



**Fortune Real Estate Investment Trust
Financial Statements
For the financial period from 1 January 2012 to 30 September 2012**

These figures have not been audited nor 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 sixteen retail properties in Hong Kong, comprising approximately 2.45 million square feet of retail space and 1,989 car parking lots. The retail properties are 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, Centre de Laguna, Hampton Loft, Lido Avenue and Rhine Avenue. They house tenants from diverse trade sectors such as supermarkets, food and beverage outlets, banks, real estate agencies, and education providers.

Financial Statements Announcement
For the period from 1 January 2012 to 30 September 2012

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 1/7/12 to 30/9/12 ^(a)	Actual 1/7/11 to 30/9/11 ^(a)		Increase/ (Decrease)	Actual 1/1/12 to 30/9/12 ^(a)	
Revenue ^(b)	231,450	188,408	22.8%	667,349	548,249	21.7%
Charge-out collections ^(c)	53,278	43,744	21.8%	154,760	130,740	18.4%
Total revenue	284,728	232,152	22.6%	822,109	678,989	21.1%
Property management fees	(6,585)	(5,380)	22.4%	(19,050)	(15,637)	21.8%
Other property operating expenses	(72,682)	(59,604)	21.9%	(203,616)	(166,775)	22.1%
Property operating expenses	(79,267)	(64,984)	22.0%	(222,666)	(182,412)	22.1%
Net property income (before manager's performance fee)	205,461	167,168	22.9%	599,443	496,577	20.7%
Manager's performance fee	(6,183)	(5,015)	23.3%	(18,056)	(14,897)	21.2%
Net property income	199,278	162,153	22.9%	581,387	481,680	20.7%
Interest Income	665	-	NM	2,437	-	NM
Net property income after interest income	199,943	162,153	23.3%	583,824	481,680	21.2%
Change in fair value of properties ^(d)	-	-	NM	932,845	2,381,242	(60.8%)
Change in fair value of financial instruments ^(e)	(7,340)	-	NM	(3,239)	13,119	(124.7%)
Profit before borrowing costs	192,603	162,153	18.8%	1,513,430	2,876,041	(47.4%)
Borrowing costs	(33,715)	(24,095)	39.9%	(94,633)	(86,801)	9.0%
Profit before tax	158,888	138,058	15.1%	1,418,797	2,789,240	(49.1%)
Hong Kong taxation :						
Current taxation	(21,278)	(18,319)	16.2%	(65,794)	(52,812)	24.6%
Deferred taxation	(6,042)	(7,016)	(13.9%)	(15,737)	(13,598)	15.7%
Total Hong Kong taxation	(27,320)	(25,335)	7.8%	(81,531)	(66,410)	22.8%
Net profit of property companies	131,568	112,723	16.7%	1,337,266	2,722,830	(50.9%)
Manager's base fee	(14,570)	(11,863)	22.8%	(42,667)	(33,435)	27.6%
Foreign exchange gain/(loss) ^(f)	169	(51)	431.4%	158	49	222.4%
Non-tax deductible trust expenses ^(g)	(6,589)	(3,474)	89.7%	(38,373)	(66,755)	(42.5%)
Tax deductible trust expenses	(944)	(1,046)	(9.8%)	(2,900)	(3,181)	(8.8%)
Non tax-exempt income ^(h)	837	796	5.2%	2,679	2,231	20.1%
Singapore taxation	(140)	(137)	2.2%	(451)	(378)	19.3%
Total trust expenses	(21,237)	(15,775)	34.6%	(81,554)	(101,469)	(19.6%)
Net profit of the Group, before transactions with unitholders	110,331	96,948	13.8%	1,255,712	2,621,361	(52.1%)
Distributions to unitholders ⁽ⁱ⁾	(138,661)	(112,336)	23.4%	(406,988)	(327,141)	24.4%
Net (loss)/profit of the Group, after transactions with unitholders	(28,330)	(15,388)	84.1%	848,724	2,294,220	(63.0%)
Net profit of the Group, before transactions with unitholders	110,331	96,948	13.8%	1,255,712	2,621,361	(52.1%)
Add/(Less):						
Manager's base fee	14,570	11,863	22.8%	42,667	33,435	27.6%
Foreign exchange (gain)/loss ^(f)	(169)	51	431.4%	(158)	(49)	222.4%
Non-tax deductible trust expenses ^(g)	6,589	3,474	89.7%	38,373	66,755	(42.5%)
Change in fair value of financial instruments ^(e)	7,340	-	NM	3,239	(13,119)	(124.7%)
Change in fair value of properties ^(d)	-	-	NM	(932,845)	(2,381,242)	(60.8%)
Income available for distribution^(j)	138,661	112,336	23.4%	406,988	327,141	24.4%

Footnotes:

- (a) *The Group's financial information incorporates the financial statements of the Trust and the Property Companies.*
- (b) *Revenue includes rental income, car park income, license income, atrium income and others.*
- (c) *Charge-out collections consist of expenses related to the operation of the properties that are payable by tenants and licensees and these expenses include air conditioning charges, management fees, promotional charges, government rents, utility charges, cleaning charges and government rates.*
- (d) *On 30 June 2012, 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 sixteen properties were based on a combination of the Investment Method and Direct Comparison Method. The valuations adopted amounted to HK\$19,268 million (31 December 2011: HK\$16,388 million).*
- (e) *The amount relates to the loss arising from the re-measurement of the plain vanilla interest rate swaps which were not designated for hedge accounting as at 30 September 2012.*
- (f) *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.*
- (g) *Included in the non-tax deductible trust expenses for the period 1 January 2012 to 30 September 2012 is an acquisition fee of HK\$19.0 million paid in the form of units to the Manager for the acquisition of Belvedere Square and Provident Square. Included in the non-tax deductible trust expenses for the period 1 January 2011 to 30 September 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.*
- (h) *Non tax-exempt income refers mainly to interest income from fixed deposits.*
- (i) *The amount of distribution to unitholders has been accrued as distribution payable in the Statement of Financial Position.*
- (j) *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").*
- (k) *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 1/7/12 to 30/9/12	Actual 1/7/11 to 30/9/11	Increase/ (Decrease)	Actual 1/1/12 to 30/9/12	Actual 1/1/11 to 30/9/11	Increase/ (Decrease)
Net (loss)/profit of the Group, after transactions with unitholders	(28,330)	(15,388)	84.1%	848,724	2,294,220	(63.0%)
Other comprehensive loss:						
Cash flow hedge	(2,647)	(36,096)	(92.7%)	(19,784)	(88,688)	(77.7%)
Total comprehensive (loss)/income	(30,977)	(51,484)	(39.8%)	828,940	2,205,532	(62.4%)

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

	Trust HK\$ '000		Group ^(a) HK\$ '000	
	Actual 30/9/12	Actual 31/12/11	Actual 30/9/12	Actual 31/12/11
Current assets				
Cash and bank balances	158,065	434,237	522,850	881,721
Trade and other receivables	58,408	39,615	57,819	49,809
Total current assets	216,473	473,852	580,669	931,530
Non-current assets				
Investment in property companies	5,470,134	5,470,134	-	-
Investment properties ^(b)	-	-	19,315,856	16,388,000
Total non-current assets	5,470,134	5,470,134	19,315,856	16,388,000
Total assets	5,686,607	5,943,986	19,896,525	17,319,530
Current liabilities				
Trade and other payables	7,654	18,055	396,408	347,940
Distribution payable ^(c)	138,661	227,478	138,661	227,478
Borrowings	-	-	960,000	420,000
Provision for taxation	1,432	1,472	75,507	7,225
Total current liabilities	147,747	247,005	1,570,576	1,002,643
Non-current liabilities				
Borrowings	-	-	3,873,926	2,794,231
Deferred tax liabilities	-	-	185,803	170,067
Derivative liabilities ^(d)	-	-	147,843	124,819
Total non-current liabilities	-	-	4,207,572	3,089,117
Total liabilities	147,747	247,005	5,778,148	4,091,760
Net assets attributable to unitholders	5,538,860	5,696,981	14,118,377	13,227,770

Footnotes:

- (a) The Group's financial information incorporates the financial statements of the Trust and the Property Companies.
- (b) Investment properties are stated at valuation based on an independent professional valuation carried out by Knight Frank Petty Limited, the independent valuer on 30 June 2012. During the period, some capital costs for the properties were incurred and included in the investment properties' value.
- (c) Distribution payable is the amount of income available for distribution accrued from 1 July 2012 to 30 September 2012. 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 (j) 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 30/9/12	Secured ^(a)	Unsecured
	HK\$ '000	HK\$ '000
Amount repayable in one year or less, or on demand	960,000	-
Amount repayable after one year	3,873,926	-
	4,833,926	-

As at 31/12/11	Secured ^(a)	Unsecured
	HK\$ '000	HK\$ '000
Amount repayable in one year or less, or on demand	420,000	-
Amount repayable after one year	2,794,231	-
	3,214,231	-

Footnote:

- (a) Fortune REIT has in place a term loan and revolving credit facility (the "2011 Facilities") of a total of HK\$3,800.0 million. As at 30 September 2012, HK\$3,790.0 million had been drawn down (31 December 2011: HK\$3,250.0 million).

On 14 February 2012, Fortune REIT entered into a new credit agreement which consist of a 3-year term loan and revolving credit facility of up to an aggregate principal amount of HK\$1,400.0 million, comprising of a HK\$1,100.0 million term loan facility and a HK\$300.0 million revolving credit facility (the "2012 Facilities"). The term loan from the 2012 Facilities, together with part of the revolving credit facility from the 2011 Facilities was drawn down to finance the acquisition of Belvedere Square and Provident Square.

Included in the amount repayable after one year is an unamortized debt front end fee of HK\$56.1 million (31 December 2011: HK\$35.8 million). The 2011 Facilities is secured by, inter alia, a mortgage over Fortune City One, Ma On Shan Plaza, Fortune Metropolis, Smartland, Tsing Yi Square, Nob Hill Square, Centre de Laguna, Lido Avenue and Rhine Avenue whereas the 2012 Facilities is secured by, inter alia, a mortgage over Belvedere Square, Provident Square, Caribbean Square and Hampton Loft.

1 (c) Statement of cash flows

	Group		Group	
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
	Actual 1/7/12 to 30/9/12	Actual 1/7/11 to 30/9/11	Actual 1/1/12 to 30/9/12	Actual 1/1/11 to 30/9/11
Operating Activities				
Profit before taxation	137,791	122,420	1,337,694	2,688,149
Adjustments for:	-	-		
Change in fair value of properties	-	-	(932,845)	(2,381,242)
Change in fair value of financial instruments	7,340	-	3,239	(13,119)
Amortisation of debt front end fee	4,891	2,090	13,295	60,193
Base fee paid in units	14,570	11,863	42,667	33,435
Acquisition fee paid in units	-	-	19,000	-
Interest income	(1,502)	(796)	(5,116)	(2,231)
Borrowing costs	33,715	24,095	94,633	86,801
Operating profit before changes in working capital	196,805	159,672	572,567	471,986
(Increase)/decrease in trade and other receivables	(5,492)	1,108	(2,905)	13,851
Increase in trade and other payables	9,997	7,961	20,181	24,124
Cash generated from operating activities	201,310	168,741	589,843	509,961
Income taxes paid	-	(130)	(490)	(301)
Cash flow from operating activities	201,310	168,611	589,353	509,660
Investing Activities				
Acquisition of property companies/properties, net of cash acquired	-	-	(1,896,231)	-
Upgrading of investment properties	(47,856)	(9,460)	(85,511)	(16,218)
Decrease/(increase) in fixed deposits	-	-	150,000	(120,000)
Interest received	1,387	-	8,326	1,249
Cash flow used in investing activities	(46,469)	(9,460)	(1,823,416)	(134,969)
Financing Activities				
Drawdown of borrowings	-	400,000	1,940,000	521,300
Repayment of borrowings	-	-	(300,000)	(79,000)
Distribution paid	(268,203)	(214,694)	(495,545)	(416,623)
Payment of debt front end fee	-	-	(33,600)	(41,800)
Borrowing costs paid	(28,763)	(23,657)	(85,663)	(71,432)
Cash flow (used in)/from financing activities	(296,966)	161,649	1,025,192	(87,555)
Net (decrease)/increase in cash and cash equivalents	(142,125)	320,800	(208,871)	287,136
Cash and cash equivalents at beginning of the period	664,975	392,409	731,721	426,073
Cash and cash equivalents at end of the period ^(a)	522,850	713,209	522,850	713,209

Footnote:

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

Financial Statements Announcement
For the period from 1 January 2012 to 30 September 2012

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

<u>Statement for the third quarter FY2012</u>	Actual				
	Issued Units	Unit issue costs	Hedging reserve	Retained profits	Net
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group					
Balance as at 1 July 2012	6,438,510	(271,593)	(90,115)	8,057,982	14,134,784
Total comprehensive (loss)/income	-	-	(2,647)	110,331	107,684
Unitholders' transactions					
Creation of units					
- management fee paid/payable in units	14,570	-	-	-	14,570
Distribution paid/payable to Unitholders	-	-	-	(138,661)	(138,661)
Increase/(decrease) in net assets resulting from Unitholders' transactions	14,570	-	-	(138,661)	(124,091)
Balance as at 30 September 2012	6,453,080	(271,593)	(92,762)	8,029,652	14,118,377
Balance as at 1 July 2011	6,367,158	(271,593)	(53,007)	6,569,718	12,612,276
Total comprehensive (loss)/income	-	-	(36,096)	96,948	60,852
Unitholders' transactions					
Creation of units					
- management fee paid/payable in units	11,863	-	-	-	11,863
Distribution paid/payable to Unitholders	-	-	-	(112,336)	(112,336)
Increase/(decrease) in net assets resulting from Unitholders' transactions	11,863	-	-	(112,336)	(100,473)
Balance as at 30 September 2011	6,379,021	(271,593)	(89,103)	6,554,330	12,572,655

<u>Statement for the YTD FY2012</u>	Actual				
	Issued Units	Unit issue costs	Hedging reserve	Retained profits	Net
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group					
Balance as at 1 January 2012	6,391,413	(271,593)	(72,978)	7,180,928	13,227,770
Total comprehensive (loss)/income	-	-	(19,784)	1,255,712	1,235,928
Unitholders' transactions					
Creation of units					
- acquisition fee paid in units	19,000	-	-	-	19,000
- management fee paid/payable in units	42,667	-	-	-	42,667
Distribution paid/payable to Unitholders	-	-	-	(406,988)	(406,988)
Increase/(decrease) in net assets resulting from Unitholders' transactions	61,667	-	-	(406,988)	(345,321)
Balance as at 30 September 2012	6,453,080	(271,593)	(92,762)	8,029,652	14,118,377
Balance as at 1 January 2011	6,345,586	(271,593)	(415)	4,260,110	10,333,688
Total comprehensive (loss)/income	-	-	(88,688)	2,621,361	2,532,673
Unitholders' transactions					
Creation of units					
- management fee paid/payable in units	33,435	-	-	-	33,435
Distribution paid/payable to Unitholders	-	-	-	(327,141)	(327,141)
Increase/(decrease) in net assets resulting from Unitholders' transactions	33,435	-	-	(327,141)	(293,706)
Balance as at 30 September 2011	6,379,021	(271,593)	(89,103)	6,554,330	12,572,655

Financial Statements Announcement
For the period from 1 January 2012 to 30 September 2012

Statement for the third quarter FY2012

Trust

Balance as at 1 July 2012

Total comprehensive loss

Unitholders' transactions

Creation of units

- management fee paid/payable in units

Distribution paid/payable to Unitholders

Increase/(decrease) in net assets resulting from Unitholders' transactions

Balance as at 30 September 2012

Balance as at 1 July 2011

Total comprehensive loss

Unitholders' transactions

Creation of units

- management fee paid/payable in units

Distribution paid/payable to Unitholders

Increase/(decrease) in net assets resulting from Unitholders' transactions

Balance as at 30 September 2011

Actual			
Issued Units	Unit issue costs	Retained profits	Net
HK\$'000	HK\$'000	HK\$'000	HK\$'000
6,438,510	(271,593)	(482,732)	5,684,185
-	-	(21,234)	(21,234)
14,570	-	-	14,570
-	-	(138,661)	(138,661)
14,570	-	(138,661)	(124,091)
6,453,080	(271,593)	(642,627)	5,538,860
6,367,158	(271,593)	(381,581)	5,713,984
-	-	(15,775)	(15,775)
11,863	-	-	11,863
-	-	(112,336)	(112,336)
11,863	-	(112,336)	(100,473)
6,379,021	(271,593)	(509,692)	5,597,736

Statement for the YTD FY2012

Trust

Balance as at 1 January 2012

Total comprehensive income

Unitholders' transactions

Creation of units

- acquisition fee paid in units

- management fee paid/payable in units

Distribution paid/payable to Unitholders

Increase/(decrease) in net assets resulting from Unitholders' transactions

Balance as at 30 September 2012

Balance as at 1 January 2011

Total comprehensive income

Unitholders' transactions

Creation of units

- management fee paid/payable in units

Distribution paid/payable to Unitholders

Increase/(decrease) in net assets resulting from Unitholders' transactions

Balance as at 30 September 2011

Actual			
Issued Units	Unit issue costs	Retained profits	Net
HK\$'000	HK\$'000	HK\$'000	HK\$'000
6,391,413	(271,593)	(422,839)	5,696,981
-	-	187,200	187,200
19,000	-	-	19,000
42,667	-	-	42,667
-	-	(406,988)	(406,988)
61,667	-	(406,988)	(345,321)
6,453,080	(271,593)	(642,627)	5,538,860
6,345,586	(271,593)	(296,830)	5,777,163
-	-	114,279	114,279
33,435	-	-	33,435
-	-	(327,141)	(327,141)
33,435	-	(327,141)	(293,706)
6,379,021	(271,593)	(509,692)	5,597,736

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 July 2012	1,692,187,125	Total units since the end of previous financial period
4 July 2012	3,150,378	As payment of management fee for the period from 1 April 2012 to 30 June 2012
As at 30 September 2012	<u>1,695,337,503</u>	
4 October 2012 ^(a)	2,488,475	As payment of management fee for the period from 1 July 2012 to 30 September 2012
Deemed units as at 30 September 2012	<u>1,697,825,978</u>	

The total number of issued units as at the end of the immediately preceding year (31 December 2011) was 1,680,695,942.

Footnote:

(a) On 4 October 2012, there was an additional 2,488,475 units issued to the Manager as payment of management fee for the period from 1 July 2012 to 30 September 2012.

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 nor reviewed by the auditors.

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

Not applicable.

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 2011.

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 2012 to 30 September 2012

Earnings per unit for the period based on the weighted average number of units in issue, before transactions with unitholders

Weighted average number of units in issue (million)

Distribution per unit for the period

Total number of deemed units in issue (million)

Actual 1/7/12 to 30/9/12 HK cents	Actual 1/7/11 to 30/9/11 HK cents	Actual 1/1/12 to 30/9/12 HK cents	Actual 1/1/11 to 30/9/11 HK cents
6.44	5.65	74.16	156.27
1,693.3	1,677.5	1,693.3	1,677.5
8.16	6.68	23.98	19.48
1,697.8	1,680.7	1,697.8	1,680.7

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

Net asset value per unit^(a)

Actual 30/9/12 HK\$	Actual 31/12/11 HK\$
8.32	7.85

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 1,697.8 million (2011: 1,684.0 million). The increase in net asset value per unit was mainly due to the increase in the fair value of the investment properties.

8. Review of performance

Income Statement

	HK\$ '000		%	HK\$ '000		%
	Actual 1/7/12 to 30/9/12	Actual 1/7/11 to 30/9/11	Increase	Actual 1/1/12 to 30/9/12	Actual 1/1/11 to 30/9/11	Increase
Total revenue	284,728	232,152	22.6%	822,109	678,989	21.1%
Net property income	199,278	162,153	22.9%	581,387	481,680	20.7%
Income available for distribution	138,661	112,336	23.4%	406,988	327,141	24.4%

YTD September 2012 versus YTD September 2011

For the nine months ended 30 September 2012 ("Reporting Period"), Fortune REIT's revenue and net property income grew by 21.1% and 20.7% year-on-year to HK\$822.1 million and HK\$581.4 million respectively. The improved financial performance compared to the corresponding period last year was attributed to the additional income generated by the two new properties acquired in February 2012 as well as strong rental reversions across its enlarged portfolio owing to the successful execution of the three core growth strategies: active leasing management, yield-accretive acquisition and asset enhancement initiatives.

Property operating expense was HK\$222.7 million, 22.1% higher year-on-year partly due to the additional property operating expenses for the two newly acquired properties as well as some one-off initial costs incurred when taking over the new properties. Meanwhile, cost to revenue ratio was well contained at 27.1% compared to 26.9% for the corresponding period last year.

Borrowing costs, excluding debt front-end fee, increased 9.0% over the same period last year. This was mainly due to the drawdown of HK\$840 million and HK\$1,100 million from the 2011 Facilities and 2012 Facilities respectively to fully finance the acquisition cost of the two new properties.

Net profit of the Property Companies fell 50.9% compared to the same period last year, mainly due to lower gain in the fair value of investment properties. However, the changes in the property valuation would not have any impact on income available for distribution.

Overall, income available for distribution for the Reporting Period rose to HK\$407.0 million, an increase of 24.4% compared to the same period in 2011.

Additional Quarterly Review

Revenue and net property income for the third quarter of 2012 rose 22.6% and 22.9% year-on-year to HK\$284.7 million and HK\$199.3 million respectively. The improvement in financial performance compared to the same quarter of 2011 is mainly attributed to the inclusion of the two new properties as well as the increase in unit rent of the property portfolio.

Portfolio occupancy rate was 96.1% as at 30 September 2012. Passing rent was HK\$31.62 per sq. ft. while a 20.1% rental reversion was achieved for renewal leases for the period.

Property operating expenses was HK\$79.3 million, 22.0% increase compared to the same period last year mainly attributed to the two new properties acquired. Cost to revenue ratio was kept at 27.8% for the quarter (third quarter of 2011: 28.0%).

Borrowing costs excluding debt front-end fee for the third quarter was HK\$33.7 million, an increase of 39.9% as a result of the drawdown of additional loan facilities to finance the acquisition of the two new properties.

Income available for distribution for the third quarter of 2012 was HK\$138.7 million, 23.4% higher than the corresponding period last year.

Capital Management

As at 30 September 2012, approximately 75% 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 120 basis points to 2.76% for the Reporting Period (nine months ended 30 September 2011: 3.96%). The Manager will continue to take a prudent approach in managing the risk of fluctuation in interest costs.

With the drawdown of the loan facilities to fully finance the acquisition of the two new properties in February 2012, the gearing ratio and aggregate leverage of Fortune REIT stood at 24.6% as at 30 September 2012 (31 December 2011: 18.8%). The net current liabilities as at 30 September 2012 of HK\$990.0 million was mainly as a result of the drawdown of the revolving credit facility of the 2011 Facilities to part finance the acquisition of the two new properties. The said revolving credit facility has an option to rollover until maturity.

Use of proceeds of Rights Issue

Further to the announcements previously made by the Manager in relation to the use of the net proceeds of HK\$1,802.4 million from the rights issue of 824,879,427 new units concluded in October 2009 (the "Rights Issue"), the balance of this net proceeds from the Rights Issue of HK\$51.1 million as disclosed in the announcement dated 30 January 2012 has been fully used up for the asset enhancement works at Fortune City One. The use of proceeds of the Rights Issue is in accordance with the stated use in the Offer Information Statement dated 17 September 2009.

9. Variance between actual and the forecast results for the period from 1 January 2012 to 30 September 2012

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

The Hong Kong economy experienced moderated growth in the second quarter of 2012, with GDP up by 1.1% over a year earlier. The domestic sector held up relatively better and private consumption expenditure grew by 3.7% year-on-year, on the back of stable job conditions and improved income. The total value of retail sales in Hong Kong for the period from January to August 2012, increased by 10.8% compared to the same period last year. Despite the double digit growth recorded, the pace of retail sales growth has notably decelerated from 2011. Looking ahead, Hong Kong retail sales growth is expected to soften from a more moderate growth in Mainland visitors and their spending. Fortune REIT's portfolio of 16 private housing estate retail properties that mainly cater for the daily necessities of the local residents, should continue to benefit in the still favourable labour market conditions and strong local consumer sentiment.

In 2012, Fortune REIT will benefit from the additional income from Belvedere Square and Provident Square, acquired on 17 February 2012, as well as the results of asset enhancement initiatives at Fortune City One and Ma On Shan Plaza.

The leases that expire in the fourth quarter of 2012 accounted for 6.9% of Fortune REIT's portfolio. The Manager will continue to implement effective leasing and tenant repositioning strategies, as well as executing ongoing AEs to drive revenue growth from Fortune REIT's retail properties.

As there could be continuing pressure in the medium term on certain cost items such as utility tariff due to inflation, statutory minimum wage in Hong Kong and other external factors, the Manager will closely monitor the operating expense and implement energy saving initiatives where possible to mitigate the impact.

Based on the portfolio asset performance for the period ended 30 September 2012, the Manager expects the asset performance for the year ending 31 December 2012 to be in line with the market, barring any unforeseen circumstances.

11. Distributions

(a) Current financial period

Any distribution declared for the current period? Nil

(b) Corresponding period of the immediate preceding financial year

Any distribution declared for the current period? Nil

(c) Date Payable Not applicable

(d) Book Closure Date Not applicable

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

No distribution has been declared or recommended for the current financial period from 1 July 2012 to 30 September 2012.

13. Interested Person Transaction Mandate

Fortune REIT has not obtained a general mandate from Unitholders for Interested Person Transactions.

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

To the best of our knowledge, nothing has come to the attention of the Board of Directors of the manager of Fortune Real Estate Investment Trust (the "Manager") which may render the unaudited interim financial results of the Group and the Trust (comprising the statement of financial position, statement of 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 September 2012 and the results of the business, changes in net assets attributable to Unitholders and cash flows of the Group for the 9 months ended on that date, to be false or misleading in any material aspect.

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

30 October 2012