

FORTUNE 置富產業信託 REIT

股份代號 | 香港: 778 | 新加坡: F25U

Interim Report 2010 中期報告



A step 邁步向前
forward



About Fortune REIT

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").

Listed on 12 August 2003 on the Singapore Exchange Securities Trading Limited ("SGX-ST") with a dual primary listing on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 20 April 2010, Fortune REIT was Asia's first cross-border REIT and also the first REIT to hold assets in Hong Kong. It currently holds a portfolio of 14 suburban retail malls and properties in Hong Kong. As at 30 June 2010, the portfolio comprised of approximately 2.0 million square feet ("Sq. ft.") of retail space and 1,660 carpark spaces.

About the Manager

Fortune REIT is managed by ARA Asset Management (Fortune) Limited, a wholly-owned subsidiary of Singapore-listed ARA Asset Management Limited ("ARA"). ARA, an affiliate of the Cheung Kong Group, is an Asian real estate fund management company focusing on the management of public listed REITs and private real estate funds.



Our Mission

The Manager's key objective is to deliver regular and stable returns to Fortune REIT's unitholders ("Unitholders") through proactive management of Fortune REIT's portfolio of assets and acquiring properties that generate long term benefits to Unitholders.

Contents

- 2 Financial Highlights
- 4 Corporate Information

Management Discussion and Analysis

- 5 Distribution
- 6 Financial Review
- 7 Portfolio Highlights
- 8 Operations Review
- 8 Outlook

Corporate Governance

- 10 Corporate Governance
- 12 Connected Party Transactions
- 16 Disclosure Of Interests
- 20 Other Information

Financials

- 21 Report and Financial Statements
- 48 Performance Table

Portfolio Summary

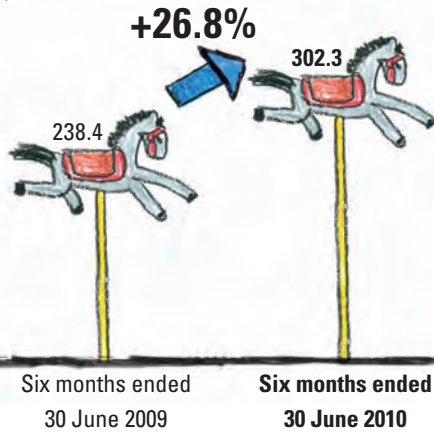




Financial Highlights

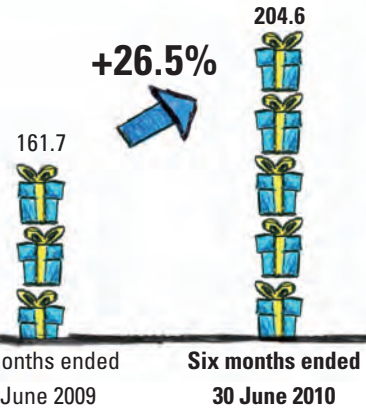
Net Property Income

(HK\$ million)



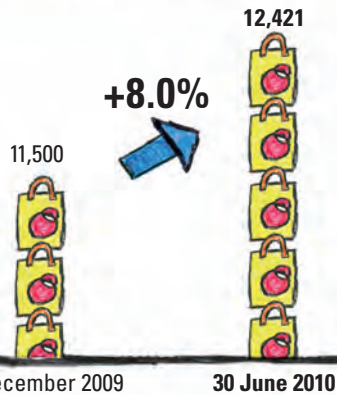
Distributable Income

(HK\$ million)



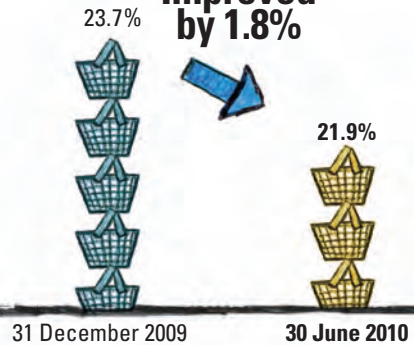
Property Valuation

(HK\$ million)



Gearing

Improved by 1.8%



Financial Highlights (continued)



	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 June 2010	As at 31 December 2009	% change
Net asset value per unit (HK\$)	5.70	5.32	7.1%
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.



Corporate Information

Manager

ARA Asset Management (Fortune) Limited

Units 5508–5510, 55th Floor The Center, 99 Queen's Road Central Hong Kong	#16-02, Suntec Tower Four, 6 Temasek Boulevard, Singapore 038986
Tel: +852 2169 0928	Tel: +65 6835 9232
Fax: +852 2169 0968	Fax: +65 6835 9672

Directors of the Manager

CHIU Kwok Hung, Justin, *Chairman and Non-Executive Director*

LIM Hwee Chiang, *Non-Executive Director*

IP Tak Chuen, Edmond, *Non-Executive Director*

YEUNG, Eirene, *Non-Executive Director*

ANG Meng Huat, Anthony, *Executive Director and Chief Executive Officer*

CHIU Yu, Justina, *Executive Director and Deputy Chief Executive Officer*

LIM Lee Meng, *Independent Non-Executive Director*

CHENG Mo Chi, Moses, *Independent Non-Executive Director*

* LAN Hong Tsung, David, *Independent Non-Executive Director*

SNG Sow-Mei (alias POON Sow Mei), *Independent Non-Executive Director*

MA Lai Chee, Gerald, *Alternate Director to IP Tak Chuen, Edmond*

* with effect from 29 July 2010

Company Secretary of the Manager

CHOO Yvonne

LIM Siew Choo, Sharon

Trustee

HSBC Institutional Trust Services (Singapore) Limited

Legal Adviser as to Hong Kong Law

Baker & McKenzie

Legal Adviser as to Singapore Law

Allen & Gledhill LLP

Hong Kong Unit Registrar

Computershare Hong Kong Investor Services Limited
Rooms 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Singapore Unit Registrar

Boardroom Corporate & Advisory Services Pte. Limited
50 Raffles Place
Singapore Land Tower, #32-01
Singapore 048623

Auditors

Deloitte Touche Tohmatsu
Deloitte & Touche LLP

Stock Codes

Hong Kong: 778
Singapore: F25U

Websites

www.fortunereit.com
www.fortunereitmall.com





Management Discussion and Analysis



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 Securities and Futures Commission of Hong Kong (the "SFC").

Interim Distribution

The unaudited income available for distribution of Fortune REIT for the six months ended 30 June 2010 (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 of 30 June 2010.

Payment of Interim Distribution

Interim distribution of 12.27 HK cents per unit will be paid on Friday 27 August 2010 to the Unitholders registered in the registers of Unitholders of Fortune REIT as at 12 August 2010.

Management discussion and analysis (continued)

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 the drawn down of new financing facilities and its 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 7.1% 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.

Management discussion and analysis (continued)



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 ("Savills"), 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

Management discussion and analysis (continued)

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 of 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.



Management discussion and analysis (continued)



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.



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 the listing of Fortune REIT in Hong Kong and has adhered to all the applicable corporate governance practices throughout the Reporting Period.

Board of Directors of the Manager

The board of the directors of the Manager (the "Board") is responsible for corporate governance and the overall management of the Manager including establishing goals for management and monitoring the achievement of these goals. All Board members participate in matters relating to corporate governance, business operations and risks, financial performance and the nomination and review of directors. The Board has established a framework for the management of the Manager and Fortune REIT, including a system of internal control and business risk management processes.

The Board meets to review the Manager's key activities. Board meetings are held once every quarter (or more often if necessary) to discuss and review the strategies and policies of Fortune REIT, including any significant acquisitions and disposals, the annual budget, the financial performance of Fortune REIT and approve the release of the quarterly, half year and full year results. The Board also reviews the risks to the assets of Fortune REIT, and acts upon any comments from the auditors of Fortune REIT. Where necessary, additional Board meetings would be held to address significant transactions or issues.

During the Reporting Period, the Board comprised nine members, three of whom were Independent Non-executive Directors. An additional Independent Non-executive Director was appointed on 29 July 2010. The positions of Chairman and Chief Executive Officer are held by two different persons in order to maintain an effective segregation of duties.

The Manager has established an Audit Committee, a Disclosures Committee and a Designated Committee with clear terms of reference to assist the Board in discharging its duties.

- The role of the Audit Committee is to, among other things, monitor and evaluate the effectiveness of the Manager's internal controls, review the quality and reliability of information prepared for inclusion in financial reports, and nominate external auditors and internal auditors.
- The role of the Disclosures Committee is to review matters relating to the disclosure of information to Unitholders and public announcements.
- The role of the Designated Committee is to review matters relating to hedging strategies, financing and re-financing arrangements and transactions involving derivative instruments for hedging purposes.



Review of Interim Report

The interim report of Fortune REIT for the six months ended 30 June 2010 has been reviewed by the Audit Committee and the Disclosures Committee. The interim financial statements 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 International Auditing and Assurance Standards Board.

Interests of, and Dealings in Units by, Directors and the Manager

The Manager has adopted a code governing dealings in the securities of Fortune REIT by the Directors and the Manager (the "Units Dealing Code"). The Units Dealing Code has been extended to apply to senior executives, officers and other employees of the Manager.

Specific enquiry has been made with the Directors, the Manager and its senior executives, officers and other employees. All of them confirmed that they have complied with the required standard set out in the Units Dealing Code during the Reporting Period.

Change of Director's Information

Subsequent to publication of the listing document of Fortune REIT in Hong Kong, the Manager received a notification regarding the following change of Director's information during the Reporting Period:

- (1) Mr. Lim Hwee Chiang has been acting as a Non-executive Director of ARA-CWT Trust Management (Cache) Limited (the manager of Cache Logistic Trust) since 15 October 2009 and Cache Logistic Trust was listed in Singapore on 12 April 2010.

Communication between Fortune REIT's Hong Kong and Singapore Offices

As the management and operations of Fortune REIT are overseen and conducted by the Manager's management teams and staff located in Hong Kong and Singapore, the Manager will ensure that both offices work as a fully integrated team and communicate regularly and work closely together in meeting the investment objectives of Fortune REIT.



Connected Party Transactions

Set out below is the information in respect of the connected party transactions involving Fortune REIT and its connected persons as defined in paragraph 8.1 of the REIT Code:

Connected Party Transactions — Income

Save as disclosed under the section headed “Connected Party Transactions with the Trustee Connected Persons”, the following table sets forth information on all connected party transactions from which Fortune REIT derived its income during the Reporting Period:

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Income for the six months ended	Rental deposit received as at
			30 June 2010 HK\$'000	30 June 2010 HK\$'000
AMTD Strategic Capital Limited	Subsidiary of a significant holder ¹	Leasing transactions	3,073	1,639
A.S. Watson Group (HK) Limited	Subsidiary of an associate of a significant holder ²	Leasing and licensing transactions	41,413	242
Big Sky Resources Limited	Subsidiary of a significant holder ¹	Licensing transactions	24	8
Cheung Kong Property Development Limited	Subsidiary of a significant holder ¹	Leasing and licensing transactions	7,959	—
Citybase Property Management Limited	Subsidiary of a significant holder ¹	Leasing transactions	1,841	839
Hutchison Telephone Company Limited	Subsidiary of an associate of a significant holder ²	Licensing transactions	2,703	700
Hutchison Telecommunications Services Limited	Subsidiary of an associate of a significant holder ²	Licensing transactions	7	44
Perfect Idea Limited	Subsidiary of a significant holder ¹	Leasing transactions	2,233	1,155
Towerich Limited	Subsidiary of a significant holder ¹	Licensing transactions	43	23
Total			59,296	4,650

Notes:

1. Significant holder being Cheung Kong (Holdings) Limited (“CKH”).
2. The connected parties are subsidiaries of Hutchison Whampoa Limited (“HWL”), an associate of a significant holder of Fortune REIT, namely CKH.

Connected Party Transactions (continued)



Connected Party Transactions — Expenses

The following table sets forth information in relation to property management arrangements, third party services and other operational transactions provided by the connected parties for the properties of Fortune REIT during the Reporting Period.

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Expenses for the six months ended 30 June 2010
			HK\$'000
CKH	Significant holder	Back-office support service fee	252
Citybase Property Management Limited	Subsidiary of a significant holder ¹	Property management and operations	367
E-Park Parking Management Limited	Subsidiary of a significant holder ¹	Carpark lease agency fee	1,079
Goodwell-Fortune Property Services Limited	Subsidiary of a significant holder ¹	Property and lease management fee and marketing service fee	16,310
Goodwell Property Management Limited	Subsidiary of a significant holder ¹	Property management and operations	61
Guardian Property Management Limited	Associated company of principal valuer ²	Property management and operations	631
Total			18,700

Note:

1. Significant holder being CKH.
2. Principal valuer being Savills.

Connected Party Transactions — Others

The following table sets forth information in relation to other services provided by the connected parties to Fortune REIT during the Reporting Period.

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Expenses for the six months ended 30 June 2010
			HK\$'000
ARA Asset Management (Fortune) Limited	Manager	Manager's fee	27,146
HSBC Institutional Trust Services (Singapore) Limited	Trustee	Trustee's fee	1,852
Savills	Principal valuer	Valuation and other fees	781
Total			29,779

Connected Party Transactions (continued)

Connected Party Transactions with the Trustee Connected Persons

Leasing / licensing transactions

The following table sets forth information on the leasing / licensing transactions between Fortune REIT and the Trustee (and its directors, senior executives, officers, controlling entities, holding companies, subsidiaries and associated companies all within the meaning of the REIT Code) and the HSBC Group¹ (collectively, the "Trustee Connected Persons") during the Reporting Period:

Name of Connected Party	Relationship with Fortune REIT	Nature of the Connected Party Transaction	Income for the six months ended 30 June 2010 HK\$'000	Rental deposit received as at 30 June 2010 HK\$'000
The Hong Kong and Shanghai Banking Corporation Limited ("HSBC")	Trustee Connected Persons	Leasing and licensing transactions	1,502	413
Hang Seng Bank Limited	Trustee Connected Persons	Leasing and licensing transactions	1,366	711
Total			2,868	1,124

Note:

1. HSBC Group means HSBC and its subsidiaries and unless otherwise expressly stated herein, excludes the Trustee and its proprietary subsidiaries (being the subsidiaries of the Trustee but excluding those subsidiaries formed in its capacity as the trustee of Fortune REIT). Specifically, HSBC Group includes Hang Seng Bank Limited and its subsidiaries.

Provision of Ordinary Banking and Financial Services

Fortune REIT has engaged HSBC Group to provide ordinary course of banking and financial services (namely, bank deposits and interest earned therefrom, and loan facilities including interest and charges paid thereto) within the Reporting Period.

Connected Party Transactions (continued)



Connected Party Transactions — Leasing / licensing transactions under which the annual income exceed HK\$1 million

The following table sets forth information on leasing / licensing transactions with connected persons with annual income that exceeds HK\$1 million:

Name of Connected Party	Relationship with Fortune REIT	Nature of the connected party transaction	Aggregate annual income ¹ HK\$'000
AMTD Strategic Capital Limited	Subsidiary of a significant holder ²	Tenancy at Hampton Loft	3,442
A.S. Watson Group (HK) Limited	Subsidiary of an associate of a significant holder ³	Tenancies at 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 and Rhine Garden Property	55,647
Cheung Kong Property Development Limited	Subsidiary of a significant holder ²	Tenancies at The Metropolis Mall	12,635
Citybase Property Management Limited	Subsidiary of a significant holder ²	Tenancy at The Hampton Loft	2,479
Hutchison Telephone Company Limited	Subsidiary of an associate of a significant holder ³	Licence at Ma On Shan Plaza	1,759
Perfect Idea Limited	Subsidiary of a significant holder ²	Tenancy at The Metropolis Mall	2,136
HSBC	Trustee Connected Persons	Tenancy at City One Shatin Property	2,225
Hang Seng Bank Limited	Trustee Connected Persons	Tenancy at City One Shatin Property	1,291
Total			81,614

Notes:

- The aggregate annual income stated herein refers to the aggregate base rental income / licence income, excluding charge out collection that would have been received for a 12-month period according to the relevant tenancy / licence agreements.
- Significant holder being CKH.
- The connected parties are subsidiaries of HWL, an associate of a significant holder of Fortune REIT, namely CKH.



Disclosure of Interests

Unit Capital

The total number of issued units as at 30 June 2010 is 1,663,952,387 units.

Holdings of Significant Unitholders and Other Unitholders

As at 30 June 2010, each of the following persons was considered a “significant Unitholder”, and hence a “connected person” of Fortune REIT, for the purpose of the REIT Code:

Name	Direct interest		Deemed interest	
	Number of Units Held Long Position (L)	Percentage of Unit Holdings	Number of Units Held Long Position (L)	Percentage of Unit Holdings
Focus Eagle Investments Limited ¹	(L) 413,074,684	24.82%	—	—
CKH ¹	—	—	(L) 525,630,684	31.58%
Schroder Investment Management Group ²	—	—	(L) 180,845,000	10.87%

Disclosure of Interests (continued)



In addition to the significant Unitholders as disclosed above, each of the following persons held, or was deemed to hold 5% or more of the issued units as at 30 June 2010:

Name	Direct interest		Deemed interest	
	Number of Units Held Long Position (L)	Percentage of Unit Holdings	Number of Units Held Long Position (L) / Short Position (S) / Lending Pool (P)	Percentage of Unit Holdings
Ballston Profits Limited ¹	(L) 112,556,000	6.76%	—	—
HWL ¹	—	—	(L) 112,556,000	6.76%
DBS Bank Ltd. ³	(L) 92,013,000	5.52%	—	—
DBS Group Holdings Ltd. ³	—	—	(L) 92,013,000	5.52%
JPMorgan Chase & Co. ⁴	—	—	(L) 122,568,257	7.37%
JPMorgan Chase & Co. ⁴	—	—	(S) 27,500,000	1.65%
JPMorgan Chase & Co. ⁴	—	—	(P) 94,998,257	5.71%

Notes:

- Focus Eagle Investments Limited was an indirect wholly-owned subsidiary of CKH; and Ballston Profits Limited was an indirect wholly-owned subsidiary of HWL, which in turn was 49.9% owned by CKH. Therefore, CKH was deemed to hold 525,630,684 units, of which: (i) 413,074,684 units were held by Focus Eagle Investments Limited; and (ii) 112,556,000 units were held by Ballston Profits Limited; HWL was deemed to hold 112,556,000 units, which were held by its indirect wholly-owned subsidiary, Ballston Profits Limited.
- Schroder Investment Management Group was deemed to be interested in 180,845,000 units of which:
 - 98,782,000 units were held by Schroder Investment Management Limited;
 - 73,994,000 units were held by Schroder Investment Management (Singapore) Limited; and
 - 8,069,000 units were held by Schroder Investment Management (Hong Kong) Limited.
- DBS Group Holdings Ltd. was deemed to be interested in 92,013,000 units held by its wholly-owned subsidiary, DBS Bank Ltd.
- JPMorgan Chase & Co. was deemed to be interested in 122,568,257 units of which:
 - 27,500,000 units were held by J.P. Morgan Securities Ltd.;
 - 70,000 units were held by JF Asset Management Limited in its capacity as investment manager; and
 - 94,998,257 units were held by JPMorgan Chase Bank, N.A. in its capacity as custodian corporation / approved lending agent.

Disclosure of Interests *(continued)*

Interests of the Manager

As at 30 June 2010, the Manager held 6,372,091 units, or approximately 0.38% of the issued units of Fortune REIT.

Interests of the Directors and Senior Executive

Details of the unitholding interests of the Directors and senior executive in Fortune REIT as at 30 June 2010 were as follows:

Name	Direct interest		Deemed interest	
	Number of Units Held Long Position (L)	Percentage of Unit Holdings	Number of Units Held Long Position (L)	Percentage of Unit Holdings
Directors				
Lim Hwee Chiang ¹	—	—	(L) 10,454,091	0.63%
Sng Sow-Mei (alias Poon Sow Mei)	(L) 220,000	0.01%	—	—
Senior executive				
Wong Shui Yan, Matthew ²	—	—	(L) 3,000	0.0002%

Notes:

- Mr. Lim Hwee Chiang was deemed to be interested in a total of 10,454,091 units of which:
 - 6,372,091 units were held by the Manager (a wholly-owned subsidiary of ARA), Mr. Lim was deemed to be interested in these units by virtue of his shareholdings of 0.24% in the capital of ARA as well as his ownership of 100% in the capital of JL Investment Group Limited, which holds 36.45% of the issued shares in the capital of ARA;
 - 1,982,000 units were held by ARA Asian Income Master Fund (“AAAIMF”). ARA Strategic Capital I Pte. Ltd. (the “Fund Manager”), as the fund manager of AAAIMF, was deemed to have an interest in the units. Mr. Lim was deemed to be interested in these units by virtue of his indirect control of 33% or more of the voting power of the Fund Manager via his 100% shareholding in JL Investment Group Limited which holds one third or more shareholding interest in a chain of corporations including the Fund Manager; and
 - 2,100,000 units were held by Citibank Nominees Singapore Pte. Ltd. (as nominee for JL Philanthropy Ltd). The beneficiary of JL Philanthropy Ltd. is JL Charitable Settlement and Mr. Lim is the settlor of JL Charitable Settlement.
- Mr. Wong Shui Yan, Matthew was deemed to be interested in 3,000 units held by his associate.

Disclosure of Interests (continued)



Saved as disclosed above, the Manager is not aware of any connected persons (as defined under the REIT Code) of Fortune REIT holding any units of Fortune REIT as at 30 June 2010.

To the best knowledge of the Manager and save as disclosed, the following sets out changes in the beneficial interest of certain connected persons of Fortune REIT, in compliance with rule 8.2(a) of the REIT code, by reference to a comparison of their respective beneficial interests as at 30 June 2010 and 31 December 2009:

- (a) Schroder Investment Management Group was beneficially interested in 180,845,000 units as at 30 June 2010 and 197,234,300 units as at 31 December 2009;
- (b) The Manager was beneficially interested in 6,372,091 units as at 30 June 2010 and 6,372,739 units as at 31 December 2009; and
- (c) Mr. Lim Hwee Chiang, Director of the Manager, was beneficially interested in 10,454,091 units as at 30 June 2010 and 21,168,739 units as at 31 December 2009.



Other Information

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.

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.



Report on Review of Interim Financial Information

Deloitte. 德勤

**TO THE BOARD OF DIRECTORS OF
ARA ASSET MANAGEMENT (FORTUNE) LIMITED
(FORMERLY KNOWN AS ARA ASSET MANAGEMENT (SINGAPORE) LIMITED)**

Introduction

We have reviewed the interim financial information set out on pages 22 to 47 which comprises the condensed consolidated statement of financial position of Fortune Real Estate Investment Trust as of 30 June 2010 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in net assets attributable to unitholders, condensed consolidated statement of cash flows and distribution statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. ARA Asset Management (Fortune) Limited, as manager of Fortune Real Estate Investment Trust, is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on the interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 enquiries, 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 interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants
Hong Kong

28 July 2010

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2010

	Notes	Six months ended 30 June	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Revenue	4	413,809	334,314
Property operating expenses	6	(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	7	(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	8	(68,390)	(45,955)
Profit before taxation and transactions with unitholders		1,039,379	458,228
Income tax expense	9	(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)	10	60.01	51.78

Distribution Statement

For the six months ended 30 June 2010



	Notes	Six months ended 30 June	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (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 Real Estate Investment Trust ("Fortune REIT") has been amended on 26 March 2010 pursuant to the extraordinary resolution passed on the same date for the purpose of allowing Fortune REIT to comply with the relevant Hong Kong regulatory requirements, including the Code on Real Estate Investment Trusts (the "REIT Code") issued by The Securities and Futures Commission of Hong Kong (the "SFC"). The current distribution policy, as amended, 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 ARA Asset Management (Fortune) Limited (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 ("Net Profit After Tax").

Distribution Statement (continued)

For the six months ended 30 June 2010

Net Tax-Exempt Income and Net Profit After Tax for the six months ended 30 June 2010 is HK\$204.6 million and HK\$191.8 million respectively. Accordingly, the income available for distribution, based on the Net Tax-Exempt Income, of HK\$204.6 million would be distributed to unitholders for the six months ended 30 June 2010.

Before the amendment of the distribution policy on 26 March 2010, Fortune REIT's distribution policy was to distribute 100% of Net Tax-Exempt Income. The Manager had the discretion to distribute any additional amounts (including capital) which might be a negative amount, which the Manager had determined to be distributed or if thought fit by the Manager, to be transferred to or from an undistributed income reserve account. The income available for distribution for the six months ended 30 June 2009 was HK\$161.7 million.

- (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 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 its service in the second quarter of 2010 of 2,645,356 units (second quarter of 2009: 1,761,221 units) (note 16).

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	11	12,421,000	11,500,000
Plant and equipment		6	44
Total non-current assets		12,421,006	11,500,044
Current assets			
Trade and other receivables	12	58,977	47,619
Bank balances and cash		514,523	515,341
Total current assets		573,500	562,960
Total assets		12,994,506	12,063,004
Non-current liabilities			
Derivative financial instruments	13	56,645	415
Borrowings	14	2,762,373	—
Deferred tax liabilities		141,507	132,991
Total non-current liabilities		2,960,525	133,406

Condensed Consolidated Statement of Financial Position (continued)

As at 30 June 2010

	Notes	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Current liabilities			
Trade and other payables	15	280,996	276,474
Borrowings	14	15,000	2,786,286
Derivative financial instruments	13	—	27,097
Distribution payable		204,571	—
Provision for taxation		37,105	7,079
Total current liabilities		537,672	3,096,936
Total liabilities, excluding net assets attributable to unitholders		3,498,197	3,230,342
Net assets attributable to unitholders		9,496,309	8,832,662
UNITHOLDERS' FUNDS			
Equity and reserves		—	8,832,662
Units in issue and to be issued ('000)	16	1,666,597	1,661,595
Net asset value per unit (HK\$) attributable to unitholders	17	5.70	5.32

Condensed Consolidated Statement of Changes in Unitholders' Funds / Net Assets Attributable to Unitholders

For the six months ended 30 June 2010



	Issued units HK\$'000	Unit issue costs HK\$'000	Hedging reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance as at 1 January 2010 (Audited)	6,308,340	(271,593)	(27,512)	2,823,427	8,832,662
OPERATIONS					
Profit for the period, before transactions with unitholders	—	—	—	999,453	999,453
Distribution payable of HK\$0.1227 per unit for six months ended 30 June 2010	—	—	—	(204,571)	(204,571)
	—	—	—	794,882	794,882
Reclassification adjustment in respect of derivative financial instruments under cash flow hedge	—	—	27,097	—	27,097
Total comprehensive income for the period	—	—	27,097	794,882	821,979
UNITHOLDERS' TRANSACTIONS					
Creation of units					
— management fee paid / payable in units	17,797	—	—	—	17,797
Distribution paid to unitholders as owners of HK\$0.1060 per unit for the six months ended 31 December 2009	—	—	—	(176,129)	(176,129)
Increase (decrease) in net assets resulting from unitholders' transactions	17,797	—	—	(176,129)	(158,332)
Balance as at 30 June 2010 (Unaudited)	6,326,137	(271,593)	(415)	3,442,180	9,496,309

Condensed Consolidated Statement of Changes in Unitholders' Funds / Net Assets Attributable to Unitholders

For the six months ended 30 June 2009

	Issued units HK\$'000	Unit issue costs HK\$'000	Hedging reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance as at 1 January 2009 (Audited)	4,370,531	(173,097)	(64,919)	2,023,849	6,156,364
OPERATIONS					
Profit for the period, before transactions with unitholders	—	—	—	426,699	426,699
Change in fair value of derivative financial instruments under cash flow hedge	—	—	25,029	—	25,029
Total comprehensive income for the period	—	—	25,029	426,699	451,728
UNITHOLDERS' TRANSACTIONS					
Creation of units					
— management fee paid / payable in units	13,020	—	—	—	13,020
Distribution paid to unitholders as owners of HK\$0.1851 per unit for the six months ended 31 December 2008	—	—	—	(151,934)	(151,934)
Increase (decrease) in net assets resulting from unitholders' transactions	13,020	—	—	(151,934)	(138,914)
Balance as at 30 June 2009 (Unaudited)	4,383,551	(173,097)	(39,890)	2,298,614	6,469,178

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010



	Six months ended 30 June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Net cash from operating activities	260,393	245,540
Net cash used in investing activities	(7,779)	(16,063)
Net cash used in financing activities:		
Distribution to unitholders	(176,129)	(151,934)
Other financing cash flows	(77,303)	(13,943)
	(253,432)	(165,877)
Net (decrease) increase in cash and cash equivalents	(818)	63,600
Cash and cash equivalents at beginning of the period	515,341	243,361
Cash and cash equivalents at end of period, represented by bank balances and cash	514,523	306,961

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

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 (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 Stock Exchange of Hong Kong Limited (“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 the 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 described 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.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010



3 Principal Accounting Policies (continued)

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 adjustments have 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.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010

4 Revenue

	Six months ended 30 June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Base rental	294,284	238,184
Charge-out collections	78,910	63,402
Short term rental	39,887	31,855
Other income	728	873
	413,809	334,314

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.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010



6 Property Operating Expenses

	Six months ended 30 June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Utilities	14,503	11,826
Government rents and rates	14,973	10,212
Contribution to estate common	10,289	9,234
Staff costs	16,022	11,664
Services contracts and maintenance	12,048	14,619
Manager's performance fee	9,349	7,374
Property manager fee	9,549	7,734
Car park expenses	4,843	3,913
Advertising and promotion	3,426	3,456
Audit fees paid to		
— Auditor of subsidiaries	465	375
— Internal auditor of subsidiaries	240	160
Allowance for doubtful debts	3	2,138
Depreciation of plant and equipment	38	37
Legal and other professional fee	1,228	2,881
Bank charges	146	137
Leasing commission	7,588	5,166
Valuation fees (paid to principal valuer)	160	103
Other operating expenses	6,640	4,870
	111,510	95,899

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010

7 Trust Expenses

	Six months ended 30 June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Audit fees paid to auditor of Fortune REIT	486	252
Professional fees	308	912
Non-deal roadshow expense	10	75
Trustee's fee	1,852	1,292
Listing expenses for dual primary listing in Hong Kong	30,000	—
Other charges	1,006	661
	33,662	3,192

8 Borrowing Costs

	Six months ended 30 June	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
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
	68,390	45,955

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010



9 Income Tax Expense

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

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 tax consequence following disposal of the properties.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010

10 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 1,665,532,127 (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.

11 Investment Properties

	30 June 2010 HK\$'000 (Unaudited)	30 June 2009 HK\$'000 (Unaudited)
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
Fair value at end of the period	12,421,000	8,900,000

Notes:

- (a) On 30 June 2010, an independent valuation was undertaken by Savills Valuation and Professional Services Limited. This firm is an independent qualified professional valuer not connected to the Group and having appropriate professional qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation of the properties was principally arrived at using the basis of capitalisation of the net income. In the valuation, the market rentals of all lettable units of the properties are assessed and capitalised at market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in other lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yields derived from analysing the sales transactions and the valuer's knowledge of the market expectation from property investors.
- (b) All of the Group's property interests in properties located in Hong Kong are held under medium-term leases. The properties have been leased out under operating leases, most of which contain tenancy periods ranging from two to three years. Subsequent renewals are negotiated with the lessees at prevailing market rates.
- (c) At the end of the reporting period, certain properties with total fair value of HK\$8,902.0 million (31 December 2009: HK\$10,386.0 million) have been mortgaged as collaterals for credit facilities granted by the banks.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010



12 Trade and Other Receivables

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

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

	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
1–30 days	16,748	17,936
31–90 days	4,112	3,715
Over 90 days	13	4
	20,873	21,655

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010

13 Derivative Financial Instruments

	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Cash flow hedges — interest rate swaps		
— Current	—	27,097
— Non-Current	56,645	415
	56,645	27,512

The Group uses interest rate swaps as hedging instruments in order to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of these borrowing from floating rates to fixed rates.

Contracts with notional amount of HK\$614.5 million (31 December 2009: HK\$614.5 million) as at 30 June 2010 will mature in March 2014 while HK\$800.5 million (31 December 2009: nil) will mature in December 2014. Contracts with notional amount of HK\$1,734.2 million as at 31 December 2009 were matured on 28 June 2010. These contracts have fixed interest payments at rates ranging from 2.44% to 2.91% (31 December 2009: 2.38% to 5.12%) per annum for the period ended 30 June 2010 and have floating interest receipts at three months HIBOR repricing every three months. In the current period, loss from these derivative financial instruments amounting to HK\$56.2 million (2009: nil) is recognised in profit or loss in the condensed consolidated statement of comprehensive income.

The fair values of financial derivative instruments are measured at fair value at the end of the reporting period. Their fair values are determined based on the discounted future cash flows using the applicable yield curve for the duration of the instruments.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010



14 Borrowings

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

- (i) In relation to the term loan and revolving credit facility of HK\$2,650.0 million under the facility agreement for a term of five years from 28 June 2005 (the "2005 Facilities"), the total facilities drawn down as at 31 December 2009 was HK\$2,384.7 million. The 2005 Facilities are secured by, inter alia, a mortgage over certain investment properties and bore interest at Hong Kong Inter-bank Offer Rate ("HIBOR") plus a margin. As at 31 December 2009, the term loan of HK\$2,348.7 million after hedging, gave an effective interest rate of 3.64% per annum while the effective interest rate for the revolving loan of HK\$36.0 million was 0.48% per annum. During the period, the drawn down amount in the 2005 Facilities has been fully refinanced by new loan facility set out in note (ii) below.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010

14 Borrowings (continued)

- (ii) In relation to the term loan and revolving credit facility of HK\$3,100.0 million under the facility agreement for a term of four years from 15 October 2009 (the "2009 Facility"), the total facilities drawn down as at 30 June 2010 was HK\$2,843.7 million (31 December 2009: HK\$480.0 million). The 2009 Facility is used to refinance the 2005 Facilities. The 2009 Facilities are secured by, inter alia, a mortgage over certain investment properties and bears interest at HIBOR plus a margin of 2.00% per annum. In addition, the Trustee (in its capacity as trustee of Fortune REIT) has provided a guarantee for the 2009 Facilities.

The movements in the front end fees and the accumulated amortisation is as follows:

	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
At beginning of period / year	100,725	20,125
Addition	—	80,600
Matured during the period	(20,125)	—
At end of period / year	80,600	100,725
Movement in accumulated amortisation:		
At beginning of period / year	(22,311)	(14,088)
Matured during the period	20,125	—
Amortised during the period / year	(12,087)	(8,223)
At end of period / year	(14,273)	(22,311)
Net book values	66,327	78,414

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010



15 Trade and Other Payables

	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Trade payables		
Tenants' deposits		
— Outside parties	192,036	178,610
— Related parties (note 20)	4,650	7,875
Rental received in advance — Outside parties	11,292	10,158
	207,978	196,643
Other payables		
Trustee's fee	699	564
Other expenses		
— Outside parties	33,270	42,466
— Related parties (note 20)	26,339	19,255
Interest payable	832	2,176
Others		
— Outside parties	11,878	12,223
— Related parties (note 20)	—	3,147
	73,018	79,831
	280,996	276,474

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010

15 Trade and Other Payables (continued)

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 tenants' deposits to be settled after twelve months from the reporting period based on the lease terms amounted to HK\$124.5 million (31 December 2009: HK\$111.6 million).

16 Units in Issue and to be Issued

Before the amendment of Trust Deed on 26 March 2010, Fortune REIT has no contractual obligation to pay or declare distribution of which is entirely at the discretion of the Manager pursuant to the Trust Deed. Accordingly, the issued units are classified as equity in accordance with IAS 32 "Financial Instruments: Presentation".

Subsequent to dual primary listing on the Hong Kong Stock Exchange, Fortune REIT has to comply with the distribution requirements set in the REIT Code issued by the SFC. In accordance with the amended Trust Deed, Fortune REIT's current distribution policy provides the unitholders with a right to receive distribution which Fortune REIT has a contractual obligation to distribute to unitholders at the higher of Net Tax-Exempt Income or Net Profit After Tax (defined in note (i) to the distribution statement).

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010



16 Units in Issue and to be Issued (continued)

Accordingly, the issued units as at 30 June 2010 are compound instruments in accordance with IAS 32 “Financial Instruments: Presentation”. The Manager considers the equity component of the issued units to be insignificant and hence the net assets attributable to unitholders presented on the condensed statement of financial position as at 30 June 2010 represent financial liabilities.

	Number of units '000	HK\$'000
Balance as at 1 January 2009	820,819	4,370,531
Right issues	824,879	1,888,973
Issue of new units during the year:		
As payment of Manager's base fee	6,695	19,750
As payment of Manager's acquisition fee	6,372	20,390
Balance in issue as at 31 December 2009	1,658,765	6,299,644
New units to be issued:		
As payment of Manager's base fee for the period from 1 October to 31 December 2009 (Note)	2,830	8,696
Balance as at 1 January 2010	1,661,595	6,308,340
Issue of new units during the period:		
As payment of Manager's base fee	2,357	8,507
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 (Note)	2,645	9,290
Balance as at 30 June 2010	1,666,597	6,326,137

Note: Manager's base fee payable to the Manager is in the form of units. On 8 July 2010, Fortune REIT issued 2,645,356 units to the Manager as base fee for the period from 1 April 2010 to 30 June 2010. On 7 January 2010, Fortune REIT issued 2,830,232 units to the Manager as base fee for the period from 1 October 2009 to 31 December 2009.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010

17 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 issued or to be issued, including the new units to be issued as payment of Manager's base fee.

18 Net Current Assets

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).

19 Total Assets Less Current Liabilities

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).

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010



20 Connected and Related Party Transactions

During the period, the Group entered into the following transactions with connected and related parties:

	Notes	Six months ended 30 June	
		2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Rent and rental related income from			
AMTD Strategic Capital Limited	(a)	3,073	—
A.S. Watson Group (HK) Limited	(b)	41,413	32,000
Big Sky Resources Limited	(a)	24	—
Cheung Kong Property Development Limited	(a)	7,959	7,853
Citybase Property Management Limited	(a)	1,841	476
Hutchison Telephone Company Limited	(b)	2,703	2,194
Hutchison Telecommunications Services Limited	(b)	7	—
Perfect Idea Limited	(a)	2,233	—
Towerich Limited	(a)	43	23
Carpark lease agency fee for the operations of the Group's carpark			
E-Park Parking Management Limited	(a)	1,079	777
Property management fee			
Citybase Property Management Limited	(a)	367	228
Goodwell-Fortune Property Services Limited	(a)	9,006	7,734
Goodwell Property Management Limited	(a)	61	61
Guardian Property Management Limited	(e)	631	631
Leasing commission			
Goodwell-Fortune Property Services Limited	(a)	7,304	4,876
Trustee's fee			
HSBC Institutional Trust Services (Singapore) Limited		1,852	1,292
Manager's base fee			
ARA Asset Management (Fortune) Limited	(d)	17,797	13,020
Manager's performance fee			
ARA Asset Management (Fortune) Limited	(d)	9,349	7,374
Back-office support service fee			
Cheung Kong (Holdings) Limited	(c)	252	198

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010

20 Connected and Related Party Transactions (continued)

Balances with related parties are as follows:

	Notes	30 June 2010 HK\$'000 (Unaudited)	31 December 2009 HK\$'000 (Audited)
Amount due to related companies			
ARA Asset Management (Fortune) Limited	(d)	2,978	—
Citybase Property Management Limited	(a)	10,986	8,536
E-Park Parking Management Limited	(a)	354	331
Goodwell-Fortune Property Services Limited	(a)	6,202	4,910
Goodwell Property Management Limited	(a)	5,819	5,478
		26,339	19,255
Mcbride International Limited	(a)	—	3,147
		26,339	22,402
Deposits placed with the Group for the lease of the Group's properties			
AMTD Strategic Capital Limited	(a)	1,639	1,639
A.S. Watson Group (HK) Limited	(b)	242	3,280
Big Sky Resources Limited	(a)	8	8
Citybase Property Management Limited	(a)	839	839
Hutchison Telephone Company Limited	(b)	700	920
Hutchison Telecommunications Services Limited	(b)	44	—
Perfect Idea Limited	(a)	1,155	1,155
Towerich Limited	(a)	23	34
		4,650	7,875



Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2010

20 Connected and Related Party Transactions (continued)

Notes:

- (a) These companies are the subsidiaries of Cheung Kong (Holdings) Limited ("CKH"), a significant unitholder (defined in the REIT code as a holder of 10% or more of the outstanding units) of Fortune REIT.
- (b) These companies are the subsidiaries of Hutchison Whampoa Limited, an associate of CKH and a unitholder of Fortune REIT.
- (c) The company is a significant unitholder of Fortune REIT.
- (d) The company is the Manager of Fortune REIT.
- (e) The company is an associated company of principal valuer.

In addition, the Trustee (in its capacity as trustee of Fortune REIT) has provided a guarantee for the 2009 Facilities.

Performance Table

	30 June 2010 (Unaudited)	31 December 2009 (Audited)
Net assets attributable to unitholders (HK\$'000)	9,496,309	8,832,662
Net asset value per unit (HK\$)	5.70	5.32
The highest traded price during the period / year (HK\$)	4.15	4.20
The highest premium of the traded price to net asset value ¹	N.A.	N.A.
The lowest traded price during the period / year (HK\$)	2.92	2.02
The highest discount of the traded price to net asset value	48.77%	62.03%
The net yield per unit ²	7.01%	9.65%

1. The highest traded price is lower than the net asset value per unit as at the end of the period. Accordingly, premium of the traded price to net asset value per unit had not been recorded.
2. The net yield per unit for the six months ended 30 June 2010 is an annualised yield based on the distribution per unit of HK\$0.1227 for the six months ended 30 June 2010 and the average closing unit price of HK\$3.55 and HK\$3.51 respectively in Singapore and Hong Kong as of 30 June 2010. The net yield per unit for the year ended 31 December 2009 is based on the distribution per unit of HK\$0.3020 for the year ended 31 December 2009 and the closing unit price of HK\$3.13 as at 31 December 2009.



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Portfolio Summary 物業總覽

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.



Portfolio Summary 物業總覽 (continued 續)

置富產業信託於2010年6月30日在香港擁有一個地域分佈廣泛的零售物業組合(包含14個零售商場及物業)，其中包括面積約200萬平方呎零售樓面及1,660個車位。

Property	物業	Gross Rentable Area 可出租總面積 (Sq. ft.) (平方呎)	Valuation 估值 (HK\$ million) (百萬港元)	Occupancy 出租率	No. of car parking lots 車位數目	
1	City One Shatin Property	沙田第一城物業	414,469	3,883	89.6%	658
2	Ma On Shan Plaza	馬鞍山廣場	310,084	2,166	100.0%	290
3	Metro Town	都會駅	180,822	1,666	99.0%	74
4	The Metropolis Mall	都會商場	332,168	1,489	95.1%	179
5	Waldorf Garden Property	華都花園物業	80,842	869	100.0%	73
6	Caribbean Bazaar	映灣坊	63,018	483	100.0%	117
7	Smartland	創意無限商場	123,544	389	98.7%	67
8	Tsing Yi Square Property	青怡廣場物業	78,836	340	100.0%	27
9	Jubilee Court Shopping Centre	銀禧閣商場	170,616	328	93.7%	97
10	The Household Center	盈暉家居城	91,779	286	98.7%	43
11	Centre de Laguna Property	麗港城中城物業	43,000	175	100.0%	N.A. / 不適用
12	Hampton Loft	凱帆薈	74,734	173	100.0%	35
13	Lido Garden Property	麗都花園物業	9,836	105	100.0%	N.A. / 不適用
14	Rhine Garden Property	海韻花園物業	14,604	69	100.0%	N.A. / 不適用
Total / Overall average		合計 / 總平均值	1,988,352	12,421	96.2%	1,660


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Manager 管理人

ARA
(An Affiliate of Cheung Kong Group)

ARA Asset Management (Fortune) Limited
置富資產管理有限公司