



**Fortune Real Estate Investment Trust
Financial Statements
For the financial period from 1 January 2011 to 30 June 2011**

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

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

Fortune REIT holds a portfolio of fourteen retail properties in Hong Kong, spread across Kowloon and the New Territories, comprising approximately 2.0 million square feet of retail space and 1,660 car parking lots. The retail properties are City One Shatin Property, Ma On Shan Plaza, Metro Town, The Metropolis Mall, Waldorf Garden Property, Caribbean Bazaar, Smartland, Jubilee Court Shopping Centre, Tsing Yi Square Property, The Household Center, Centre de Laguna Property, Hampton Loft, Lido Garden Property and Rhine Garden Property. They house tenants from diverse trade sectors such as supermarkets, food and beverage outlets, banks, real estate agencies, and education providers.

Financial Statements Announcement
For the period from 1 January 2011 to 30 June 2011

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

	HK\$ '000		%	HK\$ '000		%
	Actual 1/4/11 to 30/6/11 ^(a)	Actual 1/4/10 to 30/6/10 ^(a)		Increase/ (Decrease)	Actual 1/1/11 to 30/6/11 ^(a)	
Revenue ^(b)	183,833	165,055	11.4%	359,841	334,899	7.4%
Charge-out collections ^(c)	44,162	39,607	11.5%	86,996	78,910	10.2%
Total revenue	227,995	204,662	11.4%	446,837	413,809	8.0%
Property management fees	(5,246)	(4,705)	11.5%	(10,257)	(9,549)	7.4%
Other property operating expenses ^(d)	(59,366)	(48,974)	21.2%	(107,171)	(92,612)	15.7%
Property operating expenses	(64,612)	(53,679)	20.4%	(117,428)	(102,161)	14.9%
Net property income (before manager's performance fee)	163,383	150,983	8.2%	329,409	311,648	5.7%
Manager's performance fee	(4,901)	(4,529)	8.2%	(9,882)	(9,349)	5.7%
Net property income	158,482	146,454	8.2%	319,527	302,299	5.7%
Change in fair value of properties ^(e)	2,381,242	912,910	160.8%	2,381,242	912,910	160.8%
Change in fair value of financial instruments ^(f)	1,936	(49,581)	103.9%	13,119	(56,230)	123.3%
Profit before borrowing costs	2,541,660	1,009,783	151.7%	2,713,888	1,158,979	134.2%
Borrowing costs	(36,350)	(27,916)	30.2%	(62,706)	(56,303)	11.4%
Profit before tax	2,505,310	981,867	155.2%	2,651,182	1,102,676	140.4%
Hong Kong taxation :						
Current taxation	(16,173)	(15,274)	5.9%	(34,493)	(31,358)	10.0%
Deferred taxation	(3,317)	(3,901)	(15.0%)	(6,582)	(8,516)	(22.7%)
Total Hong Kong taxation	(19,490)	(19,175)	1.6%	(41,075)	(39,874)	3.0%
Net profit of property companies	2,485,820	962,692	158.2%	2,610,107	1,062,802	145.6%
Manager's base fee	(11,734)	(9,290)	26.3%	(21,572)	(17,797)	21.2%
Foreign exchange gain/(loss) ^(g)	84	34	147.1%	100	(62)	261.3%
Non-tax deductible trust expenses ^(h)	(57,096)	(7,043)	710.7%	(63,281)	(43,939)	44.0%
Tax deductible trust expenses	(1,254)	(1,165)	7.6%	(2,135)	(1,810)	18.0%
Non tax-exempt income ⁽ⁱ⁾	767	198	287.4%	1,435	311	361.4%
Singapore taxation	(128)	(33)	287.9%	(241)	(52)	363.5%
Total trust expenses	(69,361)	(17,299)	301.0%	(85,694)	(63,349)	35.3%
Net profit of Group, before transactions with unitholders	2,416,459	945,393	155.6%	2,524,413	999,453	152.6%
Distributions to unitholders ^(j)	(102,027)	(98,363)	3.7%	(214,805)	(204,571)	5.0%
Net profit of Group, after transactions with unitholders	2,314,432	847,030	173.2%	2,309,608	794,882	190.6%
Net profit of Group, before transactions with unitholders	2,416,459	945,393	155.6%	2,524,413	999,453	152.6%
Add/(Less):						
Manager's base fee	11,734	9,290	26.3%	21,572	17,797	21.2%
Foreign exchange (gain)/loss ^(g)	(84)	(34)	147.1%	(100)	62	261.3%
Non-tax deductible trust expenses ^(h)	57,096	7,043	710.7%	63,281	43,939	44.0%
Change in fair value of financial instruments ^(f)	(1,936)	49,581	103.9%	(13,119)	56,230	123.3%
Change in fair value of properties ^(e)	(2,381,242)	(912,910)	160.8%	(2,381,242)	(912,910)	160.8%
Income available for distribution⁽ⁱ⁾	102,027	98,363	3.7%	214,805	204,571	5.0%

Footnotes:

- (a) *The Group's financial information incorporates the financial statements of the Trust and the 14 Property Companies.*
- (b) *Revenue includes rental income, car park income, license income, atrium income and others.*
- (c) *Charge-out collections consist of expenses related to the operation of the properties that are payable by tenants and licensees and these expenses include air conditioning charges, management fees, promotional charges, government rents, utility charges, cleaning charges and government rates.*
- (d) *There was no allowance for doubtful debt in other property operating expenses for the period 1 January 2011 to 30 June 2011 (2010:HK\$0.003 million).*
- (e) *On 30 June 2011, an independent valuation was undertaken by Knight Frank Petty Limited. The firm is an independent valuer having appropriate professional qualifications and experiences in the location and category of the properties being valued. The valuations for the fourteen properties were based on a combination of the Investment Method and Direct Comparison Method. The valuations adopted amounted to HK\$15,688 million (31 December 2010: HK\$13,300 million).*
- (f) *The amount relates to the gain/loss arising from the re-measurement of the plain vanilla interest rate swaps which were not designated for hedge accounting as at 30 June 2011.*
- (g) *Foreign exchange gain/loss represents realised and unrealised foreign exchange differences. The unrealised exchange difference arose from translation of monetary assets and liabilities denominated in foreign currencies into Hong Kong dollars at rates of exchange ruling at the end of the reporting period. The realised exchange difference arose from the settlement of foreign currencies payables at the transaction dates. All exchange differences are included in the statement of comprehensive income.*
- (h) *Included in the non-tax deductible trust expenses for the period 1 January 2011 to 30 June 2011 is a one-time write-off of unamortized debt front end fee of HK\$50.6 million relating to the previous term loan and revolving credit facility of HK\$3,100 million before the refinancing. Included in the non-tax deductible trust expenses for the period 1 January 2010 to 30 June 2010 was a provision of HK\$30.0 million for the cost of the dual primary listing on The Stock Exchange of Hong Kong Limited.*
- (i) *Non tax-exempt income refers mainly to interest income from fixed deposits.*
- (j) *The amount of distribution to unitholders has been accrued as distribution payable in the Statement of Financial Position.*
- (k) *Fortune REIT's distribution policy is to distribute to unitholders on a semi-annual basis, the higher of (i)100% of its tax-exempt income (except dividends paid out of interest income and gains, if any, which are distributable at the discretion of the Manager) after deduction of applicable expenses ("Net Tax-Exempt Income"); and (ii) 90% of consolidated net profit after tax (before transactions with unitholders) for the relevant financial period adjusted to eliminate the effects of certain adjustments in the Code on Real Estate Investment Trust (the "REIT Code").*
- (l) *There is no investment income, write-off for stock obsolescence, impairment in the value of investments, profit on sale of investments, properties or plant and equipment, exceptional and extraordinary items during the financial period and the previous corresponding financial period.*

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

	HK\$ '000		%	HK\$ '000		%
	Actual 1/4/11 to 30/6/11	Actual 1/4/10 to 30/6/10	Increase/ (Decrease)	Actual 1/1/11 to 30/6/11	Actual 1/1/10 to 30/6/10	Increase/ (Decrease)
Net profit of Group, after transactions with unitholders	2,314,432	847,030	173.2%	2,309,608	794,882	190.6%
Other comprehensive (loss)/income:						
Cash flow hedge ^(a)	(52,592)	31,563	(266.6%)	(52,592)	27,097	(294.1%)
Total comprehensive income	2,261,840	878,593	157.4%	2,257,016	821,979	174.6%

Footnote:

(a) There is no tax effect relating to the component of the other comprehensive income.

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

	Trust		Group ^(a)	
	HK\$ '000		HK\$ '000	
	Actual 30/6/11	Actual 31/12/10	Actual 30/6/11	Actual 31/12/10
Current assets				
Cash and bank balances	423,856	457,756	592,409	506,073
Trade and other receivables	43,501	58,419	50,684	63,241
Total current assets	467,357	516,175	643,093	569,314
Non-current assets				
Investment in property companies	5,470,134	5,470,134	-	-
Investment properties ^(b)	-	-	15,688,000	13,300,000
Total non-current assets	5,470,134	5,470,134	15,688,000	13,300,000
Total assets	5,937,491	5,986,309	16,331,093	13,869,314
Current liabilities				
Trade and other payables	7,389	5,907	300,907	269,747
Distribution payable ^(c)	214,805	201,995	214,805	201,995
Borrowings	-	-	120,000	79,000
Provision for taxation	1,313	1,244	43,540	8,977
Total current liabilities	223,507	209,146	679,252	559,719
Non-current liabilities				
Borrowings	-	-	2,790,051	2,772,448
Deferred tax liabilities	-	-	154,747	148,165
Derivative liabilities ^(d)	-	-	94,767	55,294
Total non-current liabilities	-	-	3,039,565	2,975,907
Total liabilities	223,507	209,146	3,718,817	3,535,626
Net assets attributable to unitholders	5,713,984	5,777,163	12,612,276	10,333,688

Financial Statements Announcement
For the period from 1 January 2011 to 30 June 2011

Footnotes:

- (a) The Group's financial information incorporates the financial statements of the Trust and the 14 Property Companies.
- (b) Investment properties are stated at valuation based on an independent professional valuation carried out by Knight Frank Petty Limited, the independent valuer on 30 June 2011. During the period, minor capital costs were incurred and included in the investment properties value.
- (c) Distribution payable is the amount of income available for distribution accrued from 1 January 2011 to 30 June 2011. This is to comply with the REIT Code after the dual primary listing in Hong Kong, and for Fortune REIT's distribution policy please refer to footnote (k) of section 1(a)(i).
- (d) The derivative liabilities relate to the fair value of the plain vanilla interest rate swaps transacted to hedge the interest rate risk on the term loan.

1 (b)(ii) Aggregate amount of borrowings

As at 30/6/11

Amount repayable in one year or less, or on demand
 Amount repayable after one year

Secured ^(a)	Unsecured
HK\$ '000	HK\$ '000
120,000	-
2,790,051	-
2,910,051	-

As at 31/12/10

Amount repayable in one year or less, or on demand
 Amount repayable after one year

Secured ^(a)	Unsecured
HK\$ '000	HK\$ '000
79,000	-
2,772,448	-
2,851,448	-

Footnote:

- (a) Fortune REIT has in place a term loan and revolving credit facility of a total of HK\$3,800.0 million. As at 30 June 2011, HK\$2,950.0 million had been drawdown (31 December 2010: HK\$2,907.7 million).

Included in the amount repayable after one year is an unamortized debt front end fee of HK\$39.9 million (31 December 2010: HK\$56.3 million). The total debt front end fee of HK\$41.8 million paid in April 2011 was financed by internal resources of Fortune REIT. The Facility is secured by, inter alia, a mortgage over City One Shatin Property, Ma On Shan Plaza, The Metropolis Mall, Smartland, Tsing Yi Square Property, The Household Center, Centre de Laguna Property, Lido Garden Property and Rhine Garden Property.

1 (c) Statement of cash flows

	Group		Group	
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
	Actual 1/4/11 to 30/6/11	Actual 1/4/10 to 30/6/10	Actual 1/1/11 to 30/6/11	Actual 1/1/10 to 30/6/10
Operating Activities				
Profit before taxation	2,436,077	964,601	2,565,729	1,039,379
Adjustments for:				
Change in fair value of properties	(2,381,242)	(912,910)	(2,381,242)	(912,910)
Change in fair value of financial instruments	(1,936)	49,581	(13,119)	56,230
Debt front end fee	53,066	6,043	58,103	12,087
Depreciation	-	19	-	38
Allowance for doubtful debts	-	3	-	3
Base fee paid in units	11,734	9,290	21,572	17,797
Interest income	(767)	(198)	(1,435)	(311)
Borrowing costs	36,350	27,916	62,706	56,303
Operating profit before changes in working capital	153,282	144,345	312,314	268,616
Decrease/(Increase) in trade and other receivables	10,839	(14,164)	12,743	(11,362)
Increase/(Decrease) in trade and other payables	5,741	(10,500)	16,163	4,522
Cash generated from operating activities	169,862	119,681	341,220	261,776
Income taxes paid	(171)	(12)	(171)	(1,383)
Cash flow from operating activities	169,691	119,669	341,049	260,393
Investing Activities				
Increase in fixed deposits	(50,000)	-	(120,000)	-
Upgrading of investment properties	(2,006)	(3,160)	(6,758)	(8,090)
Interest received	1,249	198	1,249	311
Cash flow used in investing activities	(50,757)	(2,962)	(125,509)	(7,779)
Financing Activities				
Distribution paid	-	-	(201,929)	(176,129)
Repayment of borrowings	-	-	(79,000)	(36,000)
Drawdown of borrowings	121,300	15,000	121,300	15,000
Payment of debt front end fee	(41,800)	-	(41,800)	-
Borrowing costs paid	(21,630)	(27,916)	(47,775)	(56,303)
Cash flow from/(used) in financing activities	57,870	(12,916)	(249,204)	(253,432)
Net increase/(decrease) in cash and cash equivalents	176,804	103,791	(33,664)	(818)
Cash and cash equivalents at beginning of the period	215,605	410,732	426,073	515,341
Cash and cash equivalents at end of period^(a)	392,409	514,523	392,409	514,523

Footnote:

(a) Cash and cash equivalents as at 30 June 2011 excluded HK\$200.0 million fixed deposits with maturity date more than 3 months.

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

	Actual				
	Issued Units	Unit issue costs	Hedging reserve	Retained profits	Net
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Statement for the second quarter FY2011					
Group					
Balance as at 1 April 2011	6,355,424	(271,593)	(415)	4,255,286	10,338,702
Total comprehensive (loss)/income	-	-	(52,592)	2,314,432	2,261,840
Unitholders' transactions					
Creation of units					
-management fee paid/payable in units	11,734	-	-	-	11,734
Increase in net assets resulting from Unitholders' transactions	11,734	-	-	-	11,734
Balance as at 30 June 2011	6,367,158	(271,593)	(53,007)	6,569,718	12,612,276
Balance as at 1 April 2010					
Balance as at 1 April 2010	6,316,847	(271,593)	(31,978)	2,595,150	8,608,426
Total comprehensive income	-	-	31,563	847,030	878,593
Unitholders' transactions					
Creation of units					
-management fee paid/payable in units	9,290	-	-	-	9,290
Increase in net assets resulting from Unitholders' transactions	9,290	-	-	-	9,290
Balance as at 30 June 2010	6,326,137	(271,593)	(415)	3,442,180	9,496,309

	Actual				
	Issued Units	Unit issue costs	Hedging reserve	Retained profits	Net
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Statement for the first half FY2011					
Group					
Balance as at 1 January 2011	6,345,586	(271,593)	(415)	4,260,110	10,333,688
Total comprehensive (loss)/income	-	-	(52,592)	2,309,608	2,257,016
Unitholders' transactions					
Creation of units					
-management fee paid/payable in units	21,572	-	-	-	21,572
Distribution paid to Unitholders	-	-	-	-	-
Increase in net assets resulting from Unitholders' transactions	21,572	-	-	-	21,572
Balance as at 30 June 2011	6,367,158	(271,593)	(53,007)	6,569,718	12,612,276
Balance as at 1 January 2010					
Balance as at 1 January 2010	6,308,340	(271,593)	(27,512)	2,823,427	8,832,662
Total comprehensive income	-	-	27,097	794,882	821,979
Unitholders' transactions					
Creation of units					
-management fee paid/payable in units	17,797	-	-	-	17,797
Distribution paid to Unitholders	-	-	-	(176,129)	(176,129)
Increase (Decrease) in net assets resulting from Unitholders' transactions	17,797	-	-	(176,129)	(158,332)
Balance as at 30 June 2010	6,326,137	(271,593)	(415)	3,442,180	9,496,309

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Statement for the second quarter FY2011

Trust

Balance as at 1 April 2011

Total comprehensive income

Unitholders' transactions

Creation of units

-management fee paid/payable in units

Increase in net assets resulting from

Unitholders' transactions

Balance as at 30 June 2011

Balance as at 1 April 2010

Total comprehensive income

Unitholders' transactions

Creation of units

-management fee paid/payable in units

Increase in net assets resulting from

Unitholders' transactions

Balance as at 30 June 2010

Actual			
Issued Units	Unit issue costs	Retained profits	Net
HK\$'000	HK\$'000	HK\$'000	HK\$'000
6,355,424	(271,593)	(425,941)	5,657,890
-	-	44,360	44,360
11,734	-	-	11,734
11,734	-	-	11,734
6,367,158	(271,593)	(381,581)	5,713,984
6,316,847	(271,593)	(355,841)	5,689,413
-	-	90,507	90,507
9,290	-	-	9,290
9,290	-	-	9,290
6,326,137	(271,593)	(265,334)	5,789,210

Statement for the first half FY2011

Trust

Balance as at 1 January 2011

Total comprehensive loss

Unitholders' transactions

Creation of units

-management fee paid/payable in units

Distribution paid to Unitholders

Increase in net assets resulting from

Unitholders' transactions

Balance as at 30 June 2011

Balance as at 1 January 2010

Total comprehensive loss

Unitholders' transactions

Creation of units

-management fee paid/payable in units

Distribution paid to Unitholders

Increase (Decrease) in net assets resulting from

Unitholders' transactions

Balance as at 30 June 2010

Actual			
Issued Units	Unit issue costs	Retained profits	Net
HK\$'000	HK\$'000	HK\$'000	HK\$'000
6,345,586	(271,593)	(296,830)	5,777,163
-	-	(84,751)	(84,751)
21,572	-	-	21,572
-	-	-	-
21,572	-	-	21,572
6,367,158	(271,593)	(381,581)	5,713,984
6,308,340	(271,593)	(27,454)	6,009,293
-	-	(61,751)	(61,751)
17,797	-	-	17,797
-	-	(176,129)	(176,129)
17,797	-	(176,129)	(158,332)
6,326,137	(271,593)	(265,334)	5,789,210

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

<u>Date</u>	<u>Units Issued</u>	<u>Purpose</u>
As at 1 April 2011	1,671,599,900	Total units since the end of previous financial period
4 April 2011	2,582,245	As payment of management fee for the period from 1 January 2011 to 31 March 2011
As at 30 June 2011	<u>1,674,182,145</u>	
5 July 2011 ^(a)	3,115,131	As payment of management fee for the period from 1 April 2011 to 30 June 2011
Deemed units as at 30 June 2011	<u>1,677,297,276</u>	

The total number of issued units as at the end of the immediately preceding year (31 December 2010) was 1,669,032,247.

Footnote:

(a) On 5 July 2011, there was an additional 3,115,131 units issued to the Manager as payment of management fee for the period from 1 April 2011 to 30 June 2011.

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

The figures have not been audited but have been reviewed by the auditors in accordance with International Standard on Review Engagement 2410.

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

Please see attached review report.

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

The same accounting policies and methods of computation were followed during the current financial period as compared with those contained in the audited financial statements for the year ended 31 December 2010.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Not applicable.

6. Earnings per unit and Distribution per unit for the financial period

Period from 1 January 2011 to 30 June 2011	Actual 1/4/11 to 30/6/11 HK cents	Actual 1/4/10 to 30/6/10 HK cents	Actual 1/1/11 to 30/6/11 HK cents	Actual 1/1/10 to 30/6/10 HK cents
Earnings per unit for the period based on the weighted average number of units in issue, before transactions with unitholders	144.17	56.76	150.62	60.01
Weighted average number of units in issue (million)	1,676.1	1,665.5	1,676.1	1,665.5
Distribution per unit for the period	6.07	5.89	12.80	12.27
Total number of deemed units in issue (million)	1,677.3	1,666.6	1,677.3	1,666.6

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

	Actual 30/6/11 HK\$	Actual 31/12/10 HK\$
Net asset value per unit ^(a)	7.52	6.18

Footnote:

(a) Net asset value per unit is calculated based on net assets of the Group over the total number of deemed units in issue of 1,677,297,276. The increase in net asset value per unit was mainly due to the increase in the fair value of the investment properties.

8. Review of performance

Income Statement	HK\$ '000		%	HK\$ '000		%
	Actual 1/4/11 to 30/6/11	Actual 1/4/10 to 30/6/10	Increase	Actual 1/1/11 to 30/6/11	Actual 1/1/10 to 30/6/10	Increase
Total revenue	227,995	204,662	11.4%	446,837	413,809	8.0%
Net property income	158,482	146,454	8.2%	319,527	302,299	5.7%
Income available for distribution	102,027	98,363	3.7%	214,805	204,571	5.0%

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 payment date for the interim distribution will be on Monday, 29 August 2011.

Capital Management

Fortune REIT’s financial position was significantly strengthened during the Reporting Period. Capitalising on the 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.

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 AElS effectively across the Fortune REIT portfolio to unlock the full potential of the properties. The AElS 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 AElS. Notably, the AElS 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 AElS 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.

Additional Quarterly Review

Revenue and net property income for the second quarter of 2011 rose 11.4% and 8.2% year-on-year to HK\$228.0 million and HK\$158.5 million respectively. The improvement in financial performance compared to the second quarter of 2010 is mainly attributed to the increase in occupancies and rental rates for the portfolio. Borrowing costs for the second quarter of 2011 was HK\$36.4 million. The increased borrowing costs is due to the one-time write-off of unamortized commitment fee of HK\$12.9 million arising from the early repayment of the previous facilities in April 2011. Income available for distribution was HK\$102.0 million, 3.7% higher than the corresponding period last year.

9. Variance between actual and the forecast results for the period from 1 January 2011 to 30 June 2011

Not applicable.

10. Commentary on the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Hong Kong's economy 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.

11. Distributions

(a) Current financial period

Any distribution declared for the current period?	Yes
Name of distribution	Interim distribution for the period from 1 January 2011 to 30 June 2011
Distribution Type	Tax-exempt income
Distribution Rate	12.80 Hong Kong cents per unit
Par value of units	NM
Tax Rate	These distributions are made out of Fortune REIT's tax exempt income. Unitholders receiving distributions will not be assessable to Singapore income tax on the distributions received.

(b) Corresponding period of the immediate preceding financial year

Any distribution declared for the current period?	Yes
Name of distribution	Interim distribution for the period from 1 January 2010 to 30 June 2010
Distribution Type	Tax-exempt income
Distribution Rate	12.27 Hong Kong cents per unit
Par value of units	NM
Tax Rate	These distributions are made out of Fortune REIT's tax exempt income. Unitholders receiving distributions will not be assessable to Singapore income tax on the distributions received.

(c) Date Payable 29 August 2011

(d) Book Closure Date 5 August 2011

Footnote:

NM - Not meaningful

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

Not applicable.

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

To the best of our knowledge, nothing has come to the attention of the Board of Directors of the manager of Fortune Real Estate Investment Trust (the "Manager") which may render the unaudited interim financial results of the Group and the Trust (comprising the statement of financial position, statement of comprehensive income, statement of changes in net assets attributable to unitholders and consolidated statement of cash flows, together with their accompanying notes) as at 30 June 2011 and the results of the business, changes in net assets attributable to unitholders and cash flows of the Group for the 6 months ended on that date, to be false or misleading in any material respect.

On behalf of the Board of the Manager,

Ang Meng Huat, Anthony
Director

Chiu Yu, Justina
Director

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

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

Ang Meng Huat, Anthony
Director

22 July 2011



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Attention: Mr Anthony Ang/ Ms Justina Chiu

Dear Sirs

We have reviewed the accompanying interim financial information of Fortune Real Estate Investment Trust ("Fortune REIT") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and Fortune REIT as of June 30, 2011, and the statements of changes in unitholders' funds of the Group and of Fortune REIT and the statement of comprehensive income and statement of cash flows of the Group for the six-month period then ended and other explanatory notes.

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

Scope of Review

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

Conclusion

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

Yours faithfully

Deloitte & Touche LLP

Public Accountants and
Certified Public Accountants
Singapore

22 July 2011