

麗城薈

和富薈

INTERIM
REPORT
2012
中期報告

Stock Code | 香港 Hong Kong 778
股份代號 | 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 16 private housing estate retail properties in Hong Kong comprising of 2.45 million square feet (“**Sq.ft.**”) of retail space and 1,989 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 public 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.



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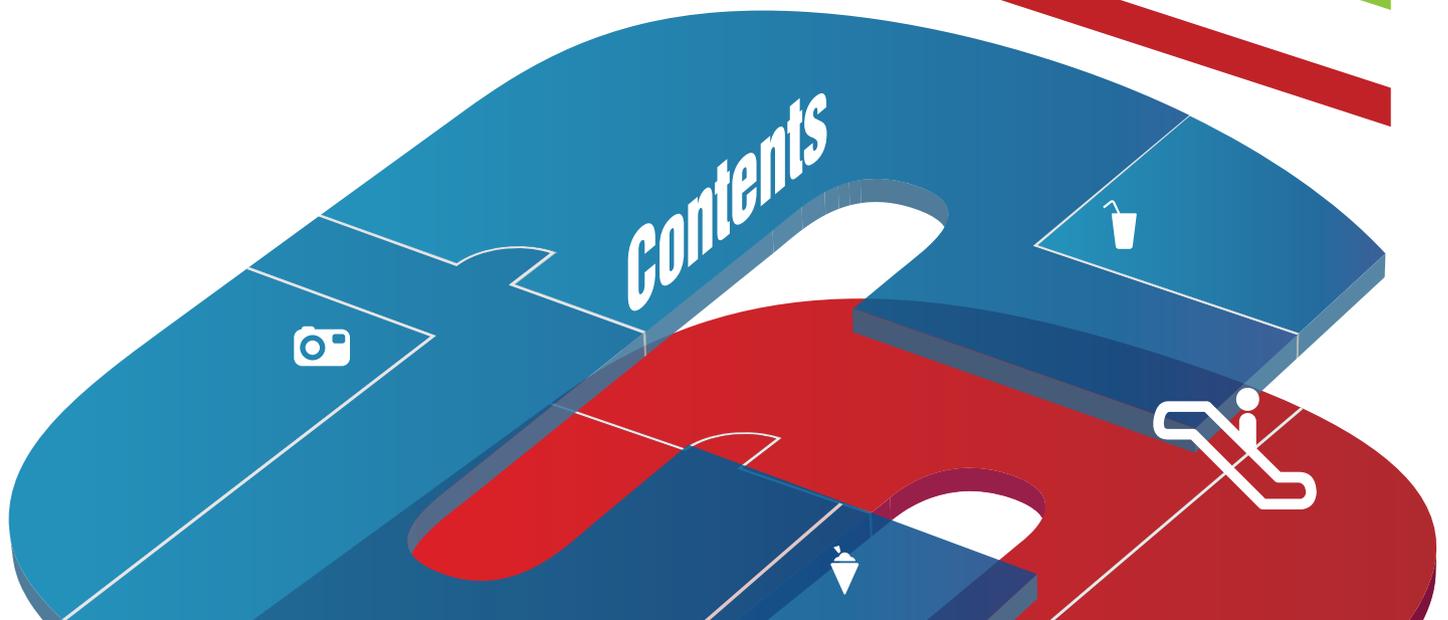
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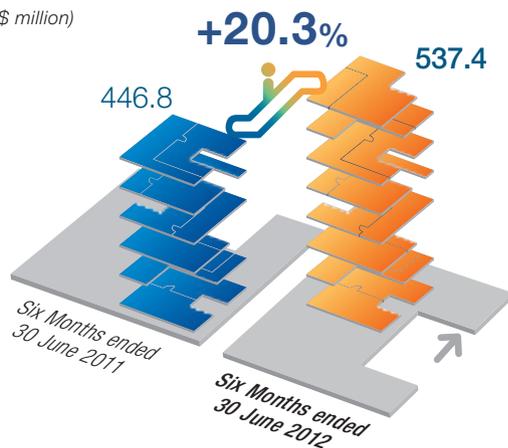
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Portfolio Summary

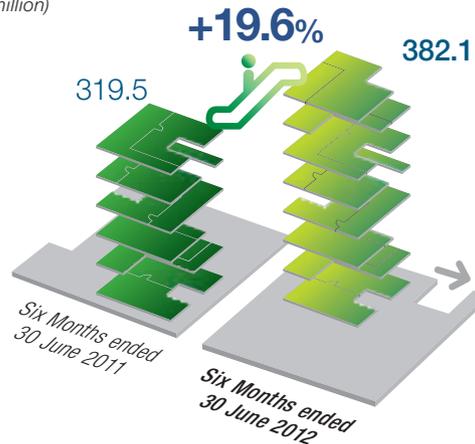


Financial Highlights

Revenue (HK\$ million)



Net Property Income (HK\$ million)

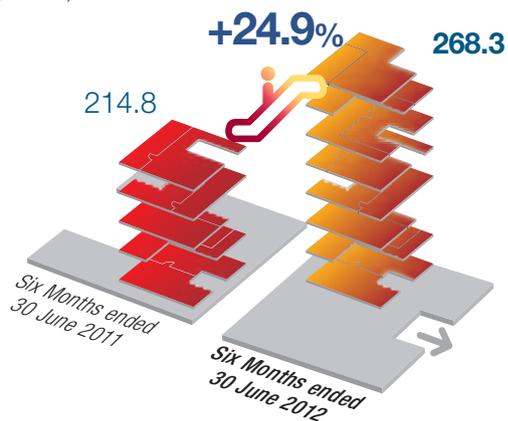


	Six months ended 30 June 2012	Six months ended 30 June 2011	% change
Revenue (HK\$ million)	537.4	446.8	+20.3%
Net property income (HK\$ million)	382.1	319.5	+19.6%
Cost-to-revenue ratio	26.7%	26.3%	+0.4%
Income available for distribution (HK\$ million)	268.3	214.8	+24.9%
Distribution per unit (HK cents)	15.82	12.80	+23.6%



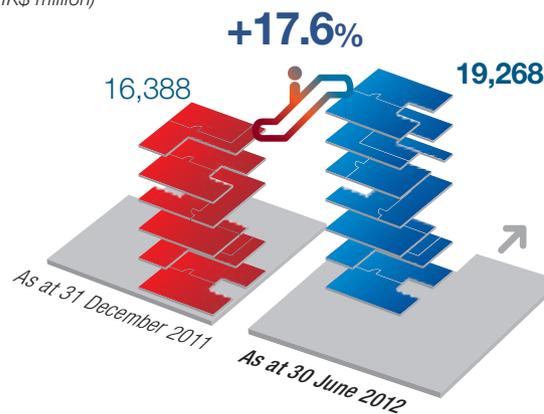
Income Available for Distribution

(HK\$ million)



Property Valuation

(HK\$ million)



	As at 30 June 2012	As at 31 December 2011	% change
Net asset value per unit (HK\$)	8.34	7.85	+6.2%
Property valuation (HK\$ million)	19,268	16,388	+17.6%
Gearing ratio/Aggregate leverage ¹	24.5%	18.8%	+5.7%



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 2012, there was no deferred payment incurred for Fortune REIT.

Corporate Information ⁱ



Manager

ARA Asset Management (Fortune) Limited

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The Center 6 Temasek Boulevard
99 Queen's Road Central Singapore 038986
Hong Kong
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
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Singapore Unit Registrar

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

Auditors

Deloitte Touche Tohmatsu
Deloitte & Touche LLP

Stock Codes

Hong Kong: 778
Singapore: F25U

Websites and Email

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Exploiting the Growth Potential

Since the completion of the acquisition of Belvedere Square and Provident Square in February 2012, the two properties have accounted for 11.2% of the portfolio revenue growth during the first half of 2012. The two properties will continue to present growth opportunities for Fortune REIT.

麗城薈 
Belvedere Square



和富薈 
Provident Square



Asset Enhancement Highlights



置富第一城·樂薈

Fortune City One Plus



Fortune City One Plus

The HK\$30 million enhancement project at Fortune City One Plus was completed in 2010 with a return on investment of 22%.



置富第一園

Fortune City One Piazza



Fortune City One Piazza

Fortune City One Piazza celebrated its grand opening on 16 July 2012.





置富第一城
Fortune City One

Fortune City One

Largest Project
ever in Fortune REIT

Target Return
on Investment
not less
than 15%

The HK\$100 million project to fully renovate Fortune City One commenced in October 2011. The remaining works are progressing well and scheduled for completion by the end of 2012.



Awards

Hong Kong Best Mid-Cap Company



Fortune REIT has been voted as “Hong Kong Best Mid-Cap Company” and ranked third in the category of “Most Committed to a Strong Dividend Policy in Hong Kong” in the Asia’s Best Companies 2012 Poll conducted by FinanceAsia – a reputable financial magazine in Asia.

This is a strong acknowledgment of our dedication to excellence in corporate management and corporate governance, as well as delivering the best return to Unitholders.



Most Committed to a Strong Dividend Policy

Third in Hong Kong

Management Discussion and Analysis



Financial Review

Fortune REIT achieved record-breaking results during the first half of 2012, driven by the spectacular success of its three core growth strategies.

For the six months ended 30 June 2012 (the **“Reporting Period”**), Fortune REIT’s revenue and net property income surged by 20.3% and 19.6% year-on-year to a historical high of HK\$537.4 million and HK\$382.1 million respectively, representing some of the highest growth rates recorded in its nine years of operating history. Fortune REIT’s exceptional financial performance was attributable to (i) the strong rental reversions across its enlarged portfolio; (ii) the additional income generated by the two new properties acquired in February 2012; as well as (iii) remarkable returns from the completed asset enhancement initiatives (**“AEIs”**). The successful execution of the three core growth strategies: active leasing management, yield-accretive acquisition and AEIs have contributed to Fortune REIT’s success.

Borrowing costs, excluding debt front-end fees, for the Reporting Period totalled HK\$60.9 million, a decrease of 2.9% over the first half of 2011.

Stronger financial results have kept the positive growth momentum in distributable income on track. The unaudited income available for distribution for the Reporting Period amounted to HK\$268.3 million, a year-on-year increase of 24.9%. The distribution per unit (**“DPU”**) for the Reporting Period was 15.82 Hong Kong cents, 23.6% higher than the DPU of 12.80 Hong Kong cents from the corresponding period in 2011.

The interim DPU of 15.82 Hong Kong cents represents an annualised distribution yield of 6.9% based on an unit price of HK\$4.60, the average of the two closing unit prices in Singapore and Hong Kong as at 29 June 2012. Supported by the good first quarter results and the resilient nature of Fortune REIT, unit price performance during the Reporting Period was particularly strong even amidst a downward macroeconomic trend. With an increase of 21.9% during the Reporting Period, Fortune REIT’s unit performance outperformed its peers and the other benchmarking market indices.

The outstanding performance of Fortune REIT has been widely recognised in the industry. Fortune REIT was selected as “Hong Kong Best Mid-Cap Company” and ranked third in the category of “Most Committed to a Strong Dividend Policy in Hong Kong” in the Asia’s Best Companies 2012 Poll by FinanceAsia.

The interim distribution of 15.82 Hong Kong cents per unit will be paid on Wednesday, 29 August 2012 to Unitholders registered in the registers of Unitholders of Fortune REIT as at Friday, 3 August 2012.

Management Discussion and Analysis



Acquisition completed in February 2012

Fortune REIT successfully completed the acquisitions of Belvedere Square and Provident Square from the subsidiaries of Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited and an independent third party for a consideration of approximately HK\$1,932 million. Subsequent to obtaining unanimous approval from the independent Unitholders present in person or by proxy and voting at the extraordinary general meeting held on 19 January 2012, the transaction was completed on 17 February 2012.

To efficiently utilize Fortune REIT's debt headroom and achieve an optimized financing cost, the acquisition was funded fully by debt, thereby enhancing returns to the Unitholders.

With only a partial contribution during the Reporting Period, the two properties accounted for approximately 11.2% of the revenue increment during the Reporting Period. The valuation of Belvedere Square and Provident Square as at 30 June 2012 were appraised at HK\$1,398 million and HK\$737 million, representing a 7.5% and 8.4% increase from their valuations as at 30 September 2011 respectively.

Capital Management

Total committed loan facilities amounted to HK\$5,200 million as at 30 June 2012. These comprised the existing loan facilities of HK\$3,800 million (the “**2011 Facilities**”) and a new three-year loan facility of HK\$1,400 million (the “**2012 Facilities**”), which was entered into in February 2012. During the Reporting Period, HK\$840 million and HK\$1,100 million were drawn from the 2011 Facilities and 2012 Facilities respectively to fully finance the acquisition costs of the two new properties. As a result, the gearing ratio and aggregate leverage of Fortune REIT rose to 24.5% as at 30 June 2012 (31 December 2011: 18.8%). The gross liability, as a percentage of gross assets of Fortune REIT, was 29.3% as at 30 June 2012 (31 December 2011: 23.6%). The net current liabilities as at 30 June 2012 was HK\$946.6 million mainly as a result of drawdown of the revolving credit facility of the 2011 Facilities to part finance the Acquisitions. There is an option to rollover the said revolving credit facility up until maturity.

Overall, the weighted average debt maturity of the 2011 Facilities and 2012 Facilities was 3.5 years and the debt expiry periods have been further spread out. The two Facilities are secured over Fortune REIT's 13 investment properties, which carried an aggregate fair value of HK\$15,251 million as at 30 June 2012. The Trustee has provided a guarantee for both of the Facilities.

Available liquidity stood at HK\$975 million as at 30 June 2012, comprising committed undrawn facilities of HK\$310 million and cash on hand of HK\$665 million. Fortune REIT possesses sufficient financial resources to satisfy its financial commitments and working capital requirements.



As at 30 June 2012, approximately 58% of Fortune REIT's debt exposure has been hedged to fixed rates through plain vanilla interest rate swaps. After taking into account the interest rate hedging arrangement and the interest savings from the 2011 Facilities, Fortune REIT's weighted average effective cost of borrowing has been brought down by 167 basis points to 2.77% for the Reporting Period (first half of 2011: 4.44%). The Manager will continue to monitor the interest rate movement closely and may, depending on market conditions, consider putting in place additional interest rate swaps.

Net asset value per unit amounted to HK\$8.34 as at 30 June 2012, up 6.2% from HK\$7.85 reported as at the end of 2011, mainly as a result of the increase in valuation of investment properties.

Portfolio Valuation

The valuation of Fortune REIT's 16 retail properties was HK\$19,268 million as appraised by Knight Frank Petty Limited, an independent valuer, as at 30 June 2012. This represents a 17.6% increase from the valuation of HK\$16,388 million as at 31 December 2011. The increase in valuation was contributed by an overall improvement in asset performance and the addition of two new properties. The higher valuation has resulted in a revaluation gain of HK\$932.8 million for the Reporting Period.

Management Discussion and Analysis



Portfolio Highlights

As at 30 June 2012, Fortune REIT owns a geographically diverse portfolio of 16 retail malls and properties in Hong Kong, comprising approximately 2.45 million Sq.ft. of retail space and 1,989 car parking lots.

Property	Gross Rentable Area (Sq. ft.)	Valuation (HK\$ million)	Occupancy	No. of car parking lots
Fortune City One	414,469	5,090	95.7%	658
Ma On Shan Plaza	310,084	3,549	99.7%	290
Metro Town	180,822	2,300	100.0%	74
Fortune Metropolis	332,168	1,763	91.5%	179
Belvedere Square	276,862	1,398	98.6%	329
Waldorf Avenue	80,842	1,215	100.0%	73
Provident Square	180,238	737	99.6%	N.A
Caribbean Square	63,018	707	100.0%	117
Jubilee Square	170,616	502	81.6%	97
Smartland	123,544	495	98.5%	67
Tsing Yi Square	78,836	454	100.0%	27
Nob Hill Square	91,779	374	99.4%	43
Centre de Laguna	43,000	224	100.0%	N.A
Hampton Loft	74,734	215	100.0%	35
Lido Avenue	9,836	143	100.0%	N.A
Rhine Avenue	14,604	102	100.0%	N.A
Total/Overall average	2,445,452	19,268	96.5%	1,989



Operations Review

Fortune REIT's private housing estate retail portfolio has again demonstrated its resilience by delivering a solid asset performance amidst a softening of economic growth. Active leasing management and the completed AEs continued to drive the revenue growth of the portfolio. Portfolio occupancy remained healthy at 96.5% as at 30 June 2012 (30 June 2011: 98.1%), despite frictional vacancies due to on-going AEs at Fortune City One ("**FCO**") and Jubilee Square. A strong rental reversion of 20.6% was recorded for renewals during the Reporting Period, representing a significant improvement from 13.8% for the same period last year. Consequently, passing rent for the original portfolio went up by 11.5% year-on-year.

Operating expenses (excluding manager performance fee) stood at HK\$143.4 million, 22.1% higher from the corresponding period last year. The increase was mainly due to the additional operating expenses for the two new properties as well as some one-off initial costs incurred when taking over the new properties. Meanwhile, cost-to-revenue ratio was contained at a healthy level of 26.7% (first half 2011: 26.3%).

Belvedere Square and Provident Square have seen notable improvement in operations after they were integrated into Fortune REIT's portfolio. Belvedere Square, with an immediate catchment of approximately 30,000 people, had previously been focusing on necessity and service trades. With more than 30% of leases expiring in the rest of 2012, the Manager is actively looking to broaden tenant and trade mix. Since February 2012, various retail shops and a new food and beverage shop have been introduced at Belvedere Square. On the other hand, Provident Square, Fortune REIT's first foray into Hong Kong Island, saw its occupancy significantly boosted to 99.6% as at 30 June 2012 (30 September 2011: 92.3%). These two new properties will continue to present growth opportunities for Fortune REIT.

Asset Enhancement Initiatives

The AEs at Ma On Shan Plaza ("**MOSP**"), the second largest property in the portfolio, were completed at the end of last year with a total capital expenditure of approximately HK\$12 million. The AEs involved the downsizing of a 50,000 sq. ft. Chinese restaurant space, thus opening up a new corridor to allow for more retail and food and beverages offerings. Net property income for MOSP jumped 20.7% year-on-year and the AEs provided an excellent return on investment ("**ROI**") of 73%.

The HK\$100 million project to fully renovate FCO commenced in October 2011. The first phase of the renovation has already been completed and contributed to enhanced rental income during the Reporting Period. The remaining phases of AEs at FCO are progressing well and scheduled for completion by the end of 2012. The Manager remains optimistic of achieving an ROI of at least 15% for the project.

Management Discussion and Analysis



The Manager has embarked on AELs at Jubilee Square to capture the increasing demand within the immediate and expanding catchment area. Taking advantage of the expiry of approximately 40% of leases in the second half of 2012, a repositioning exercise has been developed for the third, sixth and seventh floors to improve tenant mix and bring in more diversified trades. Capital expenditure for the project is estimated to be HK\$15 million with a target ROI of 15%. The AELs are expected to be completed by the first half of 2013.

Outlook

Hong Kong's economy moderated further in the first quarter of 2012. Gross domestic product grew just 0.4% from a year earlier, a notable reduction on the 5% growth in 2011. Nevertheless, the domestic economy has remained robust and resilient, with private consumption expenditure expanding 5.6% year-on-year in the first quarter of 2012. The retail sentiment remained positive, as the total value of retail sales in Hong Kong for the period from January to May 2012 increased by 13.5% compared to the same period last year. Fortune REIT's portfolio of 16 private housing estates retail properties will continue to benefit from the strong retail environment.

The leases that will expire in the second half of 2012 account for 18.2% and 16.7% of the gross rentable area and gross rental income of Fortune REIT's portfolio respectively. The Manager plans to continue to implement effective leasing and tenant repositioning strategies, as well as to execute a number of AELs to drive revenue growth for Fortune REIT's retail properties. In addition, the Manager is looking to create synergies and improve the operating efficiency of the two newly acquired properties going forward.

Fortune REIT's financial position has been diversified and strengthened with the new 2012 Facilities. Refinancing risk has been kept to the minimum in the medium term with no loan facility expiring until 2015. With a low effective interest cost at 2.77%, a debt headroom of approximately HK\$3.0 billion and available funds of HK\$975 million, Fortune REIT's strong and flexible capital structure should continue to bode well for the Manager to capitalise on future acquisition opportunities that reinforce its investment objectives and provide long term benefits to its Unitholders.

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⁽¹⁾ (the “**Singapore Code**”). The Manager is committed to use its best endeavours to apply the principles and, to the extent applicable, comply with the code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”). 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 and the CG Code which are applicable to Fortune REIT and the Manager throughout the Reporting Period.

During the Reporting Period, the Compliance Manual and the Trust Deed were amended to expressly allow, among other things, the use of electronic means and Fortune REIT’s website for corporate communication to Unitholders which comply with Rule 2.07A of the Hong Kong Listing Rules as if they were applicable to the real estate investment trusts authorised by the Securities and Futures Commission. The terms of reference of the board of directors of the Manager (the “**Board**”) in respect of corporate governance functions were stated in the Compliance Manual to comply with the applicable CG Code.

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.

Note:

- (1) The Singapore Code was revised by the Monetary Authority of Singapore on 2 May 2012 and will take effect for Fortune REIT and the Manager from the financial year commencing 1 January 2013.

Corporate Governance



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, safeguard the assets of Fortune REIT and the Manager, maintain adequate accounting records, develop and maintain effective systems of internal control, ensure the integrity of financial statement and investigate reports made pursuant to the Manager's whistle blowing programme. The Audit Committee also, among other things, 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 6 — 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 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 concurrently complied with together 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 Directors’ Information

Subsequent to publication of the Annual Report 2011, the Manager received notifications regarding the following change of Directors’ information during the Reporting Period:

1. Mr. Lim Hwee Chiang ceased to be the Senior Vice President of the Asia Pacific Real Estate Association and Vice President of Hong Kong Singapore Business Association with effect from 31 January 2012 and 15 June 2012 respectively.
2. Mr. Lim Lee Meng ceased to be an independent director and the Chairman of the Audit Committee of Datapulse Technology Limited with effect from 6 January 2012.
3. Mr. Ip Tak Chuen, Edmond ceased to be a non-executive director of Excel Technology International Holdings Limited with effect from 3 July 2012.
4. Ms. Yeung, Eirene has become a member of the Listing Committee of the Main Board and Growth Enterprise Market of the SEHK.

Corporate Governance



5. Ms. Chiu Yu, Justina has been acting as a director of Elveden Enterprises Limited, Maulden Investments Limited, Swinley Investments Limited, Tidmarsh Investments Limited, special purpose vehicles of Fortune REIT, since 19 January 2012 and has been acting as a director of Beachcross Investments Limited, Bysean Limited, Bysky Limited, Caratal Company Limited, Fullforce Limited, Giftmyth Investments Limited, Ling Fung Development Limited, Quebo Limited, Quebostar Limited, Quintoll Investments Limited, Recoup Investments Limited, Wilmington Land Company Limited, special purpose vehicles of Fortune REIT, since 17 February 2012.

Review of Interim Report

The interim report of Fortune REIT for the six months ended 30 June 2012 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 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 30 June 2012	Rental deposit received as at 30 June 2012
			HK\$'000	HK\$'000
AMTD Strategic Capital Limited	Subsidiary of a significant holder ¹	Leasing transactions	3,097	1,643
A.S. Watson Group (HK) Limited	Subsidiary of an associate of a significant holder ²	Leasing and licensing transactions	55,866	419
BIGBOXX.com Limited	Subsidiary of an associate of a significant holder ²	Leasing transactions	696	—
Big Sky Resources Limited	Subsidiary of a significant holder ¹	Licensing transactions	24	9
Cheung Kong Property Development Limited	Subsidiary of a significant holder ¹	Leasing and licensing transactions	13,075	—
Cheung Kong (Holdings) Limited (“Cheung Kong”)	Significant holder	Licensing transactions	483	—
Citybase Property Management Limited	Subsidiary of a significant holder ¹	Leasing transactions	1,785	972
Hutchison Global Communications Limited	Subsidiary of an associate of a significant holder ²	Licensing transactions	423	—
Hutchison International Limited	Subsidiary of an associate of a significant holder ²	Leasing transactions	839	—
Hutchison Telephone Company Limited	Subsidiary of an associate of a significant holder ²	Licensing transactions	2,874	1,013
Towerich Limited	Subsidiary of a significant holder ¹	Licensing transactions	44	24
Total			79,206	4,080

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 2012 HK\$'000
Cayley Property Management Limited	Subsidiary of an associate of a significant holder ²	Property management and operations and carpark lease agency fee	194
Cheung Kong	Significant holder	Back-office support service fee	302
Citybase Property Management Limited	Subsidiary of a significant holder ¹	Property management and operations	405
E-Park Parking Management Limited	Subsidiary of a significant holder ¹	Carpark lease agency fee	1,777
Goodwell-Fortune Property Services Limited	Subsidiary of a significant holder ¹	Property and lease management fee and marketing service fee	20,062
Goodwell Property Management Limited	Subsidiary of a significant holder ¹	Property management and operations	65
Metro Broadcast Corporation Limited	Associated company of a significant holder ¹	Advertising and promotion expenses	168
Whampoa Property Management Limited	Subsidiary of an associate of a significant holder ²	Property management and operations	187
Total			23,160

Notes:

- 1 Significant holder being Cheung Kong.
- 2 The connected parties are the subsidiaries of HWL, an associate of a significant holder of Fortune REIT, namely 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 2012 HK\$'000
ARA Asset Management (Fortune) Limited	Manager	Manager's fee and acquisition fee	58,970
HSBC Institutional Trust Services (Singapore) Limited	Trustee	Trustee's fee	3,164
Knight Frank Petty Limited	Principal valuer	Valuation fee	239
Total			62,373

Connected Party Transactions – Assets Acquisition

On 28 December 2011, Fortune REIT announced a proposed acquisition of Belvedere Square and Provident Square from subsidiaries of HWL and Cheung Kong and an independent third party of Fortune REIT through direct acquisition of portion of the properties and acquisition of the entire share interest in Recoup Investments Limited and 35% share interest in Quebostar Limited (“**Acquisition**”). The Acquisition constituted a major acquisition and a connected party transaction for Fortune REIT.

The Acquisition was unanimously approved by the independent Unitholders present in person or by proxy and voting at the extraordinary general meeting held on 19 January 2012.

The Acquisition was completed on 17 February 2012. The aggregate final purchase consideration was HK\$1,931,779,000 and paid in cash. The amounts paid to subsidiaries of HWL and Cheung Kong and the independent third party were HK\$1,774,183,000, HK\$67,541,000 and HK\$90,055,000 respectively.

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 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 2012 HK\$'000	Rental deposit received as at 30 June 2012 HK\$'000
The Hongkong and Shanghai Banking Corporation Limited (“HSBC”)	Trustee Connected Persons	Leasing and licensing transactions	2,947	636
Hang Seng Bank Limited	Trustee Connected Persons	Leasing and licensing transactions	2,269	2,346
Total			5,216	2,982

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:

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	5,121
A.S. Watson Group (HK) Limited	Subsidiary of an associate of a significant holder ³	Tenancies at Fortune City One, Ma On Shan Plaza, Metro Town, Fortune Metropolis, Belvedere Square, Waldorf Avenue, Provident Square, Caribbean Square, Jubilee Square, Smartland, Tsing Yi Square, Nob Hill Square and Rhine Avenue	84,492
Citybase Property Management Limited	Subsidiary of a significant holder ²	Tenancy at Hampton Loft	2,486
Cheung Kong Property Development Limited	Subsidiary of a significant holder ²	Tenancies at Fortune Metropolis	14,874
Hutchison International Limited	Subsidiary of an associate of a significant holder ³	Tenancy at Belvedere Square	1,216
Hutchison Telephone Company Limited	Subsidiary of an associate of a significant holder ³	Licence at Ma On Shan Plaza	1,647
HSBC	Trustee Connected Persons	Tenancy at Fortune City One	5,400
Hang Seng Bank Limited	Trustee Connected Persons	Tenancy at Fortune City One	4,077
Total			119,313

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 2012 is 1,692,187,125 units.

Holdings of Significant Unitholders and Other Unitholders

As at 30 June 2012, each of the following persons was considered a “significant Unitholder”, and/or “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 ¹	413,074,684	24.41%	—	—
Cheung Kong ¹	—	—	525,630,684	31.06%

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 2012:

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 ^{1,2}	112,556,000	6.65%	—	—
HWL ¹	—	—	112,556,000	6.65%
Schroders Plc ³	—	—	154,912,000	9.15%
The Real Return Group Limited ⁴	—	—	96,488,961	5.70%

Notes:

- 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, which in turn was 49.9% owned by 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 A director of Ballston Profits Limited, Mr. Robin Cheng Khoong Sng is the spouse of Mrs. Sng Sow-Mei.
- 3 Schroders Plc was deemed to be interested in 154,912,000 units of which:
 - (a) 108,993,000 units were held by Schroder Investment Management Limited;
 - (b) 6,654,000 units were held by Schroder Investment Management (Singapore) Limited;
 - (c) 39,244,000 units were held by Schroder Investment Management (Hong Kong) Limited; and
 - (d) 21,000 units were held by Schroder Investment Management North America Limited.
- 4 The Real Return Group Limited was deemed to be interested in 96,488,961 units of which:
 - (a) 94,979,961 units were held by Veritas Asset Management (UK) Ltd; and
 - (b) 1,509,000 units were held by Veritas Asset Management AG.

Interests of the Manager

As at 30 June 2012, the Manager held 4,809,829 units, or approximately 0.28% 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 of Fortune REIT as at 30 June 2012 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
Directors				
Lim Hwee Chiang ¹	—	—	6,909,829	0.41%
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 6,909,829 units of which:
 - (a) 4,809,829 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.

Disclosure of Interests



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 2012.

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 2012 and 31 December 2011:

- a) Schroders Plc was beneficially interested in 154,912,000 units as at 30 June 2012 and 175,116,000 units as at 31 December 2011;
- b) The Manager was beneficially interested in 4,809,829 units as at 30 June 2012 and 3,399,646 units as at 31 December 2011; and
- c) Mr. Lim Hwee Chiang, Director of the Manager, was beneficially interested in 6,909,829 units as at 30 June 2012 and 5,499,646 units as at 31 December 2011.

Other Information



Employees

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

New Units Issued

As at 30 June 2012, the total number of issued units of Fortune REIT was 1,692,187,125. As compared with the position as at 31 December 2011, a total of 11,491,183 new units were issued during the Reporting Period in the following manner:

- On 4 January 2012, 3,321,723 new units were issued to the Manager at the price of HK\$3.7306 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's base fee of approximately HK\$12.4 million payable by Fortune REIT for the period from 1 October 2011 to 31 December 2011.
- On 17 February 2012, 4,809,152 new units were issued to the Manager at the price of HK\$3.9508 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's acquisition fee of HK\$19.0 million payable by Fortune REIT for the acquisition of Belvedere Square and Provident Square.
- On 2 April 2012, 3,360,308 new units were issued to the Manager at the price of HK\$4.0727 per unit (being ascribed in the Trust Deed) as payment in full of the Manager's base fee of approximately HK\$13.7 million payable by Fortune REIT for the period from 1 January 2012 to 31 March 2012.

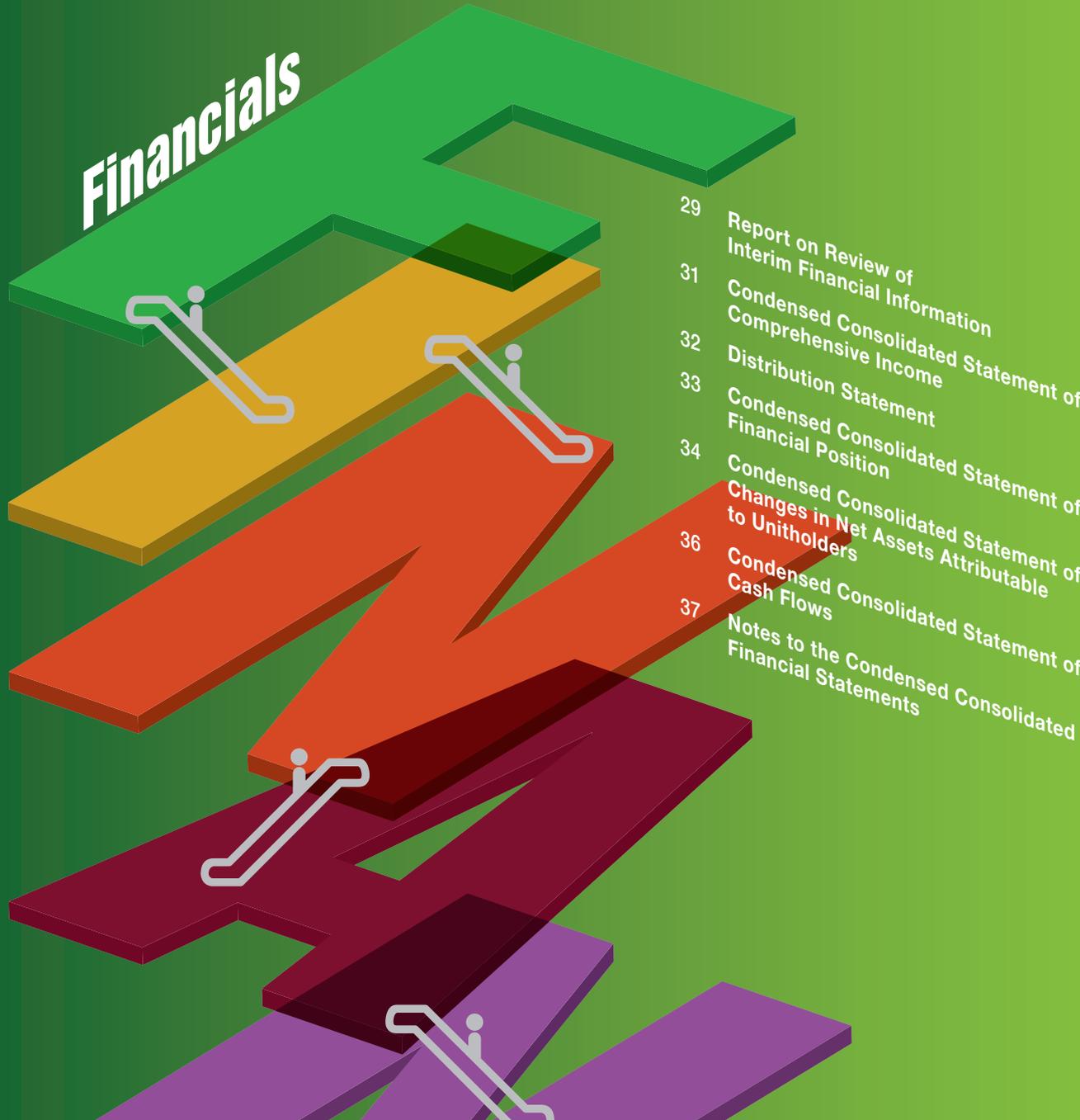
Repurchase, Sale or Redemption of Units

During the Reporting Period, other than the disposal of 10,081,000 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 2012.

Financials



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Report on Review of Interim Financial Information



Deloitte.

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

Introduction

We have reviewed the interim financial information set out on pages 31 to 59, which comprises the condensed consolidated statement of financial position of Fortune Real Estate Investment Trust (“**Fortune REIT**”) as of 30 June 2012 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.



Report on Review of Interim Financial Information (continued)

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

20 July 2012

Condensed Consolidated Statement of Comprehensive Income



For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Revenue	4	537,381	446,837
Property operating expenses	6	(155,272)	(127,310)
Net property income		382,109	319,527
Manager's base fee		(28,097)	(21,572)
Foreign currency exchange (loss)/gain		(11)	100
Interest income		3,614	1,435
Trust expenses	7	(25,336)	(7,313)
Change in fair value of investment properties		932,845	2,381,242
Change in fair value of derivative financial instruments	14	4,101	13,119
Borrowing costs	8	(69,322)	(120,809)
Profit before taxation and transactions with unitholders	9	1,199,903	2,565,729
Income tax expense	10	(54,522)	(41,316)
Profit for the period, before transactions with unitholders		1,145,381	2,524,413
Distributions to unitholders		(268,327)	(214,805)
Profit for the period, after transactions with unitholders		877,054	2,309,608
Other comprehensive income			
Change in fair value of derivative financial instruments under cash flow hedge	14	(17,137)	(52,592)
Total comprehensive income for the period		859,917	2,257,016
Income available for distribution to unitholders		268,327	214,805
Basic earnings per unit (HK cents)	11	67.72	150.62



Distribution Statement

For the six months ended 30 June 2012

	Notes	Six months ended 30 June	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Profit for the period, before transactions with unitholders		1,145,381	2,524,413
Adjustments:			
Manager's base fee		28,097	21,572
Acquisition fee		19,000	—
Change in fair value of investment properties		(932,845)	(2,381,242)
Change in fair value of derivative financial instruments		(4,101)	(13,119)
Front end fees		8,404	58,103
Foreign currency exchange loss/(gain)		11	(100)
Other non-tax deductible trust expenses		4,380	5,178
Income available for distribution	(i)	268,327	214,805
Distribution per unit (HK cents)	(ii)	15.82	12.80

Notes:

- (i) The distribution policy of Fortune Real Estate Investment Trust ("Fortune REIT") is 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 Code on Real Estate Investment Trusts (the "REIT Code") issued by The Securities and Futures Commission of Hong Kong ("SFC") ("Net Profit After Tax"). This distribution policy is in compliance with the relevant regulatory requirements, including the REIT Code.

Net Tax-Exempt Income and Net Profit After Tax for the six months ended 30 June 2012 is HK\$268.3 million (six months ended 30 June 2011: HK\$214.8 million) and HK\$250.2 million (six months ended 30 June 2011: HK\$199.2 million), respectively. Accordingly, the income available for distribution, based on the Net Tax-Exempt Income, of HK\$268.3 million (six months ended 30 June 2011: HK\$214.8 million) would be distributed to unitholders for the six months ended 30 June 2012.

- (ii) The distribution per unit of 15.82 HK cents for the six months ended 30 June 2012 (six months ended 30 June 2011: 12.80 HK cents) is calculated based on the income available for distribution for the period of HK\$268.3 million (six months ended 30 June 2011: HK\$214.8 million) over 1,695,337,503 units (30 June 2011: 1,677,297,276 units), representing issued units as at 30 June 2012 of 1,692,187,125 units (30 June 2011: 1,674,182,145 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 2012 of 3,150,378 units as disclosed in Note 17 (second quarter of 2011: 3,115,131 units).

Condensed Consolidated Statement of Financial Position



As at 30 June 2012

	Notes	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current asset			
Investment properties	12	19,268,000	16,388,000
Current assets			
Trade and other receivables	13	52,212	49,809
Bank balances and cash		664,975	881,721
Total current assets		717,187	931,530
Total assets		19,985,187	17,319,530
Non-current liabilities			
Derivative financial instruments	14	137,855	124,819
Borrowings	15	3,869,035	2,794,231
Deferred tax liabilities		179,762	170,067
Total non-current liabilities		4,186,652	3,089,117
Current liabilities			
Trade and other payables	16	381,335	347,940
Borrowings	15	960,000	420,000
Distribution payable		268,327	227,478
Provision for taxation		54,089	7,225
Total current liabilities		1,663,751	1,002,643
Total liabilities, excluding net assets attributable to unitholders		5,850,403	4,091,760
Net assets attributable to unitholders		14,134,784	13,227,770
Units in issue and to be issued ('000)	17	1,695,337	1,684,018
Net asset value per unit attributable to unitholders (HK\$)	18	8.34	7.85

Condensed Consolidated Statement of Changes in Net Assets Attributable to Unitholders



For the six months ended 30 June 2012

	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 2012 (Audited)	6,391,413	(271,593)	(72,978)	7,180,928	13,227,770
OPERATIONS					
Profit for the period, before transactions with unitholders	—	—	—	1,145,381	1,145,381
Distribution paid and payable of 15.82 HK cents per unit for the six months ended 30 June 2012	—	—	—	(268,327)	(268,327)
Change in fair value of derivative financial instruments under cash flow hedge	—	—	(17,137)	—	(17,137)
Total comprehensive income for the period	—	—	(17,137)	877,054	859,917
UNITHOLDERS' TRANSACTIONS					
Creation of units					
— Acquisition fee	19,000	—	—	—	19,000
— Manager's base fee paid/payable in units	28,097	—	—	—	28,097
Increase in net assets resulting from unitholders' transactions	47,097	—	—	—	47,097
Net assets attributable to unitholders as at 30 June 2012 (Unaudited)	6,438,510	(271,593)	(90,115)	8,057,982	14,134,784



	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
OPERATIONS					
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	—	—	—	(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
UNITHOLDERS' TRANSACTIONS					
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
Net assets attributable to unitholders as at 30 June 2011 (Unaudited)	6,367,158	(271,593)	(53,007)	6,569,718	12,612,276



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	388,043	341,049
Net cash used in investing activities:		
Acquisition of property companies/properties, net of cash (Note 12)	(1,886,731)	—
Withdrawal of fixed deposits	150,000	—
Placement of fixed deposits	—	(120,000)
Other investing cash flows	(40,216)	(5,509)
	(1,776,947)	(125,509)
Net cash from/(used in) financing activities:		
Drawdown of borrowings	1,940,000	121,300
Repayment of borrowings	(300,000)	(79,000)
Distribution to unitholders	(227,342)	(201,929)
Other financing cash flows	(90,500)	(89,575)
	1,322,158	(249,204)
Decrease in cash and cash equivalents	(66,746)	(33,664)
Cash and cash equivalents at beginning of the period	731,721	426,073
Cash and cash equivalents at end of period, represented by bank balances and cash	664,975	392,409
Represented by:		
Cash at bank and in hand	156,225	51,409
Fixed deposits with original maturity date less than 3 months	508,750	341,000
	664,975	392,409

Notes to the Condensed Consolidated Financial Statements



For the six months ended 30 June 2012

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, presently 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.



Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

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 2011 except as described below.

In the current period, the Group has applied the following amendments to International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board:

Amendments to IFRS 7 Disclosures — Transfers of Financial Assets

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The adoption of these amendments had no material impact on disclosure of the Group for the current accounting period.



3 Principal Accounting Policies (continued)

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

Amendments to IFRS	Annual Improvements to IFRSs 2009 — 2011 Cycle ¹
Amendments to IFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities ¹
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures ³
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance ¹
IFRS 9	Financial Instruments ³
IFRS 10	Consolidated Financial Statements ¹
IFRS 11	Joint Arrangements ¹
IFRS 12	Disclosure of Interests in Other Entities ¹
IFRS 13	Fair Value Measurement ¹
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income ²
IAS 19 (Revised 2011)	Employee Benefits ¹
IAS 27 (Revised 2011)	Separate Financial Statements ¹
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures ¹
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities ⁴
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine ¹

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

² Effective for annual periods beginning on or after 1 July 2012

³ Effective for annual periods beginning on or after 1 January 2015

⁴ Effective for annual periods beginning on or after 1 January 2014



Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

3 Principal Accounting Policies (continued)

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Manager anticipates that IFRS 9 will be adopted in the Group's financial statements for the annual period beginning 1 January 2015 but that the application of IFRS 9 may not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures were issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).



3 Principal Accounting Policies (continued)

Key requirements of these Standards that are applicable to the Group are described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation — Special Purpose Entities has been withdrawn upon the issuance of IFRS 10. IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

These standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these standards are applied early at the same time.

The Manager anticipates that these standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. However, the application of these standards may not have significant impact on amounts reported in the consolidated financial statements.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.



Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

3 Principal Accounting Policies (continued)

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Manager anticipates that IFRS 13 will be adopted in the Group's financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

The Manager anticipates that the application of other amendments and interpretations will have no material impact on the consolidated financial statements.

4 Revenue

	Six months ended 30 June	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Base rental	389,716	318,877
Charge-out collections	101,482	86,996
Short term rental	45,051	40,507
Other income	1,132	457
	537,381	446,837



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 16 (30 June 2011: 14) properties as at 30 June 2012 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.

6 Property Operating Expenses

	Six months ended 30 June	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Building management expenses	56,801	45,506
Utilities	18,090	14,205
Government rents and rates	21,282	17,784
Manager's performance fee	11,873	9,882
Property manager fee	12,465	10,257
Carpark operating expenses	6,238	5,098
Advertising and promotion	5,020	4,551
Legal and other professional fees	5,279	6,149
Leasing commission and marketing services fee	9,254	6,934
Others	8,970	6,944
	155,272	127,310



Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

7 Trust Expenses

	Six months ended 30 June	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Trustee's fee	3,164	2,377
Acquisition fee (Note 17(ii))	19,000	—
Others	3,172	4,936
	25,336	7,313

8 Borrowing Costs

	Six months ended 30 June	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Interest expense on		
— term loans	28,109	25,432
— revolving loan	4,975	177
Equalisation of interest expense through cash flow hedge	27,073	21,857
Commitment fee	761	15,240
Front end fees		
— amortisation	8,404	7,485
— written off upon early redemption of term loan	—	50,618
	69,322	120,809



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	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Audit fees	1,447	1,298
Fees to internal auditor	165	171
Valuation fees (paid to principal valuer)	239	227
Bank charges	247	179

10 Income Tax Expense

	Six months ended 30 June	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Current tax:		
— Hong Kong	44,516	34,493
— Singapore	311	241
	44,827	34,734
Deferred taxation	9,695	6,582
	54,522	41,316



Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

10 Income Tax Expense (continued)

Fortune REIT's subsidiaries in Hong Kong are subject to Hong Kong Profits Tax at 16.5% (six months ended 30 June 2011: 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 2011: 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\$1,145.4 million (six months ended 30 June 2011: HK\$2,524.4 million) by the weighted average of 1,691,456,932 (six months ended 30 June 2011: 1,676,058,306) 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.



12 Investment Properties

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Fair value at beginning of the period/year	16,388,000	13,300,000
During the period/year:		
Acquisition of investment properties (Note (i))	1,900,000	—
Stamp duty incurred in relation to acquisition	9,500	—
Capital expenditure incurred	37,655	44,196
Change in fair value of investment properties	932,845	3,043,804
Fair value at end of the period/year	19,268,000	16,388,000

Notes:

- (i) On 17 February 2012, Fortune REIT completed the acquisition of Belvedere Square and Provident Square from subsidiaries of Hutchison Whampoa Limited (“**HWL**”) and Cheung Kong (Holdings) Limited (“**Cheung Kong**”) and an independent third party of Fortune REIT through direct acquisition of investment properties and acquisition of the entire equity interest in Recoup Investments Limited (“**Recoup**”) and 35% equity interest in Quebostar Limited (“**Quebostar**”) for a total cash consideration of HK\$1,900 million with adjustments on the net current assets/liabilities of Recoup and Quebostar as at completion date of the acquisition.

The acquisition of Recoup and Quebostar has been accounted for as acquisition of assets and liabilities as it does not meet the definition of a business combination.



Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

12 Investment Properties (continued)

Notes: (continued)

(i) (continued)

The above acquisition was funded by the drawdown of a new bank borrowing as disclosed in Note 15 and utilisation of the revolving credit facility under the facility agreement dated 11 April 2011. Details of the acquisition are as follows:

	Direct acquisition of investment properties HK\$'000	Acquisition of subsidiaries HK\$'000	Total HK\$'000
Investment properties	714,456	1,185,544	1,900,000
Cash and cash equivalents	—	45,048	45,048
Trade and other receivables	—	8,315	8,315
Trade and other payables	—	(19,057)	(19,057)
Provision for taxation	—	(2,527)	(2,527)
Total consideration, satisfied by cash	714,456	1,217,323	1,931,779
Net cash outflow arising on acquisition			
Cash consideration paid	(714,456)	(1,217,323)	(1,931,779)
Cash and cash equivalents acquired	—	45,048	45,048
	(714,456)	(1,172,275)	(1,886,731)

The amounts paid to subsidiaries of HWL and Cheung Kong and the independent third party were HK\$1,774,183,000, HK\$67,541,000 and HK\$90,055,000, respectively.

- (ii) On 30 June 2012 and 31 December 2011, independent valuations were undertaken by Knight Frank Petty Limited ("**Knight Frank**"). The firm is an independent qualified professional valuer not connected to the Group and has 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.
- (iii) All of the Group's property interests in properties located in Hong Kong are held under medium-term leases which are finance leases 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.
- (iv) At the end of the reporting period, certain properties with total fair value of HK\$15,251.0 million (31 December 2011: HK\$11,654.0 million) have been mortgaged as collaterals for credit facilities granted by the banks.



13 Trade and Other Receivables

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Trade receivables		
Outside Parties	26,431	25,337
Other receivables and prepayments		
Security deposits	21,712	17,456
Other receivables	3,485	6,114
Prepayments	584	902
	25,781	24,472
	52,212	49,809

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 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
1–30 days	26,361	25,251
31–90 days	47	43
Over 90 days	23	43
	26,431	25,337



Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

14 Derivative Financial Instruments

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Cash flow hedges — interest rate swaps	137,855	124,819

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 2011: HK\$614.5 million), HK\$800.5 million (31 December 2011: HK\$800.5 million) and HK\$1,415.0 million (31 December 2011: HK\$1,415.0 million) as at 30 June 2012 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 2011: 2.00% to 2.91%) per annum for the six months ended 30 June 2012 and have floating interest receipts at three months Hong Kong Inter-bank Offered 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\$4.1 million (six months ended 30 June 2011: gain of HK\$13.1 million), is recognised in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2012. The effective portion of the change in fair value of the derivative financial instruments, amounting to a loss of HK\$17.1 million (six months ended 30 June 2011: loss of HK\$52.6 million), is recognised in other comprehensive income for the six months ended 30 June 2012.

The 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.

The fair value of derivative financial liabilities falls under Level 2 of the fair value hierarchy and is measured based on inputs other than quoted prices that are observable either directly or indirectly.



15 Borrowings

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Secured term loans	3,930,000	2,830,000
Secured revolving loans	960,000	420,000
Less: unamortised front end fees	(60,965)	(35,769)
	4,829,035	3,214,231
Carrying amount repayable:		
On demand or within one year	960,000	420,000
More than two years, but not more than five years	3,869,035	2,794,231
	4,829,035	3,214,231
Less: Amount due within one year shown under current liabilities	(960,000)	(420,000)
	3,869,035	2,794,231

- (i) In relation to the term loan of HK\$2,830 million and revolving credit facility of HK\$970 million under the facility agreement dated 11 April 2011 for a term of five years (the “**2011 Facilities**”), the amounts outstanding drawn down by certain subsidiaries as at 30 June 2012 was HK\$3,790 million (31 December 2011: HK\$3,250 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.
- (ii) In relation to the term loan of HK\$1,100 million and revolving credit facility of HK\$300 million under the facility agreement dated 14 February 2012 for a term of three years (the “**2012 Facilities**”), the amounts outstanding drawn down by a subsidiary as at 30 June 2012 was HK\$1,100 million. The 2012 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 2012 Facilities. The 2012 Facilities bear interest at HIBOR plus a margin of 2.00% per annum. The term loan of the 2012 Facilities was used to finance the acquisition of investment properties and subsidiaries as disclosed in Note 12.



Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

15 Borrowings (continued)

- (iii) The Group has paid front end fees of HK\$75.4 million (31 December 2011: HK\$41.8 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 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
At beginning of period/year	41,800	80,600
Addition	33,600	41,800
Reversal during the period/year	—	(80,600)
At end of period/year	75,400	41,800
Movement in accumulated amortisation:		
At beginning of period/year	(6,031)	(24,348)
Reversal during the period/year	—	29,982
Amortised during the period/year	(8,404)	(11,665)
At end of period/year	(14,435)	(6,031)
Net book values	60,965	35,769



16 Trade and Other Payables

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Trade payables		
Tenants' deposits		
– Outside parties	260,123	229,797
– Related parties (Note 22)	7,062	5,398
Rental received in advance – Outside parties	9,110	12,435
	276,295	247,630
Other payables		
Trustee's fee	1,625	938
Other expenses		
– Outside parties	44,705	44,204
– Related parties (Note 22)	45,185	35,147
– Manager (Note 22)	4,071	3,365
Interest payable	5,836	1,818
Others	3,618	14,838
	105,040	100,310
	381,335	347,940

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\$155.0 million (31 December 2011: HK\$145.3 million).



Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

17 Units in Issue and to be Issued

	Number of units '000	HK\$'000
Balance as at 1 January 2011	1,671,600	6,345,586
Issue of new units during the year:		
As payment of Manager's base fee	9,096	33,435
Balance in issue as at 31 December 2011	1,680,696	6,379,021
New units to be issued:		
As payment of Manager's base fee for the period from 1 October to 31 December 2011 (Note (i))	3,322	12,392
Balance as at 1 January 2012	1,684,018	6,391,413
Issue of new units during the period:		
As payment of acquisition fee for the acquisition of Belvedere Square and Provident Square (Note (ii))	4,809	19,000
As payment of Manager's base fee for the period from 1 January to 31 March 2012	3,360	13,686
Balance in issue as at 30 June 2012	1,692,187	6,424,099
New units to be issued:		
As payment of Manager's base fee for the period from 1 April to 30 June 2012 (Note (i))	3,150	14,411
Balance as at 30 June 2012	1,695,337	6,438,510

Notes:

- (i) Manager's base fee payable to the Manager is in the form of units. On 4 July 2012, Fortune REIT issued 3,150,378 units at an issue price of HK\$4.5745 per unit to the Manager as base fee for the period from 1 April 2012 to 30 June 2012. On 4 January 2012, Fortune REIT issued 3,321,723 units at an issue price of HK\$3.7306 to the Manager as base fee for the period from 1 October 2011 to 31 December 2011.
- (ii) On 17 February 2012, Fortune REIT issued 4,809,152 units to the Manager at HK\$3.9508 per unit as acquisition fee for the acquisition of investment properties and subsidiaries as disclosed in Note 12. The acquisition fee was calculated at 1.0% of the consideration paid for the acquired properties of HK\$1,900 million and were paid by way of units.



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\$14,134.8 million (31 December 2011: HK\$13,227.8 million) and the total number of 1,695,337,503 (31 December 2011: 1,684,017,665) 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 2012, the Group's net current liabilities, defined as current assets less current liabilities, amounted to HK\$946.6 million (31 December 2011: HK\$71.1 million).

20 Total Assets Less Current Liabilities

As at 30 June 2012, the Group's total assets less current liabilities amounted to HK\$18,321.4 million (31 December 2011: HK\$16,316.9 million).

21 Capital Commitment

As at 30 June 2012, the Group had the following commitments:

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Capital expenditure in respect of investment properties — contracted but not provided for in the condensed consolidated financial statements	70,613	102,905



Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

22 Connected and Related Party Transactions

During the period, in addition to the acquisition of investment properties and subsidiaries as disclosed in Note 12, the Group also entered into the following transactions with connected and related parties:

		Six months ended 30 June	
	Notes	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Rent and rental related income from			
AMTD Strategic Capital Limited	(a)	3,097	3,097
A.S. Watson Group (HK) Limited	(b)	55,866	43,775
BIGBOXX.com Limited	(b)	696	—
Big Sky Resources Limited	(a)	24	24
Cheung Kong Property Development Limited	(a)	13,075	10,943
Cheung Kong	(c)	483	101
Citybase Property Management Limited	(a)	1,785	2,133
Hang Seng Bank Limited	(d)	2,269	1,618
Hutchison Global Communications Limited	(b)	423	—
Hutchison International Limited	(b)	839	—
Hutchison Telephone Company Limited	(b)	2,874	2,286
Perfect Idea Limited	(a)	—	2,563
The Hongkong and Shanghai Banking Corporation Limited ("HSBC")	(d)	2,947	3,054
Towerich Limited	(a)	44	43
Carpark lease agency fee for the operations of the Group's carpark			
Cayley Property Management Ltd	(b)	51	—
E-Park Parking Management Limited	(a)	1,777	1,343
Property management fee			
Cayley Property Management Ltd	(b)	143	—
Citybase Property Management Limited	(a)	405	383
Goodwell-Fortune Property Services Limited	(a)	11,553	9,777
Goodwell Property Management Limited	(a)	65	61
Whampoa Property Management Limited	(b)	187	—



22 Connected and Related Party Transactions (continued)

		Six months ended 30 June	
	Notes	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Marketing services fee			
Goodwell-Fortune Property Services Limited	(a)	8,509	6,930
Advertising and promotion expenses			
Metro Broadcast Corporation Limited	(e)	168	358
Trustee's fee			
HSBC Institutional Trust Services (Singapore) Limited		3,164	2,377
Manager's acquisition fee			
ARA Asset Management (Fortune) Limited	(f)	19,000	—
Manager's base fee			
ARA Asset Management (Fortune) Limited	(f)	28,097	21,572
Manager's performance fee			
ARA Asset Management (Fortune) Limited	(f)	11,873	9,882
Back-office support service fee			
Cheung Kong	(c)	302	277
Valuation and other fees			
Knight Frank	(g)	239	227



Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2012

22 Connected and Related Party Transactions (continued)

	Notes	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 HK\$'000 (Audited)
Balances with connected and related parties included in trade and other payables are as follows:			
ARA Asset Management (Fortune) Limited	(f)	4,071	3,365
Cayley Property Management Limited	(b)	2,286	—
Citybase Property Management Limited	(a)	9,817	9,485
Citytruth Property Management Limited	(a)	1,025	1,171
E-Park Parking Management Limited	(a)	593	465
Goodwell-Fortune Property Services Limited	(a)	8,283	8,514
Goodwell Property Management Limited	(a)	19,975	15,512
Whampoa Property Management Limited	(b)	3,206	—
		49,256	38,512
Deposits placed with the Group for the lease of the Group's properties			
AMTD Strategic Capital Limited	(a)	1,643	1,643
A.S. Watson Group (HK) Limited	(b)	419	418
Big Sky Resources Limited	(a)	9	9
Citybase Property Management Limited	(a)	972	972
Hang Seng Bank Limited	(d)	2,346	964
HSBC	(d)	636	649
Hutchison Telephone Company Limited	(b)	1,013	720
Towerich Limited	(a)	24	23
		7,062	5,398



22 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 HWL, an associate of Cheung Kong and a unitholder of Fortune REIT.
- (c) The company is the largest unitholder with approximately 31% (31 December 2011: 31%) holding of the outstanding units of Fortune REIT at the end of the reporting period.
- (d) These companies are the fellow subsidiaries of the Trustee.
- (e) The company is an associate of Cheung Kong.
- (f) The company is the Manager of Fortune REIT.
- (g) Knight Frank is the principal valuer of investment properties for the six months ended 30 June 2012 and the year ended 31 December 2011.

In addition, the Trustee (in its capacity as trustee of Fortune REIT) has provided a guarantee for the 2011 Facilities and 2012 Facilities.



Performance Table

	30 June 2012 (Unaudited)	31 December 2011 (Audited)
Net asset attributable to Unitholders (HK\$'000)	14,134,784	13,227,770
Net asset value per unit (HK\$)	8.34	7.85
The highest traded price during the period/year (HK\$)	4.64	4.23
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\$)	3.70	3.19
The highest discount of the traded price to net asset value	55.64%	59.36%
The net yield per unit ²	6.92%	6.97%

Notes:

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 2012 is an annualized yield based on the distribution per unit of 15.82 HK cents for the six months ended 30 June 2012 and the average of the two closing unit prices of HK\$4.56 in Singapore and HK\$4.64 in Hong Kong as at 29 June 2012.

The net yield per unit for the year ended 31 December 2011 is based on the distribution per unit of 26.30 HK cents for the year ended 31 December 2011 and the average of the two closing unit prices of HK\$3.76 in Singapore and HK\$3.79 in Hong Kong as at 30 December 2011.

Portfolio Map & Summary

物業總覽

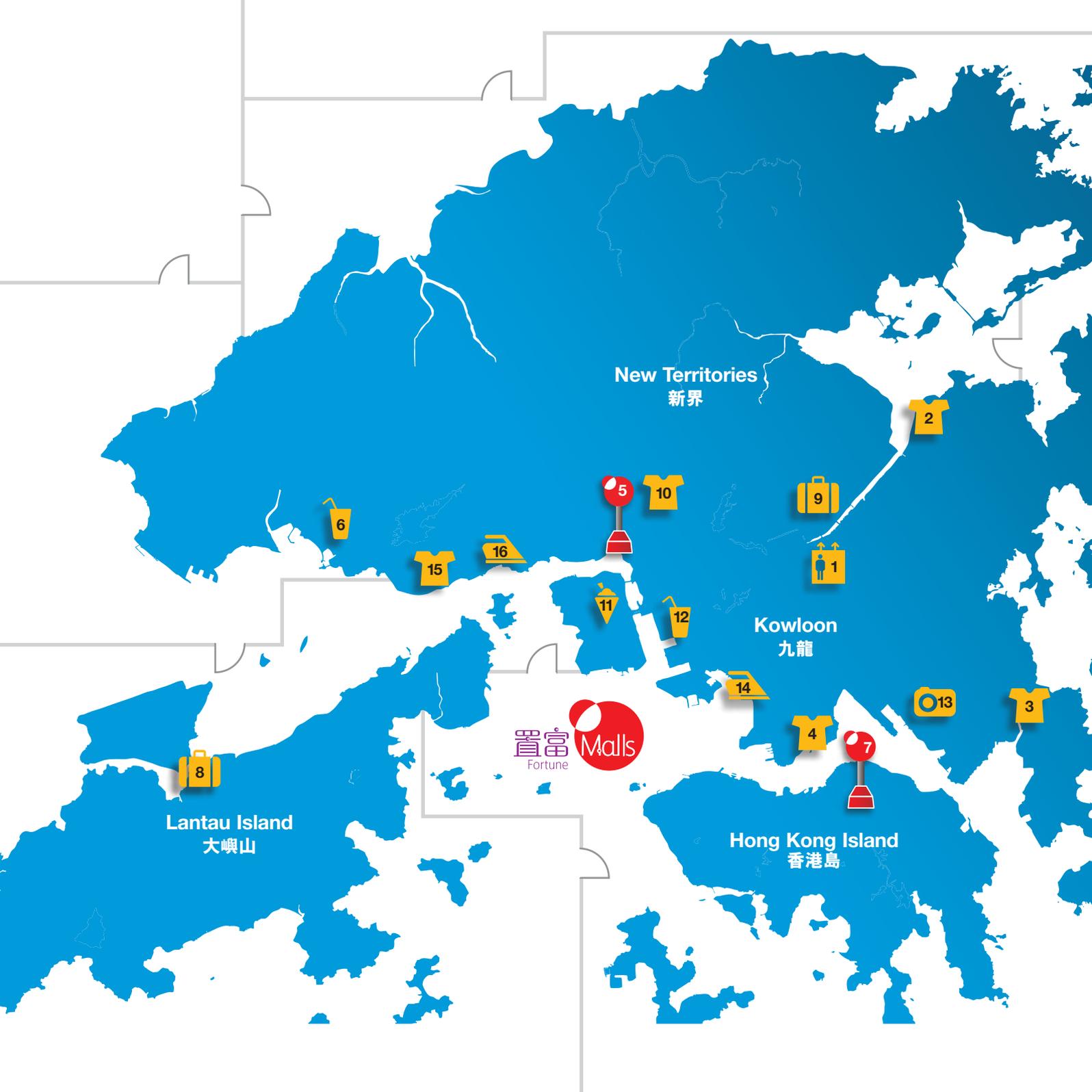


Portfolio Summary 物業總覽

As at 30 June 2012, Fortune REIT owns a geographically diverse portfolio of 16 retail malls and properties in Hong Kong, comprising approximately 2.45 million Sq. ft. of retail space and 1,989 car parking lots.

置富產業信託於 2012 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 16 個零售商場及物業)，其中包括面積約 245 萬平方呎零售樓面及 1,989 個車位。

Property	物業	Gross Rentable Area 可出租總面積	Valuation 估值	Occupancy 出租率	No. of car parking lots 車位數目
		(Sq.ft.) (平方呎)	(HK\$ million) (百萬港元)		
1	Fortune City One 置富第一城	414,469	5,090	95.7%	658
2	Ma On Shan Plaza 馬鞍山廣場	310,084	3,549	99.7%	290
3	Metro Town 都會駅	180,822	2,300	100.0%	74
4	Fortune Metropolis 置富都會	332,168	1,763	91.5%	179
5	Belvedere Square 麗城薈	276,862	1,398	98.6%	329
6	Waldorf Avenue 華都大道	80,842	1,215	100.0%	73
7	Provident Square 和富薈	180,238	737	99.1%	N.A. / 不適用
8	Caribbean Square 映灣薈	63,018	707	100.0%	117
9	Jubilee Square 銀禧薈	170,616	502	81.6%	97
10	Smartland 荃薈	123,544	495	98.5%	67
11	Tsing Yi Square 青怡薈	78,836	454	100.0%	27
12	Nob Hill Square 盈暉薈	91,779	374	99.4%	43
13	Centre de Laguna 城中薈	43,000	224	100.0%	N.A. / 不適用
14	Hampton Loft 凱帆薈	74,734	215	100.0%	35
15	Lido Avenue 麗都大道	9,836	143	100.0%	N.A. / 不適用
16	Rhine Avenue 海韻大道	14,604	102	100.0%	N.A. / 不適用
Total/Overall average 合計 / 總平均值		2,445,452	19,268	96.5%	1,989



New Territories
新界

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Kowloon
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Lantau Island
大嶼山

Hong Kong Island
香港島

Manager 管理人



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