property income	329,347	291,873	12.8%	654,363	581,049	12.6%
Income available for distribution	221,517	196,562	12.7%	440,258	390,454	12.8%

### Financial Review

Fortune REIT's financial performance continued to perform well and record steady growth during the first half of 2015.

For the Reporting Period, Fortune REIT's revenue and net property income went up by 13.4% and 12.6% year-on-year to HK\$922.6 million and HK\$654.4 million respectively. The growth was mainly attributed to a solid rental reversion of 22.1% across the portfolio as well as the additional income contributions from Laguna Plaza acquired in January 2015.

Borrowing costs (excluding non-tax deductible front end fees) were HK\$114.8 million for the Reporting Period. This represents an increase of 6.3% compared with the first half of 2014. The rise in borrowing cost was a result from the drawdown of additional loan facilities in January 2015 to finance the acquisition of Laguna Plaza.

Income available for distribution for the Reporting Period amounted to HK\$440.3 million, representing a year-on-year increase of 12.8%. DPU for the Reporting Period was 23.38 Hong Kong cents, which is 12.0% higher than the DPU of 20.88 Hong Kong cents for the corresponding period in 2014. This represents an annualized distribution yield of 6.0% based on the unit price of HK\$7.795, the average of the two closing unit prices in Singapore and Hong Kong as at 30 June 2015.

The interim DPU of 23.38 Hong Kong cents will be paid on 28 August 2015 to Unitholders registered in the registers of Unitholders of Fortune REIT as at 13 August 2015.

### **Two accretive transactions to create unitholder value**

During the Reporting Period, Fortune REIT completed the acquisition of Laguna Plaza, for HK\$1,918.5 million at 4.7% net property yield, as well as the disposal of Nob Hill Square, for HK\$648.0 million at 2.9% net property yield. Laguna Plaza, which contributed additional income to Fortune REIT during the Reporting Period, was Fortune REIT's first-ever acquisition from an independent third party. Nob Hill Square, divested at a premium of 48% over book value, was the first asset disposal since Fortune REIT's listing in 2003. The two transactions were significant milestones for Fortune REIT and successfully enhanced value to our Unitholders.

### **Capital Management**

During the Reporting Period, Fortune REIT entered into additional loan facilities, comprising a HK\$1,200.0 million 5-year term loan and a HK\$400.0 million 2-year revolving credit facility, to finance the acquisition of Laguna Plaza in January 2015.

In addition, upon the completion of the disposal of Nob Hill Square in April 2015, HK\$638.0 million was used for the repayment of existing loan facilities. With the lower subsequent gearing, Fortune REIT now has greater financial flexibility to pursue better-yielding opportunities as they arise.

As at 30 June 2015, the total committed loan facilities amounted to HK\$11,540.0 million. Fortune REIT closed the Reporting Period with a gearing ratio and an aggregate leverage of 30.6% (31 December 2014: 29.4%), a term of 2.2 years of weighted average term to maturity of debt, and an average all-in cost of debt of 2.04% (31 December 2014: 2.17%). Fortune REIT's gross liabilities as a percentage of gross assets increase to 35.0% as at 30 June 2015 (31 December 2014: 33.4%). The net current liabilities as at 30 June 2015 were HK\$4,115.2 million, mainly comprised of (i) a HK\$3,114.5 million 5-year loan facilities, which was due to mature within the next twelve months in April 2016; and (ii) revolving credit facilities of HK\$677.0 million, which has an option to roll over to their maturities.

Fortune REIT had obtained both secured and unsecured facilities. The former facilities are secured over Fortune REIT's 15 investment properties, which carried an aggregate fair value of HK\$32,777.0 million as at 30 June 2015. The Trustee has provided a guarantee for all of the facilities.

As at 30 June 2015, the interest cost for approximately 49% (31 December 2014: 55%) of Fortune REIT's outstanding debt has been hedged through interest rate swaps and caps. The Manager will continue to closely monitor interest rate movements and consider putting in place additional hedging arrangements.

Net asset value per unit amounted to HK\$12.49 as at 30 June 2015, up 4.7% from HK\$11.93 reported as at the end of 2014, mainly as a result of the increase in the valuation of investment properties.

### **Portfolio Valuation**

The valuation of Fortune REIT's 17 retail properties was appraised at HK\$35,238.0 million by Savills Valuation and Professional Services Limited ("Savills"), an independent valuer, as at 30 June 2015. This represents a 7.7% increase from the valuation of HK\$32,720.0 million as at 31 December 2014, which was contributed by the improvement in asset performance and the addition of Laguna Plaza, offset by the disposal of Nob Hill Square. The higher valuation has resulted in a revaluation gain of HK\$992.0 million for the Reporting Period.

## **Operations Review**

The performance of Fortune REIT's retail portfolio remains resilient despite a slowdown in the overall retail sales in Hong Kong. Portfolio occupancy was at 97.3% as at 30 June 2015 (30 June 2014: 99.1%).

A strong rental reversion of 22.1% was recorded for renewals during the first half of 2015. The portfolio passing rent stood at HK\$38.4 per sq.ft., up by 9.5% year-on-year for the existing portfolio excluding Laguna Plaza and Nob Hill Square.

Operating expenses (excluding the Manager's performance fee) increased to HK\$ 247.9 million, 15.7% higher on a year-on-year basis. This is mainly attributed to the additional expenses from Laguna Plaza. Meanwhile, the cost-to-revenue ratio was 26.9% (first half of 2014: 26.3%)

## **Asset Enhancement Initiatives**

The asset enhancement initiatives ("AEIs") at Belvedere Square has progressed well during the Reporting Period. The first phase of the renovation has been completed and the second phase has commenced in March 2015. Approximately 80,000 sq.ft. has been closed down during the second phase of the AEIs which is expected to be completed in phases by the end of 2015. The total capital expenditure for the project is approximately HK\$80 million with a target return on investment of 15%.

## **Additional Quarterly Review**

Revenue and net property income for the second quarter of 2015 rose 13.2% and 12.8% year-on-year to HK\$463.8 million and HK\$329.3 million respectively. The improvement in financial performance compared to the second quarter of 2014 is mainly attributed to the additional income generated by Laguna Plaza acquired in January 2015, as well as strong rental growth across the entire portfolio. Cost-to-revenue was 26.8% compared to 26.5% recorded for the second quarter of 2014. Income available for distribution was HK\$221.5 million, an increase of 12.7% compared to the corresponding period last year.

## **9. Variance between actual and the forecast results for the period from 1 January 2015 to 30 June 2015**

The asset performance in this quarter is broadly in line with the commentary under paragraph 10 in the first quarter 2015 results released on 8 May 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**

Hong Kong's economy recorded moderate growth in the first quarter of 2015 with gross domestic product up by 2.1% from a year earlier. Private consumption continued to grow and registered an increase of 3.5% in the first quarter of 2015 while unemployment rate remained low at 3.2% in March to May 2015. Although total retail sales decreased by 1.8% in the first five months of 2015 over the same period last year, a solid employment trend continued to provide support to local consumption.

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 tariffs, inflation and other external factors, the Manager will closely monitor the operating expenses. Cost containment measures such as implementing energy-saving in operations and facilities will continue to be adopted in order to mitigate the impact from cost inflation.

Looking ahead, the Manager is committed to drive revenue growth by implementing effective leasing and tenant repositioning strategy as well as asset enhancement initiatives. Despite the disposal of Nob Hill Square in April 2015, the additional income from Laguna Plaza should continue to contribute further revenue growth for Fortune REIT.

## **11. Distributions**

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

Any distribution declared for the current period?	Yes
Name of distribution	Interim distribution for the period from 1 January 2015 to 30 June 2015
Distribution Type	Tax-exempt income
Distribution Rate	23.38 Hong Kong cents per unit
Par value of units	NM
Tax Rate	These distributions are made out of Fortune REIT's tax exempt income. Unitholders receiving distributions will not be assessable to Singapore income tax on the distributions received.

### **(b) Corresponding period of the immediate preceding financial year**

Any distribution declared for the current period?	Yes
Name of distribution	Interim distribution for the period from 1 January 2014 to 30 June 2014
Distribution Type	Tax-exempt income
Distribution Rate	20.88 Hong Kong cents per unit
Par value of units	NM
Tax Rate	These distributions are made out of Fortune REIT's tax exempt income. Unitholders receiving distributions will not be assessable to Singapore income tax on the distributions received.

**(c) Date Payable** 28 August 2015

**(d) Book Closure Date** 13 August 2015

**Footnote:**

*NM – Not meaningful.*

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

Not applicable.

## **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 30 June 2015 and the results of the business, changes in net assets attributable to Unitholders and cash flows of the Group for the 6 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

27 July 2015





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**The Board of Directors**

**ARA Asset Management (Fortune) Limited**  
(as Manager of Fortune REIT) (the "Manager")  
6 Temasek Boulevard  
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Singapore 038986

**HSBC Institutional Trust Services (Singapore) Limited**  
(in its capacity as trustee of Fortune REIT) (the "Trustee")  
21 Collyer Quay  
#10-02, HSBC Building  
Singapore 049320

**Attention: SVP, REITs**

Dear Sirs

**Introduction**

We have reviewed the accompanying interim condensed financial information of Fortune Real Estate Investment Trust ("Fortune REIT") and its subsidiaries (the "Group") which comprise the condensed statements of financial position of the Group and Fortune REIT as of June 30, 2015, and the condensed statements of changes in net assets attributable to unitholders of the Group and of Fortune REIT and the condensed statement of profit or loss and other comprehensive income and statement of cash flows of the Group for the six month period then ended, and selected explanatory notes as enumerated in sections 1, 4, 5, 6, 7, 11, 12 of the announcement ("interim condensed financial information").

The management of ARA Asset Management (Fortune) Limited is responsible for the preparation and fair presentation of this interim financial information in accordance with the International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). Such interim financial information has been prepared by Fortune REIT for announcement on the Singapore Exchange Securities Trading Limited. Our responsibility is to express a conclusion on this interim financial information based on our review.





## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 - *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information of Fortune REIT and the Group are not presented fairly, in all material respects, in accordance with IAS 34.

Yours faithfully

*Deloitte & Touche LLP*  
Public Accountants and  
Chartered Accountants  
Singapore

July 27, 2015

