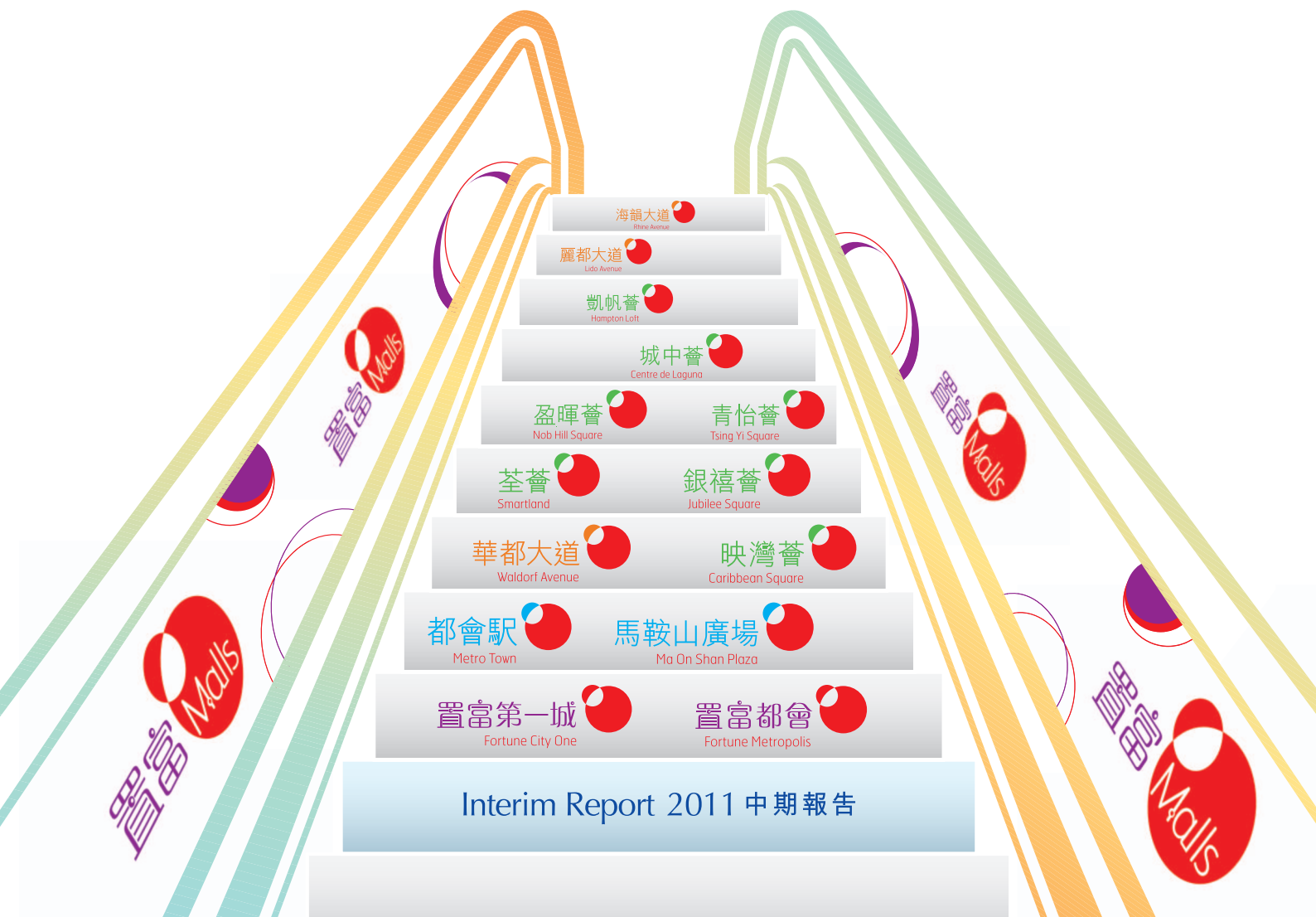


# FORTUNE

置富產業信託 REIT

股份代號 | 香港 Hong Kong 778  
Stock Code | 新加坡 Singapore F25U



## About Fortune REIT

Fortune Real Estate Investment Trust ("**Fortune REIT**") is a real estate investment trust constituted by a trust deed (the "**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 (the "**SGX-ST**") with a dual primary listing on The Stock Exchange of Hong Kong Limited (the "**SEHK**") 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 private housing estate retail properties in Hong Kong. As at 30 June 2011, the portfolio comprised of approximately 2.0 million square feet ("**Sq.ft.**") of retail space and 1,660 carparking 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 focused on the management of publicly listed REITs and private real estate funds.

## Our Mission

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



# About Fortune REIT



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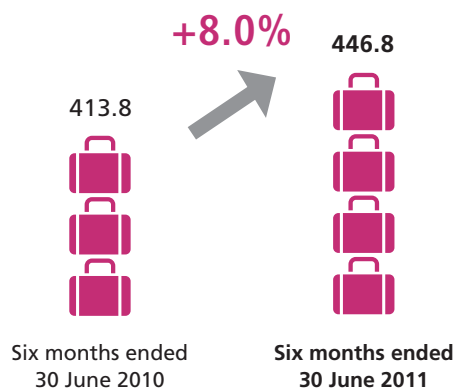
## Portfolio Summary

# Financial Highlights



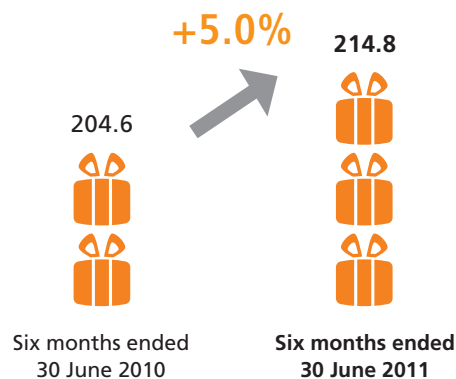
## Revenue

(HK\$ million)



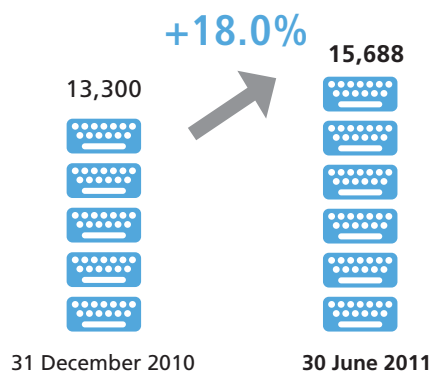
## Income Available for Distribution

(HK\$ million)

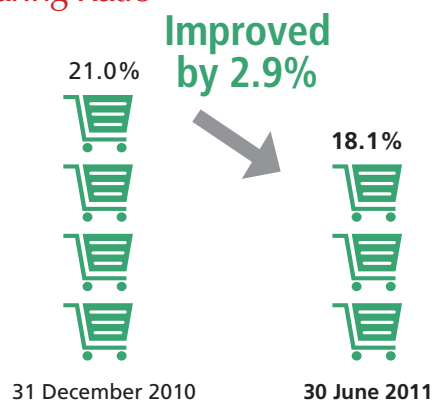


## Property Valuation

(HK\$ million)



## Gearing Ratio



	Six months ended 30 June 2011	Six months ended 30 June 2010	% change
Revenue (HK\$ million)	<b>446.8</b>	413.8	8.0%
Net property income (HK\$ million)	<b>319.5</b>	302.3	5.7%
Cost-to-revenue ratio	<b>26.3%</b>	24.7%	1.6%
Income available for distribution (HK\$ million)	<b>214.8</b>	204.6	5.0%
Distribution per unit (HK cents)	<b>12.80</b>	12.27	4.3%

	As at 30 June 2011	As at 31 December 2010	% change
Net asset value per unit (HK\$)	<b>7.52</b>	6.18	21.7%
Property valuation (HK\$ million)	<b>15,688</b>	13,300	18.0%
Gearing ratio/Aggregate leverage <sup>1</sup>	<b>18.1%</b>	21.0%	(2.9%)

Note:

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

# Corporate Information



## Manager

ARA Asset Management (Fortune) Limited

Units 5508–5510, 55th Floor	#16-02, Suntec Tower Four
The Center, 99 Queen's Road Central	6 Temasek Boulevard
Hong Kong	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*

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

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

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

## Company Secretaries of the Manager

CHOO Yvonne

KOHSIKAPORN Busarakham

## 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 and Email

[www.fortunereit.com](http://www.fortunereit.com)

[www.fortunemalls.com.hk](http://www.fortunemalls.com.hk)

[enquiries@fortunereit.com](mailto:enquiries@fortunereit.com)

# Management Discussion and Analysis



## Financial Review

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

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

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

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

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

The interim distribution of 12.80 Hong Kong cents per unit will be paid on Monday, 29 August 2011 to the Unitholders registered in the registers of Unitholders of Fortune REIT as at Friday, 5 August 2011.

## Management Discussion and Analysis

### Capital management

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

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

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

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

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

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





### Portfolio valuation

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

### Portfolio Highlights

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

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

## Management Discussion and Analysis

### Operations Review

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

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

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



## Outlook

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

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

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

# Corporate Governance



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

## Board of Directors of the Manager

The board of 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 the performance of Directors. The Board has established a framework for the management of Fortune REIT and the Manager, 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 to 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. In lieu of physical meetings, written resolutions are also circulated for approval by the Board.

The Board presently comprises nine members, seven of whom are Non-Executive Directors. Three of the Non-Executive Directors are Independent Non-Executive Directors. 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, nominate external auditors and internal auditors, review the adequacy of existing audits (internal and external) in respect of costs, scope and performance, and monitor the procedures established to regulate transactions with "connected person" (as defined in the Code on Real Estate Investment Trusts (the **"REIT Code"**)) and transactions with "interested person/party" (as defined in the Listing Manual of the SGX-ST and the Code on Collective Investment Schemes, Appendix 2 — Property Funds).
- 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.

### Interests of, and Dealings in Units by Directors, the Manager or the Significant Unitholders

The Manager has adopted a code governing dealings in the securities of Fortune REIT by Directors, the Manager and senior executives, officers or other employees of the Manager (collectively, the **"Management Persons"**) (the **"Units Dealing Code"**), on terms no less exacting than the required standards of the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities on the SEHK (**"Hong Kong Listing Rules"**). Specific enquiry has been made with the Management Persons, who confirmed that they have complied with the required standard set out in the Units Dealing Code during the Reporting Period.

The Manager has also adopted a policy for dealings in Fortune REIT's units pursuant to the provisions of the Listing Rules of SGX-ST which has to be complied with concurrently with the Units Dealing Code.



### 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.

### Change of Director's Information

Subsequent to publication of the Annual Report 2010, the Manager received notifications regarding the following change of Directors' information during the Reporting Period:

1. Mr. Lim Hwee Chiang has been acting as a Non-Executive Director of Hui Xian Asset Management Limited (the manager of Hui Xian Real Estate Investment Trust ("**Hui Xian REIT**")") since 21 December 2010 and Hui Xian REIT was listed in Hong Kong on 29 April 2011. Mr. Lim was also appointed as a Non-Executive Director of APN Property Group Limited, a company listed in Australia, with effect from 2 May 2011.
2. Mr. Ip Tak Chuen, Edmond has been acting as a Non-Executive Director of Hui Xian Asset Management Limited (the manager of Hui Xian REIT) since 21 December 2010 and Hui Xian REIT was listed in Hong Kong on 29 April 2011.
3. Mr. Lim Lee Meng ceased to be an independent director of Eurotronic Group Limited, a company listed in Singapore, with effect from 30 June 2011.
4. Mrs. Sng Sow-Mei (alias Poon Sow Mei) has been acting as an independent Non-Executive Director of Hutchison Port Holdings Management Pte Limited (the manager of Hutchison Port Holdings Trust) since 23 February 2011 and Hutchison Port Holdings Trust was listed in Singapore on 18 March 2011.
5. Ms. Chiu Yu, Justina ceased to be a director of Prostar Resources Limited, a special purpose vehicle of Fortune REIT, following its dissolution by voluntary liquidation on 23 June 2011.

### Review of Interim Report

The interim report of Fortune REIT for the six months ended 30 June 2011 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.

# 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 tables 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 30 June 2011	Rental deposit received as at 30 June 2011
			HK\$'000	HK\$'000
AMTD Strategic Capital Limited	Subsidiary of a significant holder <sup>1</sup>	Leasing transactions	3,097	1,594
A.S. Watson Group (HK) Limited	Subsidiary of an associate of a significant holder <sup>2</sup>	Leasing and licensing transactions	43,775	399
Big Sky Resources Limited	Subsidiary of a significant holder <sup>1</sup>	Licensing transactions	24	8
Cheung Kong Property Development Limited	Subsidiary of a significant holder <sup>1</sup>	Leasing and licensing transactions	10,943	—
Cheung Kong (Holdings) Limited (“ <b>Cheung Kong</b> ”)	Significant holder	Leasing and licensing transactions	101	—
Citybase Property Management Limited	Subsidiary of a significant holder <sup>1</sup>	Leasing transactions	2,133	859
Hutchison Telephone Company Limited	Subsidiary of an associate of a significant holder <sup>2</sup>	Licensing transactions	2,286	678
Perfect Idea Limited	Subsidiary of a significant holder <sup>1</sup>	Leasing transactions	2,563	1,412
Towerich Limited	Subsidiary of a significant holder <sup>1</sup>	Licensing transactions	43	23
<b>Total</b>			<b>64,965</b>	<b>4,973</b>

Notes:

1 Significant holder being Cheung Kong.

2 The connected parties are the subsidiaries of Hutchison Whampoa Limited (“**HWL**”), an associate of a significant holder of Fortune REIT, namely Cheung Kong.

## Connected Party Transactions

### 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 2011
			HK\$'000
Cheung Kong	Significant holder	Back-office support service fee	277
Citybase Property Management Limited	Subsidiary of a significant holder <sup>1</sup>	Property management and operations	383
E-Park Parking Management Limited	Subsidiary of a significant holder <sup>1</sup>	Carpark lease agency fee	1,343
Goodwell-Fortune Property Services Limited	Subsidiary of a significant holder <sup>1</sup>	Property and lease management fee and marketing service fee	16,707
Goodwell Property Management Limited	Subsidiary of a significant holder <sup>1</sup>	Property management and operations	61
Metro Broadcast Corporation Limited	Associated company of a significant holder <sup>1</sup>	Advertising and promotion expenses	358
Total			19,129

Note:

1 Significant holder being Cheung Kong.





## 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 2011
			HK\$'000
ARA Asset Management (Fortune) Limited	Manager	Manager's fee	31,454
HSBC Institutional Trust Services (Singapore) Limited	Trustee	Trustee's fee	2,377
Knight Frank Petty Limited	Principal valuer	Valuation fee	227
Total			34,058

## Connected Party Transactions

### 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 Group<sup>1</sup> (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 2011 HK\$'000	Rental deposit received as at 30 June 2011 HK\$'000
The Hongkong and Shanghai Banking Corporation Limited ( <b>“HSBC”</b> )	Trustee Connected Persons	Leasing and licensing transactions	3,054	642
Hang Seng Bank Limited	Trustee Connected Persons	Leasing and licensing transactions	1,618	849
Total			4,672	1,491

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) within the Reporting Period.



## 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:

<b>Name of Connected Party</b>	<b>Relationship with Fortune REIT</b>	<b>Nature of the connected party transaction</b>	<b>Aggregate annual income<sup>1</sup> HK\$'000</b>
AMTD Strategic Capital Limited	Subsidiary of a significant holder <sup>2</sup>	Tenancy at Hampton Loft	5,121
A.S. Watson Group (HK) Limited	Subsidiary of an associate of a significant holder <sup>3</sup>	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	64,590
Citybase Property Management Limited	Subsidiary of a significant holder <sup>2</sup>	Tenancy at Hampton Loft	2,712
Cheung Kong Property Development Limited	Subsidiary of a significant holder <sup>2</sup>	Tenancies at The Metropolis Mall	18,979
Hutchison Telephone Company Limited	Subsidiary of an associate of a significant holder <sup>3</sup>	Licence at Ma On Shan Plaza	1,540
Perfect Idea Limited	Subsidiary of a significant holder <sup>2</sup>	Tenancies at The Metropolis Mall	1,883
HSBC	Trustee Connected Persons	Tenancy at City One Shatin Property	5,269
Hang Seng Bank Limited	Trustee Connected Persons	Tenancies at City One Shatin Property	2,664
<b>Total</b>			<b>102,758</b>

### Notes:

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

# Disclosure of Interests



## Unit Capital

The total number of issued units as at 30 June 2011 is 1,674,182,145 units.

## Holdings of Significant Unitholders and Other Unitholders

As at 30 June 2011, 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	Percentage of Unit Holdings	Number of Units Held Long Position	Percentage of Unit Holdings
Focus Eagle Investments Limited <sup>1</sup>	413,074,684	24.67%	—	—
Cheung Kong <sup>1</sup>	—	—	525,630,684	31.40%

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 2011:

Name	Direct interest		Deemed interest	
	Number of Units Held Long Position	Percentage of Unit Holdings	Number of Units Held Long Position	Percentage of Unit Holdings
Ballston Profits Limited <sup>1</sup>	112,556,000	6.72%	—	—
HWL <sup>1</sup>	—	—	112,556,000	6.72%
DBS Bank Ltd. <sup>2</sup>	90,070,000	5.38%	—	—
DBS Group Holdings Ltd <sup>2</sup>	—	—	90,070,000	5.38%
Schroder Investment Management Group <sup>3</sup>	—	—	154,585,000	9.23%
The Real Return Group Limited <sup>4</sup>	—	—	91,950,961	5.49%

*Notes:*

- 1 Focus Eagle Investments Limited was an indirect wholly-owned subsidiary of Cheung Kong; and Ballston Profits Limited was an indirect wholly-owned subsidiary of HWL, an associate of Cheung Kong. Therefore, Cheung Kong 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.
- 2 DBS Group Holdings Ltd was deemed to be interested in 90,070,000 units held by its wholly-owned subsidiary, DBS Bank Ltd.
- 3 Schroder Investment Management Group was deemed to be interested in 154,585,000 units of which:
  - (a) 88,502,000 units were held by Schroder Investment Management Limited;
  - (b) 58,974,000 units were held by Schroder Investment Management (Singapore) Limited;
  - (c) 6,940,000 units were held by Schroder Investment Management (Hong Kong) Limited; and
  - (d) 169,000 units were held by Schroders Channel Islands Limited.
- 4 The Real Return Group Limited was deemed to be interested in 91,950,961 units of which:
  - (a) 90,523,961 units were held by Veritas Asset Management (UK) Ltd; and
  - (b) 1,427,000 units were held by Veritas Asset Management AG.

## Disclosure of Interests

### Interests of the Manager

As at 30 June 2011, the Manager held 849 units, or approximately 0.00005% of the issued units of Fortune REIT.

### Interests of the Directors and Senior Executives

Details of the unitholding interests of the Directors and senior executives in Fortune REIT as at 30 June 2011 were as follows:

Name	Direct interest		Deemed interest	
	Number of Units Held Long Position	Percentage of Unit Holdings	Number of Units Held Long Position	Percentage of Unit Holdings
<b>Directors</b>				
Lim Hwee Chiang <sup>1</sup>	—	—	2,100,849	0.13%
Sng Sow-Mei (alias Poon Sow Mei)	220,000	0.01%	—	—

Note:

1 Mr. Lim Hwee Chiang was deemed to be interested in a total of 2,100,849 units of which:

- (a) 849 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 direct and indirect holding of one third or more of shareholding interest in a chain of corporations including ARA; and
- (b) 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 Hwee Chiang is the settlor of JL Charitable Settlement.

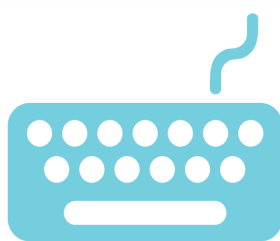


Saved as disclosed above, the Manager is not aware of any connected persons (as defined under the REIT Code) of Fortune REIT holding any units of Fortune REIT as at 30 June 2011.

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 comparison of their respective beneficial interests as at 30 June 2011 and 31 December 2010:

- a) The Manager was beneficially interested in 849 units as at 30 June 2011 and 951 units as at 31 December 2010; and
- b) Mr. Lim Hwee Chiang, Director of the Manager, was beneficially interested in 2,100,849 units as at 30 June 2011 and 2,100,951 units as at 31 December 2010.

## Other Information



### Employees

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

### New Units Issued

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

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

### Repurchase, Sale or Redemption of Units

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

### Public Float

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



# Report on Review of Interim Financial Information

**Deloitte.**

**德勤**

**TO THE BOARD OF DIRECTORS OF  
ARA ASSET MANAGEMENT (FORTUNE) LIMITED**

## Introduction

We have reviewed the interim financial information set out on pages 24 to 49, which comprises the condensed consolidated statement of financial position of Fortune Real Estate Investment Trust ("**Fortune REIT**") as of 30 June 2011 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 REIT, 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

22 July 2011

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Notes	Six months ended 30 June	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
<b>Revenue</b>	4	<b>446,837</b>	413,809
Property operating expenses	6	<b>(127,310)</b>	(111,510)
<b>Net property income</b>		<b>319,527</b>	302,299
Manager's base fee		<b>(21,572)</b>	(17,797)
Foreign currency exchange gain/(loss)		<b>100</b>	(62)
Interest income		<b>1,435</b>	311
Trust expenses	7	<b>(7,313)</b>	(33,662)
Change in fair value of investment properties		<b>2,381,242</b>	912,910
Change in fair value of derivative financial instruments	14	<b>13,119</b>	(56,230)
Borrowing costs	8	<b>(120,809)</b>	(68,390)
<b>Profit before taxation and transactions with unitholders</b>	9	<b>2,565,729</b>	1,039,379
Income tax expense	10	<b>(41,316)</b>	(39,926)
<b>Profit for the period, before transactions with unitholders</b>		<b>2,524,413</b>	999,453
Distributions to unitholders		<b>(214,805)</b>	(204,571)
<b>Profit for the period, after transactions with unitholders</b>		<b>2,309,608</b>	794,882
<b>Other comprehensive income</b>			
Change in fair value of derivative financial instruments under cash flow hedge	14	<b>(52,592)</b>	27,097
<b>Total comprehensive income for the period</b>		<b>2,257,016</b>	821,979
<b>Income available for distribution to unitholders</b>		<b>214,805</b>	204,571
<b>Basic earnings per unit (HK cents)</b>	11	<b>150.62</b>	60.01

# Distribution Statement

For the six months ended 30 June 2011

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

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 ("**SFC**"). The current distribution policy, as amended, obliges Fortune REIT to distribute to unitholders on a semi-annual basis, the higher of (a) 100% of its tax-exempt income (exclude dividends paid out of interest income and gains, if any, which are distributable at the discretion of ARA Asset Management (Fortune) Limited (the "**Manager**")) after deduction of applicable expenses ("**Net Tax-Exempt Income**"); and (b) 90% of consolidated net profit after tax (before transactions with unitholders) for the relevant financial period adjusted to eliminate the effects of certain adjustments in the REIT Code ("**Net Profit After Tax**").

Net Tax-Exempt Income and Net Profit After Tax for the six months ended 30 June 2011 is HK\$214.8 million (six months ended 30 June 2010: HK\$204.6 million) and HK\$199.2 million (six months ended 30 June 2010: HK\$191.8 million), respectively. Accordingly, the income available for distribution, based on the Net Tax-Exempt Income, of HK\$214.8 million (six months ended 30 June 2010: HK\$204.6 million) would be distributed to unitholders for the six months ended 30 June 2011.

- (ii) The distribution per unit of 12.80 HK cents for the six months ended 30 June 2011 (six months ended 30 June 2010: 12.27 HK cents) is calculated based on the income available for distribution for the period of HK\$214.8 million (six months ended 30 June 2010: HK\$204.6 million) over 1,677,297,276 units (30 June 2010: 1,666,597,743 units), representing issued units as at 30 June 2011 of 1,674,182,145 units (30 June 2010: 1,663,952,387 units) plus the number of units issued after the distribution period to the Manager as settlement of the Manager's base fee for its service in the second quarter of 2011 of 3,115,131 units as disclosed in note 17 (second quarter of 2010: 2,645,356 units).

# Condensed Consolidated Statement of Financial Position

As at 30 June 2011

	Notes	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current asset</b>			
Investment properties	12	15,688,000	13,300,000
<b>Current assets</b>			
Trade and other receivables	13	50,684	63,241
Bank balances and cash		592,409	506,073
<b>Total current assets</b>		<b>643,093</b>	569,314
<b>Total assets</b>		<b>16,331,093</b>	13,869,314
<b>Non-current liabilities</b>			
Derivative financial instruments	14	94,767	55,294
Borrowings	15	2,790,051	2,772,448
Deferred tax liabilities		154,747	148,165
<b>Total non-current liabilities</b>		<b>3,039,565</b>	2,975,907
<b>Current liabilities</b>			
Trade and other payables	16	300,907	269,747
Borrowings	15	120,000	79,000
Distribution payable		214,805	201,995
Provision for taxation		43,540	8,977
<b>Total current liabilities</b>		<b>679,252</b>	559,719
<b>Total liabilities, excluding net assets attributable to unitholders</b>		<b>3,718,817</b>	3,535,626
<b>Net assets attributable to unitholders</b>		<b>12,612,276</b>	10,333,688
<b>Units in issue and to be issued ('000)</b>	17	<b>1,677,297</b>	1,671,600
<b>Net asset value per unit (HK\$) attributable to unitholders</b>	18	<b>7.52</b>	6.18

# Condensed Consolidated Statement of Changes in Net Assets Attributable to Unitholders

For the six months ended 30 June 2011

	Units in issue and to be issued HK\$'000	Unit issue costs HK\$'000	Hedging reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Net assets attributable to unitholders as at 1 January 2011 (Audited)	6,345,586	(271,593)	(415)	4,260,110	10,333,688
<b>OPERATIONS</b>					
Profit for the period, before transactions with unitholders	—	—	—	2,524,413	2,524,413
Distribution paid and payable of 12.80 HK cents per unit for the six months ended 30 June 2011 (Note (ii))	—	—	—	(214,805)	(214,805)
Change in fair value of derivative financial instruments under cash flow hedge	—	—	(52,592)	—	(52,592)
Total comprehensive income for the period	—	—	(52,592)	2,309,608	2,257,016
<b>UNITHOLDERS' TRANSACTIONS</b>					
Creation of units — Manager's base fee paid/payable in units	21,572	—	—	—	21,572
Increase in net assets resulting from unitholders' transactions	21,572	—	—	—	21,572
<b>Net assets attributable to unitholders as at 30 June 2011 (Unaudited)</b>	<b>6,367,158</b>	<b>(271,593)</b>	<b>(53,007)</b>	<b>6,569,718</b>	<b>12,612,276</b>

# Condensed Consolidated Statement of Changes in Net Assets Attributable to Unitholders (continued)

For the six months ended 30 June 2011

	Units in issue and to be issued HK\$'000	Unit issue costs HK\$'000	Hedging reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Unitholders' funds as at 1 January 2010 (Audited)	6,308,340	(271,593)	(27,512)	2,823,427	8,832,662
<b>OPERATIONS</b>					
Profit for the period, before transactions with unitholders	—	—	—	999,453	999,453
Distribution paid and payable of 12.27 HK cents per unit for the six months ended 30 June 2010 (Note (ii))	—	—	—	(204,571)	(204,571)
Change in fair value of derivative financial instruments under cash flow hedge	—	—	27,097	—	27,097
Total comprehensive income for the period	—	—	27,097	794,882	821,979
<b>UNITHOLDERS' TRANSACTIONS</b>					
Creation of units					
— Manager's base fee paid/payable in units	17,797	—	—	—	17,797
Distribution paid to unitholders as owners of 10.60 HK cents per unit for the six months ended 31 December 2009 (Note (i))	—	—	—	(176,129)	(176,129)
Increase/(decrease) in net assets resulting from unitholders' transaction	17,797	—	—	(176,129)	(158,332)
<b>Net assets attributable to unitholders as at 30 June 2010 (Unaudited)</b>	<b>6,326,137</b>	<b>(271,593)</b>	<b>(415)</b>	<b>3,442,180</b>	<b>9,496,309</b>

Notes:

- (i) Before the amendment of Trust Deed on 26 March 2010, Fortune Real Estate Investment Trust ("Fortune REIT") has no contractual obligation to pay or declare distribution, 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 International Accounting Standards 32 "Financial Instruments: Presentation" ("IAS 32").
- (ii) Subsequent to dual primary listing on The Stock Exchange of Hong Kong Limited, Fortune REIT has to comply with the distribution requirements set in the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong. In accordance with the amended Trust Deed of Fortune REIT, the unitholders have the rights to receive distribution, and Fortune REIT has an obligation to distribute to unitholders, at the higher of Net Tax-Exempt income or 90% of consolidated Net Profit After Tax. Accordingly, the issued units as at 30 June 2010 and 2011 are no longer classified as equity instruments in accordance with IAS 32.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Note	Six months ended 30 June	
		2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Net cash from operating activities		341,049	260,393
Net cash used in investing activities:			
Increase in fixed bank deposits		(120,000)	—
Other investing cash flows		(5,509)	(7,779)
		(125,509)	(7,779)
Net cash used in financing activities:			
Distribution to unitholders		(201,929)	(176,129)
Other financing cash flows		(47,275)	(77,303)
		(249,204)	(253,432)
Net decrease in cash and cash equivalents		(33,664)	(818)
Cash and cash equivalents at beginning of the period		426,073	515,341
<b>Cash and cash equivalents at end of period, represented by bank balances and cash</b>	(i)	<b>392,409</b>	<b>514,523</b>

Note:

- (i) Cash and cash equivalents as at 30 June 2011 excluded fixed deposits classified as bank balances and cash with original maturity date more than 3 months of HK\$200 million.

# Notes to the Condensed Consolidated Financial Statements

*For the six months ended 30 June 2011*

## 1 General

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) (the "**Trust Deed**") between ARA Asset Management (Fortune) Limited, as the manager of Fortune REIT (the "**Manager**"), and HSBC Institutional Trust Services (Singapore) Limited, as the trustee of Fortune REIT (the "**Trustee**"). Fortune REIT was listed on the Singapore Exchange Securities Trading Limited and The Stock Exchange of Hong Kong Limited ("**SEHK**") on 12 August 2003 and 20 April 2010, respectively.

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

## 2 Basis of Preparation

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

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on SEHK and with International Accounting Standard 34 "Interim Financial Reporting" and the relevant disclosure requirements set out in Appendix C of the Code on Real Estate Investment Trusts issued by the Securities and Futures Commission of Hong Kong.

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



### 3 Principal Accounting Policies

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

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

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

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

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

# Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2011

## 3 Principal Accounting Policies (continued)

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

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

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2013

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

## 4 Revenue

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

## 5 Segmental Reporting

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

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

# Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2011

## 6 Property Operating Expenses

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Building management expenses	45,506	38,359
Utilities	14,205	14,503
Government rents and rates	17,784	14,973
Manager's performance fee	9,882	9,349
Property manager fee	10,257	9,549
Carpark operating expenses	5,098	4,843
Advertising and promotion	4,551	3,426
Legal and other professional fees	6,149	1,228
Leasing commission	6,934	7,588
Others	6,944	7,692
	<b>127,310</b>	<b>111,510</b>

## 7 Trust Expenses

	Six months ended 30 June	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Trustee's fee	2,377	1,852
Listing expenses for dual primary listing in Hong Kong (Note (i))	—	30,000
Others	4,936	1,810
	<b>7,313</b>	<b>33,662</b>

*Note:*

- (i) The amount for the six months ended 30 June 2010 included HK\$1.0 million to auditors for non-audit services fee.

# Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2011

## 8 Borrowing Costs

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

## 9 Profit before Taxation and Transactions with Unitholders

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

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

## 10 Income Tax Expense

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

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

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

## 11 Earnings Per Unit

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

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

# Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2011

## 12 Investment Properties

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

Notes:

- (i) On 30 June 2011 and 31 December 2010, independent valuations were undertaken by Knight Frank Petty Limited ("Knight Frank") and Savills Valuation and Professional Services Limited ("Savills"), respectively. The respective firms are independent qualified professional valuers 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.
- (ii) All of the Group's property interests in properties located in Hong Kong are held under medium-term leases which are finance lease in nature. 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.
- (iii) At the end of the reporting period, certain properties with total fair value of HK\$11,157.0 million (31 December 2010: HK\$9,557.0 million) have been mortgaged as collaterals for credit facilities granted by the banks.



### 13 Trade and Other Receivables

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

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

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
1–30 days	28,820	27,772
31–90 days	54	5
Over 90 days	23	14
	28,897	27,791

# Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2011

## 14 Derivative Financial Instruments

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
Cash flow hedges — interest rate swaps		
— Non-current liabilities	94,767	55,294

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 borrowings from floating rates to fixed rates.

Contracts with notional amount of HK\$614.5 million (31 December 2010: HK\$614.5 million), HK\$800.5 million (31 December 2010: HK\$800.5 million) and HK\$1,415.0 million (31 December 2010: Nil) as at 30 June 2011 will mature in March 2014, December 2014 and April 2016, respectively. These contracts have fixed interest payments at rates ranging from 2.00% to 2.91% (31 December 2010: 2.44% to 2.91%) per annum for the six months ended 30 June 2011 and have floating interest receipts at three months Hong Kong Inter-bank Offer Rate (“HIBOR”) repricing every three months. The ineffective portion of the change in fair value of the derivative financial instruments, amounting to a gain of HK\$13.1 million (six months ended 30 June 2010: loss of HK\$56.2 million), is recognised in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2011. The effective portion of the change in fair value of the derivative financial instruments, amounting to a loss of HK\$52.6 million (six months ended 30 June 2010: gain of HK\$27.1 million), is recognised in other comprehensive income for the six months ended 30 June 2011.

The fair value of derivative financial 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.

## 15 Borrowings

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

- (i) In relation to the term loan of HK\$2,830.0 million and revolving credit facility of HK\$270.0 million under the facility agreement dated 15 October 2009 for a term of four years (the “2009 Facilities”), the amounts outstanding under the facilities drawn down by certain subsidiaries as at 31 December 2010 was HK\$2,907.7 million. The 2009 Facilities were secured by, *inter alia*, a mortgage over certain investment properties and the Trustee (in its capacity as Trustee of Fortune REIT) has provided a guarantee for the 2009 Facilities. The 2009 Facilities bore interest at HIBOR plus a margin of 2.0% per annum. During the current interim period, the drawn down amount of the 2009 Facilities has been fully refinanced by new loan facilities set out in note (ii) below.

# Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2011

## 15 Borrowings (continued)

- (ii) In relation to the term loan of HK\$2,830.0 million and revolving credit facility of HK\$970.0 million under the facility agreement dated 11 April 2011 for a term of five years (the “**2011 Facilities**”), the amounts outstanding under the facilities drawn down by certain subsidiaries as at 30 June 2011 was HK\$2,950.0 million. The 2011 Facilities are secured by, *inter alia*, a mortgage over certain investment properties and the Trustee (in its capacity as Trustee of Fortune REIT) has provided a guarantee for the 2011 Facilities. The 2011 Facilities bear interest at HIBOR plus a margin of 0.91% per annum. The term loan of 2011 Facilities is used to refinance the 2009 Facilities.
- (iii) The Group has paid front end fees of HK\$41.8 million (31 December 2010: HK\$80.6 million) to the banks to secure the loan facilities. The front end fees are amortised over the respective loan periods. The movements in the front end fees and accumulated amortisation are as follow:

	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
At beginning of period/year	80,600	100,725
Addition	41,800	—
Reversal/matured during the period/year	(80,600)	(20,125)
At end of period/year	41,800	80,600
Movement in accumulated amortisation:		
At beginning of period/year	(24,348)	(22,311)
Reversal/matured during the period/year	29,982	20,125
Amortised during the period/year	(7,485)	(22,162)
At end of period/year	(1,851)	(24,348)
Net book values	39,949	56,252

## 16 Trade and Other Payables

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

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

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

# Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2011

## 17 Units in Issue and to be Issued

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

Note:

- (i) Manager's base fee payable to the Manager is in the form of units. On 5 July 2011, Fortune REIT issued 3,115,131 units to the Manager as base fee for the period from 1 April 2011 to 30 June 2011. On 5 January 2011, Fortune REIT issued 2,567,653 units to the Manager as base fee for the period from 1 October 2010 to 31 December 2010.

## 18 Net Asset Value Per Unit Attributable to Unitholders

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

## 19 Net Current Liabilities

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

## 20 Total Assets Less Current Liabilities

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

# Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2011

## 21 Connected and Related Party Transactions

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

		Six months ended 30 June	
	Notes	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Rent and rental related income from			
AMTD Strategic Capital Limited	(a)	3,097	3,073
A.S. Watson Group (HK) Limited	(b)	43,775	41,413
Big Sky Resources Limited	(a)	24	24
Cheung Kong Property Development Limited	(a)	10,943	7,959
Cheung Kong (Holdings) Limited ("Cheung Kong")	(c)	101	—
Citybase Property Management Limited	(a)	2,133	1,841
Hang Seng Bank Limited	(d)	1,618	1,366
Hutchison Telephone Company Limited	(b)	2,286	2,703
Hutchison Telecommunications Services Limited	(b)	—	7
Perfect Idea Limited	(a)	2,563	2,233
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	(d)	3,054	1,502
Towerich Limited	(a)	43	43
Carpark lease agency fee for the operations of the Group's carpark			
E-Park Parking Management Limited	(a)	1,343	1,079
Property management fee			
Citybase Property Management Limited	(a)	383	367
Goodwell-Fortune Property Services Limited	(a)	9,777	9,006
Goodwell Property Management Limited	(a)	61	61
Guardian Property Management Limited	(f)	—	631



## 21 Connected and Related Party Transactions (continued)

		Six months ended 30 June	
	Notes	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Leasing commission			
Goodwell-Fortune Property Services Limited	(a)	6,930	7,304
Advertising and promotion expenses			
Metro Broadcast Corporation Limited	(e)	358	—
Trustee's fee			
HSBC Institutional Trust Services (Singapore) Limited		2,377	1,852
Manager's base fee			
ARA Asset Management (Fortune) Limited	(g)	21,572	17,797
Manager's performance fee			
ARA Asset Management (Fortune) Limited	(g)	9,882	9,349
Back-office support service fee			
Cheung Kong	(c)	277	252
Valuation and other fees			
Knight Frank	(h)	227	—
Savills	(h)	—	781

# Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2011

## 21 Connected and Related Party Transactions (continued)

Balances with connected and related parties are as follows:

	Notes	30 June 2011 HK\$'000 (Unaudited)	31 December 2010 HK\$'000 (Audited)
ARA Asset Management (Fortune) Limited	(g)	3,187	3,188
Citybase Property Management Limited	(a)	8,412	10,603
Citytruth Property Management Limited	(a)	395	—
E-Park Parking Management Limited	(a)	449	212
Goodwell-Fortune Property Services Limited	(a)	7,562	3,532
Goodwell Property Management Limited	(a)	13,198	6,657
Metro Broadcast Corporation Limited	(e)	—	160
		<b>33,203</b>	24,352
Deposits placed with the Group for the lease of the Group's properties			
AMTD Strategic Capital Limited	(a)	1,594	1,592
A.S. Watson Group (HK) Limited	(b)	399	679
Big Sky Resources Limited	(a)	8	8
Citybase Property Management Limited	(a)	859	839
Hang Seng Bank Limited	(d)	849	711
HSBC	(d)	642	935
Hutchison Telephone Company Limited	(b)	678	675
Perfect Idea Limited	(a)	1,412	1,154
Towerich Limited	(a)	23	23
		<b>6,464</b>	6,616

## 21 Connected and Related Party Transactions (continued)

Notes:

- (a) These companies are the subsidiaries of Cheung Kong (see note (c)).
- (b) These companies are the subsidiaries of Hutchison Whampoa Limited, an associate of Cheung Kong and a unitholder of Fortune REIT.
- (c) The company is one of the largest unitholders with approximately 31% holding of the outstanding units of Fortune REIT.
- (d) These companies are the fellow subsidiaries of the Trustee.
- (e) The company is an associate of Cheung Kong.
- (f) The company is a subsidiary of Savills, the principal valuer of investment properties for the year ended 31 December 2010.
- (g) The company is the Manager of Fortune REIT.
- (h) Knight Frank and Savills is the principal valuer of investment properties for the six months ended 30 June 2011 and the year ended 31 December 2010, respectively.

In addition, the Trustee (in its capacity as trustee of Fortune REIT) has provided a guarantee for the 2009 Facilities and 2011 Facilities.

# Performance Table

	<b>30 June 2011 (Unaudited)</b>	31 December 2010 (Audited)
Net asset attributable to unitholders (HK\$'000)	<b>12,612,276</b>	10,333,688
Net asset value per unit (HK\$)	<b>7.52</b>	6.18
The highest traded price during the period/year (HK\$)	<b>4.23</b>	4.15
The highest premium of the traded price to net asset value <sup>1</sup>	<b>N.A.</b>	N.A.
The lowest traded price during the period/year (HK\$)	<b>3.66</b>	2.92
The highest discount of the traded price to net asset value	<b>51.33%</b>	52.75%
The net yield per unit <sup>2</sup>	<b>6.73%</b>	6.08%

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 2011 is an annualised yield based on the distribution per unit of 12.80 HK cents for the six months ended 30 June 2011 and the average of the two closing unit prices of HK\$3.82 in Singapore and HK\$3.85 in Hong Kong as at 30 June 2011.

The net yield per unit for the year ended 31 December 2010 is based on the distribution per unit of 24.35 HK cents for the year ended 31 December 2010 and the average of the two closing unit prices of HK\$4.00 in Singapore and HK\$4.01 in Hong Kong as at 31 December 2010.

置富



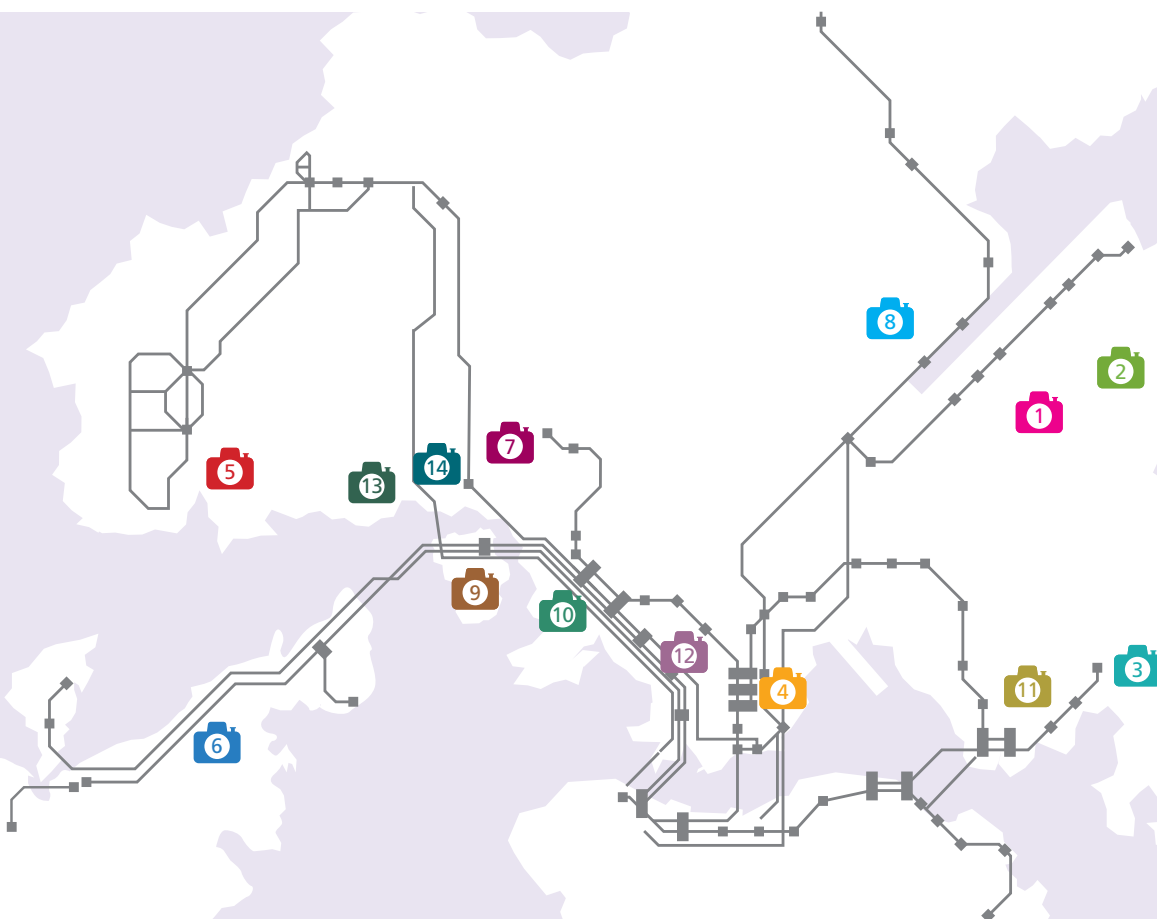
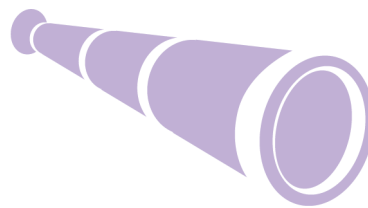
Malls

Managed by

**FORTUNE**  
置富產業信託 **REIT**

# Portfolio Summary

物業總覽



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

置富產業信託於2011年6月30日在香港持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	4,772	98.2%	658
2	Ma On Shan Plaza	馬鞍山廣場	310,084	2,998	100.0%	290
3	Metro Town	都會駅	180,822	2,128	100.0%	74
4	The Metropolis Mall	都會商場	332,168	1,700	92.1%	179
5	Waldorf Garden Property	華都花園物業	80,842	1,108	99.7%	73
6	Caribbean Bazaar	映灣坊	63,018	639	100.0%	117
7	Smartland	創意無限商場	123,544	477	99.2%	67
8	Jubilee Court Shopping Centre	銀禧閣商場	170,616	450	100.0%	97
9	Tsing Yi Square Property	青怡廣場物業	78,836	426	100.0%	27
10	The Household Center	盈暉家居城	91,779	348	97.5%	43
11	Centre de Laguna Property	麗港城中城物業	43,000	212	100.0%	N.A./不適用
12	Hampton Loft	凱帆薈	74,734	206	100.0%	35
13	Lido Garden Property	麗都花園物業	9,836	130	100.0%	N.A./不適用
14	Rhine Garden Property	海韻花園物業	14,604	94	100.0%	N.A./不適用
<b>Total/Overall average 合計／總平均值</b>			<b>1,988,352</b>	<b>15,688</b>	<b>98.1%</b>	<b>1,660</b>

Manager 管理人



(An Affiliate of Cheung Kong Group)

ARA Asset Management (Fortune) Limited

置富資產管理有限公司



[www.fortunereit.com](http://www.fortunereit.com)  
[www.fortunemalls.com.hk](http://www.fortunemalls.com.hk)

