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Fortune Real Estate Investment Trust

(a Hong Kong collective investment scheme authorized under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))
(Stock Code: 778)

Managed by



ARA Asset Management (Fortune) Limited

OVERSEAS REGULATORY ANNOUNCEMENT

This overseas regulatory announcement is issued pursuant to paragraph 10.3 of the Code on Real Estate Investment Trusts published by the Securities and Futures Commission of Hong Kong.

Please refer to the attached announcement on the next page issued on the Singapore Exchange Securities Trading Limited by Fortune REIT on 11 November 2014.

By order of the board of directors of
ARA Asset Management (Fortune) Limited
(in its capacity as manager of Fortune Real Estate Investment Trust)
ANG Meng Huat, Anthony
Executive Director and Chief Executive Officer

Hong Kong, 11 November 2014

The Directors of the Manager as at the date of this announcement are Dr. Chiu Kwok Hung, Justin (Chairman), Mr. Lim Hwee Chiang, Mr. Ip Tak Chuen, Edmond and Ms. Yeung, Eirene as Non-executive Directors; Mr. Ang Meng Huat, Anthony and Ms. Chiu Yu, Justina as Executive Directors; Mr. Lim Lee Meng, Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Dr. Lan Hong Tsung, David as Independent Non-executive Directors; and Mr. Ma Lai Chee, Gerald as Alternate Director to Mr. Ip Tak Chuen, Edmond.



**Fortune Real Estate Investment Trust
Financial Statements
For the financial period from 1 January 2014 to 30 September 2014**

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 17 retail properties in Hong Kong, comprising approximately 3.11 million square feet ("Sq.ft.") of retail space and 2,606 car parking lots. The retail properties are Fortune City One, Fortune Kingswood, Ma On Shan Plaza, Metro Town, Fortune Metropolis, Belvedere Square, Waldorf Avenue, Caribbean Square, Provident Square, Jubilee Square, Smartland, Tsing Yi Square, Nob Hill Square, Hampton Loft, Centre de Laguna, 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 2014 to 30 September 2014

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

	HK\$ '000		%	HK\$ '000		%
	Actual 1/7/14 to 30/9/14 ^(a)	Actual 1/7/13 to 30/9/13 ^(a)		Increase/ (Decrease)	Actual 1/1/14 to 30/9/14 ^(a)	
Revenue ^(b)	342,041	256,268	33.5%	1,006,893	750,847	34.1%
Charge-out collections ^(c)	74,592	59,416	25.5%	223,195	174,057	28.2%
Total revenue	416,633	315,684	32.0%	1,230,088	924,904	33.0%
Property management fees	(9,727)	(7,267)	33.9%	(28,546)	(21,414)	33.3%
Other property operating expenses	(111,308)	(86,151)	29.2%	(306,823)	(230,101)	33.3%
Property operating expenses	(121,035)	(93,418)	29.6%	(335,369)	(251,515)	33.3%
Net property income (before manager's performance fee)	295,598	222,266	33.0%	894,719	673,389	32.9%
Manager's performance fee	(8,936)	(6,675)	33.9%	(27,008)	(20,218)	33.6%
Net property income	286,662	215,591	33.0%	867,711	653,171	32.8%
Interest Income	2,258	241	NM	5,545	560	NM
Net property income after interest income	288,920	215,832	33.9%	873,256	653,731	33.6%
Gain on disposal of investment properties ^(d)	-	-	NM	-	897	(100.0%)
Change in fair value of investment properties ^(e)	-	-	NM	1,512,690	1,957,965	(22.7%)
Change in fair value of financial instruments ^(f)	13,034	(3,889)	(435.2%)	(8,166)	103,327	(107.9%)
Profit before borrowing costs	301,954	211,943	42.5%	2,377,780	2,715,920	(12.5%)
Borrowing costs	(53,307)	(34,108)	56.3%	(161,363)	(100,718)	60.2%
Profit before tax	248,647	177,835	39.8%	2,216,417	2,615,202	(15.2%)
Hong Kong taxation :						
Current taxation	(34,416)	(24,414)	41.0%	(104,297)	(76,061)	37.1%
Deferred taxation	(7,503)	(6,563)	14.3%	(22,932)	(18,164)	26.2%
Total Hong Kong taxation	(41,919)	(30,977)	35.3%	(127,229)	(94,225)	35.0%
Net profit of property companies	206,728	146,858	40.8%	2,089,188	2,520,977	(17.1%)
Manager's base fee	(23,350)	(16,778)	39.2%	(68,149)	(48,321)	41.0%
Foreign exchange (loss)/gain ^(g)	(100)	236	(142.4%)	(54)	97	(155.7%)
Non-tax deductible trust expenses ^(h)	(9,184)	(19,847)	(53.7%)	(39,885)	(33,191)	20.2%
Tax deductible trust expenses	(1,078)	(1,055)	2.2%	(3,151)	(2,888)	9.1%
Non tax-exempt income ⁽ⁱ⁾	589	1,681	(65.0%)	2,462	2,592	(5.0%)
Singapore taxation	(96)	1,969	(104.9%)	(412)	1,815	(122.7%)
Total trust expenses	(33,219)	(33,794)	(1.7%)	(109,189)	(79,896)	36.7%
Net profit of the Group, before transactions with unitholders	173,509	113,064	53.5%	1,979,999	2,441,081	(18.9%)
Distributions to unitholders ^(j)	(193,109)	(153,342)	25.9%	(583,563)	(460,307)	26.8%
Net (loss)/profit of the Group, after transactions with unitholders^(k)	(19,600)	(40,278)	(51.3%)	1,396,436	1,980,774	(29.5%)
Net profit of the Group, before transactions with unitholders	173,509	113,064	53.5%	1,979,999	2,441,081	(18.9%)
Add/(Less):						
Manager's base fee	23,350	16,778	39.2%	68,149	48,321	41.0%
Foreign exchange loss/(gain) ^(g)	100	(236)	(142.4%)	54	(97)	(155.7%)
Non-tax deductible trust expenses ^(h)	9,184	19,847	(53.7%)	39,885	33,191	20.2%
Gain on disposal of investment property ^(d)	-	-	NM	-	(897)	(100.0%)
Change in fair value of financial instruments ^(f)	(13,034)	3,889	(435.2%)	8,166	(103,327)	(107.9%)
Change in fair value of investment properties ^(e)	-	-	NM	(1,512,690)	(1,957,965)	(22.7%)
Income available for distribution^(l)	193,109	153,342	25.9%	583,563	460,307	26.8%

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) *The Group sold 5 car park lots in one of the investment properties, Fortune City One, during the first quarter of 2013.*
- (e) *On 30 June 2014, an independent valuation was undertaken by Jones Lang LaSalle 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 17 properties were based on a combination of the Income Capitalization Method and Direct Comparison Method. The valuations adopted amounted to HK\$30,880 million (31 December 2013: HK\$29,338 million).*
- (f) *The amount relates to the net gain/(loss) arising from the re-measurement of the interest rate swaps and caps which were ineffective under cash flow hedge or not designated for hedge accounting as at 30 September 2014.*
- (g) *Foreign exchange (loss)/gain 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 profit or loss.*
- (h) *Included in the non-tax deductible trust expenses for the period from 1 January 2014 to 30 September 2014 was (i) amortization of debt front end fee of HK\$13.1 million as a result of entering into the new facility agreements on 7 October 2013 for term loan facilities of HK\$5,025.0 million for the acquisition of Fortune Kingswood; and (ii) a one-time write-off of unamortized debt front end fee of HK\$9.8 million relating to the previous facilities entered into in 2012 before the refinancing during the period, and for the period from 1 January 2013 to 30 September 2013 was an accrual of acquisition cost of HK\$13.0 million for the acquisition of Fortune Kingswood.*
- (i) *Non tax-exempt income refers mainly to interest income from fixed deposits.*
- (j) *The amount of distribution to unitholders has been distributed and/or accrued as distribution payable in the Statement of Financial Position.*
- (k) *The decrease in net profit of the Group after transaction with unitholders for the period from 1 January 2014 to 30 September 2014 was mainly due to (i) decrease in change in fair value gain on investment properties; and (ii) decrease in change in fair value gain on financial instruments (see footnote (f) above). These non-cash items have no effect on the income available for distribution to unitholders.*
- (l) *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").*
- (m) *Save as disclosed above, 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 profit or loss and 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 1/7/14 to 30/9/14	Actual 1/7/13 to 30/9/13	Increase/ (Decrease)	Actual 1/1/14 to 30/9/14	Actual 1/1/13 to 30/9/13	Increase/ (Decrease)
Net (loss)/profit of the Group, after transactions with unitholders	(19,600)	(40,278)	(51.3%)	1,396,436	1,980,774	(29.5%)
Other comprehensive income - Items that will be reclassified to profit or loss:						
Cash flow hedge						
- Change in fair value of financial instruments	5,527	1,733	218.9%	12,538	27,011	(53.6%)
- Release to profit or loss ^(a)	1,245	1,245	-	3,733	4,150	(10.0%)
	6,772	2,978	127.4%	16,271	31,161	(47.8%)
Total comprehensive (loss)/income	(12,828)	(37,300)	(65.6%)	1,412,707	2,011,935	(29.8%)

Footnote:

- (a) As certain interest rate swap contracts were no longer highly effective, the respective cumulative losses from inception of the hedge until then that previously recognised in hedging reserve is released to consolidated income statement over the periods during which the interest payment in relation to the interest rate swap contracts affects the consolidated income statement. During the period, release of such cumulative losses from the hedging reserve amounted to HK\$3.7 million.

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 30/9/14	Actual 31/12/13	Actual 30/9/14	Actual 31/12/13
Current assets				
Cash and bank balances	35,659	514,978	798,925	858,175
Trade and other receivables	63,461	100,143	63,077	67,093
Total current assets	99,120	615,121	862,002	925,268
Non-current assets				
Investment in property companies	6,429,319	6,293,502	-	-
Investment properties ^(b)	-	-	30,886,332	29,338,000
Derivative assets ^(d)	-	-	50,056	66,906
Total non-current assets	6,429,319	6,293,502	30,936,388	29,404,906
Total assets	6,528,439	6,908,623	31,798,390	30,330,174
Current liabilities				
Trade and other payables	5,454	9,559	586,249	540,665
Distribution payable ^(c)	193,109	335,424	193,109	335,424
Borrowings	-	-	970,000	970,000
Derivative liabilities ^(d)	-	-	4,752	21,368
Provision for taxation	415	547	178,713	105,842
Total current liabilities	198,978	345,530	1,932,823	1,973,299
Non-current liabilities				
Borrowings	-	-	8,873,615	8,860,372
Deferred tax liabilities	-	-	369,309	346,377
Derivative liabilities ^(d)	-	-	32,460	40,799
Total non-current liabilities	-	-	9,275,384	9,247,548
Total liabilities	198,978	345,530	11,208,207	11,220,847
Net assets attributable to unitholders	6,329,461	6,563,093	20,590,183	19,109,327

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 Jones Lang LaSalle Limited, the independent valuer on 30 June 2014. During the period, some capital costs for the properties were incurred and included in the investment properties.
- (c) Distribution payable is the amount of income available for distribution accrued from 1 July 2014 to 30 September 2014. 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 (l) of section 1(a)(i).
- (d) The derivative assets/liabilities relate to the fair value of the interest rate swaps and caps transacted to hedge the interest rate risk on the borrowings.

1 (b)(ii) Aggregate amount of borrowings

As at 30/9/14

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

Secured ^(a)	Unsecured ^(a)
HK\$ '000	HK\$ '000
970,000	-
7,269,946	1,603,669
8,239,946	1,603,669

As at 31/12/13

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

Secured ^(a)	Unsecured ^(a)
HK\$ '000	HK\$ '000
970,000	-
7,261,212	1,599,160
8,231,212	1,599,160

Footnote:

- (a) Fortune REIT has in place three credit facilities, being the 2011 Facilities, the 2013 Facilities and the 2014 Facilities.

The 2011 Facilities is a 5-year term loan and revolving credit facilities of total HK\$3,800.0 million, comprising of a HK\$2,830.0 million term loan facility and a HK\$970.0 million revolving credit facility, which mature in 2016. As at 30 September 2014, HK\$3,798.0 million had been drawn down (31 December 2013: HK\$3,798.0 million).

The 2013 Facilities is a term loan facilities of HK\$5,025.0 million, with terms between 3.5 years to 5 years. As at 30 September 2014, HK\$5,025.0 million had been drawn down (31 December 2013: HK\$ 5,025.0 million).

The 2014 Facilities is a 5-year term loan and revolving credit facility of up to an aggregate principal amount of HK\$1,800.0 million, comprising of a HK\$1,100.0 million term loan facility and a HK\$700.0 million revolving credit facility, which mature in 2019. As at 30 September 2014, HK\$1,100.0 million had been drawn down. The term loan of the 2014 Facilities was used to refinance the credit facilities entered in 2012.

There is an option to rollover the revolving credit facility of the 2011 Facilities and the 2014 Facilities up until maturity.

Included in the borrowings is an unamortized debt front end fee of HK\$79.4 million (31 December 2013: HK\$92.6 million). The 2011 Facilities are 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. HK\$3,406.3 million of the 2013 Facilities are secured by, inter alia, mortgage over Metro Town and Fortune Kingswood. The 2014 Facilities are 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 1/7/14 to 30/9/14	Actual 1/7/13 to 30/9/13	Actual 1/1/14 to 30/9/14	Actual 1/1/13 to 30/9/13
Operating Activities				
Profit before taxation	215,524	142,072	2,107,640	2,533,491
Adjustments for:				
Change in fair value of investment properties	-	-	(1,512,690)	(1,957,965)
Change in fair value of financial instruments	(13,034)	3,889	8,166	(103,327)
Debt front end fee	7,494	4,890	33,943	14,670
Gain on disposal of investment properties	-	-	-	(897)
Base fee paid in units	23,350	16,778	68,149	48,321
Interest income	(2,847)	(1,922)	(8,007)	(3,152)
Borrowing costs	52,273	34,108	159,374	100,718
Operating profit before changes in working capital	282,760	199,815	856,575	631,859
(Increase)/decrease in trade and other receivables	(1,867)	(2,065)	4,250	(2,531)
Increase in trade and other payables	23,625	1,721	46,987	14,876
Cash generated from operating activities	304,518	199,471	907,812	644,204
Income taxes (paid)/refund	(1)	1,273	(31,838)	739
Cash flow from operating activities	304,517	200,744	875,974	644,943
Investing Activities				
Upgrading of investment properties	(6,332)	(21,854)	(35,642)	(45,039)
Disposal of investment properties	-	-	-	2,047
Interest received	2,557	646	7,773	2,297
Cash flow used in investing activities	(3,775)	(21,208)	(27,869)	(40,695)
Financing Activities				
Proceeds from issue of new units (net of issue costs)	-	957,691	-	957,691
Distribution paid	(390,391)	(306,851)	(725,647)	(587,898)
Drawdown of borrowings	-	-	30,000	-
Repayment of borrowings	-	-	(30,000)	(102,047)
Borrowing costs paid	(52,440)	(34,434)	(161,008)	(101,568)
Payment of debt front end fee	-	-	(20,700)	-
Cash flow (used in)/from financing activities	(442,831)	616,406	(907,355)	166,178
Net (decrease)/increase in cash and cash equivalents	(142,089)	795,942	(59,250)	770,426
Cash and cash equivalents at beginning of the period	941,014	552,506	858,175	578,022
Cash and cash equivalents at end of the period	798,925	1,348,448	798,925	1,348,448

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

Statement for the third quarter FY2014

Group

Balance as at 1 July 2014

Profit for the period, before transactions with unitholders	-	-	-	173,509	173,509
Cash flow hedge					
- Change in fair value of financial instruments	-	-	5,527	-	5,527
- Release to profit or loss	-	-	1,245	-	1,245

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 2014

Balance as at 1 July 2013

Profit for the period, before transactions with unitholders	-	-	-	113,064	113,064
Cash flow hedge					
- Change in fair value of financial instruments	-	-	1,733	-	1,733
- Release to profit or loss	-	-	1,245	-	1,245

Unitholders' transactions

Creation of units

- issuance of New Units

- management fee paid/payable in units

Unit issue costs

Distribution paid/payable to Unitholders

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

Balance as at 30 September 2013

	Actual				Net
	Issued Units	Unit issue costs	Hedging reserve	Retained profits	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance as at 1 July 2014	7,617,155	(286,279)	(44,111)	13,292,896	20,579,661
Profit for the period, before transactions with unitholders	-	-	-	173,509	173,509
Cash flow hedge					
- Change in fair value of financial instruments	-	-	5,527	-	5,527
- Release to profit or loss	-	-	1,245	-	1,245
Unitholders' transactions					
Creation of units					
- management fee paid/payable in units	23,350	-	-	-	23,350
Distribution paid/payable to Unitholders	-	-	-	(193,109)	(193,109)
Increase/(decrease) in net assets resulting from Unitholders' transactions	23,350	-	-	(193,109)	(169,759)
Balance as at 30 September 2014	7,640,505	(286,279)	(37,339)	13,273,296	20,590,183
Balance as at 1 July 2013	6,499,903	(271,593)	(60,720)	10,890,897	17,058,487
Profit for the period, before transactions with unitholders	-	-	-	113,064	113,064
Cash flow hedge					
- Change in fair value of financial instruments	-	-	1,733	-	1,733
- Release to profit or loss	-	-	1,245	-	1,245
Unitholders' transactions					
Creation of units					
- issuance of New Units	975,001	-	-	-	975,001
- management fee paid/payable in units	16,778	-	-	-	16,778
Unit issue costs	-	(14,630)	-	-	(14,630)
Distribution paid/payable to Unitholders	-	-	-	(153,342)	(153,342)
Increase/(decrease) in net assets resulting from Unitholders' transactions	991,779	(14,630)	-	(153,342)	823,807
Balance as at 30 September 2013	7,491,682	(286,223)	(57,742)	10,850,619	17,998,336

Statement for the YTD FY2014

Group

Balance as at 1 January 2014

Profit for the period, before transactions with unitholders	-	-	-	1,979,999	1,979,999
Cash flow hedge					
- Change in fair value of financial instruments	-	-	12,538	-	12,538
- Release to profit or loss	-	-	3,733	-	3,733

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 2014

Balance as at 1 January 2013

Profit for the period, before transactions with unitholders	-	-	-	2,441,081	2,441,081
Cash flow hedge					
- Change in fair value of financial instruments	-	-	27,011	-	27,011
- Release to profit or loss	-	-	4,150	-	4,150

Unitholders' transactions

Creation of units

- issuance of New Units

- management fee paid/payable in units

Unit issue costs

Distribution paid/payable to Unitholders

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

Balance as at 30 September 2013

	Actual				Net
	Issued Units	Unit issue costs	Hedging reserve	Retained profits	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance as at 1 January 2014	7,572,356	(286,279)	(53,610)	11,876,860	19,109,327
Profit for the period, before transactions with unitholders	-	-	-	1,979,999	1,979,999
Cash flow hedge					
- Change in fair value of financial instruments	-	-	12,538	-	12,538
- Release to profit or loss	-	-	3,733	-	3,733
Unitholders' transactions					
Creation of units					
- management fee paid/payable in units	68,149	-	-	-	68,149
Distribution paid/payable to Unitholders	-	-	-	(583,563)	(583,563)
Increase/(decrease) in net assets resulting from Unitholders' transactions	68,149	-	-	(583,563)	(515,414)
Balance as at 30 September 2014	7,640,505	(286,279)	(37,339)	13,273,296	20,590,183
Balance as at 1 January 2013	6,468,360	(271,593)	(88,903)	8,869,845	14,977,709
Profit for the period, before transactions with unitholders	-	-	-	2,441,081	2,441,081
Cash flow hedge					
- Change in fair value of financial instruments	-	-	27,011	-	27,011
- Release to profit or loss	-	-	4,150	-	4,150
Unitholders' transactions					
Creation of units					
- issuance of New Units	975,001	-	-	-	975,001
- management fee paid/payable in units	48,321	-	-	-	48,321
Unit issue costs	-	(14,630)	-	-	(14,630)
Distribution paid/payable to Unitholders	-	-	-	(460,307)	(460,307)
Increase/(decrease) in net assets resulting from Unitholders' transactions	1,023,322	(14,630)	-	(460,307)	548,385
Balance as at 30 September 2013	7,491,682	(286,223)	(57,742)	10,850,619	17,998,336

Financial Statements Announcement
For the period from 1 January 2014 to 30 September 2014

Statement for the third quarter FY2014

Trust

Balance as at 1 July 2014

Loss for the period, before transactions with unitholders

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 2014

Balance as at 1 July 2013

Loss for the period, before transactions with unitholders

Unitholders' transactions

Creation of units

- issuance of New Units

- management fee paid/payable in units

Unit issue costs

Distribution paid/payable to Unitholders

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

Balance as at 30 September 2013

Actual			
Issued Units	Unit issue costs	Accumulated losses	Net
HK\$'000	HK\$'000	HK\$'000	HK\$'000
7,617,155	(286,279)	(798,437)	6,532,439
-	-	(33,219)	(33,219)
23,350	-	-	23,350
-	-	(193,109)	(193,109)
23,350	-	(193,109)	(169,759)
7,640,505	(286,279)	(1,024,765)	6,329,461
6,499,903	(271,593)	(570,600)	5,657,710
-	-	(33,794)	(33,794)
975,001	-	-	975,001
16,778	-	-	16,778
-	(14,630)	-	(14,630)
-	-	(153,342)	(153,342)
991,779	(14,630)	(153,342)	823,807
7,491,682	(286,223)	(757,736)	6,447,723

Statement for the YTD FY2014

Trust

Balance as at 1 January 2014

Profit for the period, before transactions with unitholders

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 2014

Balance as at 1 January 2013

Profit for the period, before transactions with unitholders

Unitholders' transactions

Creation of units

- issuance of New Units

- management fee paid/payable in units

Unit issue cost

Distribution paid/payable to Unitholders

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

Balance as at 30 September 2013

Actual			
Issued Units	Unit issue costs	Accumulated losses	Net
HK\$'000	HK\$'000	HK\$'000	HK\$'000
7,572,356	(286,279)	(722,984)	6,563,093
-	-	281,782	281,782
68,149	-	-	68,149
-	-	(583,563)	(583,563)
68,149	-	(583,563)	(515,414)
7,640,505	(286,279)	(1,024,765)	6,329,461
6,468,360	(271,593)	(525,574)	5,671,193
-	-	228,145	228,145
975,001	-	-	975,001
48,321	-	-	48,321
-	(14,630)	-	(14,630)
-	-	(460,307)	(460,307)
1,023,322	(14,630)	(460,307)	548,385
7,491,682	(286,223)	(757,736)	6,447,723

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 2014	1,866,273,811	Total units since the end of the previous financial period
4 July 2014	3,415,184	As payment of management fee for the period from 1 April 2014 to 30 June 2014
As at 30 September 2014	<u>1,869,688,995</u>	
3 October 2014 ^(a)	3,357,299	As payment of management fee for the period from 1 July 2014 to 30 September 2014
Deemed units as at 30 September 2014	<u>1,873,046,294</u>	

The total number of issued units as at the end of the immediately preceding year (31 December 2013) was 1,858,891,124.

Footnote:

(a) On 3 October 2014, there was an additional 3,357,299 units issued to the Manager as payment of management fee for the period from 1 July 2014 to 30 September 2014.

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 2013.

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 2014 to 30 September 2014

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 ("DPU") for the period

Total number of deemed units in issue (million)

Actual 1/7/14 to 30/9/14 HK cents	Actual 1/7/13 to 30/9/13 HK cents	Actual 1/1/14 to 30/9/14 HK cents	Actual 1/1/13 to 30/9/13 HK cents
9.20	4.12	105.97	140.83
1,868.5	1,733.4	1,868.5	1,733.4
10.30	8.28	31.18	26.28
1,873.0	1,850.3	1,873.0	1,850.3

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

Net asset value per unit^(a)

Actual 30/9/14 HK\$	Actual 31/12/13 HK\$
10.99	10.26

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 1,873.0 million (31 December 2013: 1,862.5 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 1/7/14 to 30/9/14	Actual 1/7/13 to 30/9/13	Increase	Actual 1/1/14 to 30/9/14	Actual 1/1/13 to 30/9/13	Increase
Total revenue	416,633	315,684	32.0%	1,230,088	924,904	33.0%
Net property income	286,662	215,591	33.0%	867,711	653,171	32.8%
Income available for distribution	193,109	153,342	25.9%	583,563	460,307	26.8%

YTD September 2014 versus YTD September 2013

Total revenue for the nine months ended 30 September 2014 ("Reporting Period") was HK\$1,230.1 million, 33.0% higher year-on-year. The improved financial performance compared to the corresponding period last year was attributed to (i) strong rental reversions across the portfolio; (ii) satisfactory returns from the completed asset enhancement initiatives ("AEIs"); and (iii) additional income contribution from Fortune Kingswood acquired in October 2013.

Portfolio occupancy rate was 97.1% as at 30 September 2014. The decrease in occupancy rate was mainly due to the commencement of AEI works at Belvedere Square. Passing rent was HK\$35.7 per sq. ft. while a 24.6% rental reversion was achieved from renewed leases for the Reporting Period.

Property operating expenses was HK\$335.4 million, up 33.3% year-on-year. Cost-to-revenue ratio was 27.3% (nine months ended 30 September 2013: 27.2%). Net property income was HK\$867.7 million, a 32.8% increase year-on-year. Income available for distribution was HK\$583.6 million, 26.8% higher year-on-year.

Total borrowing costs (excluding non-tax deductible front end fees) were HK\$161.4 million for the Reporting Period, an increase of 60.2% year-on-year due to the drawdown of additional loan facilities to finance the acquisition of Fortune Kingswood on 9 October 2013. For the nine months ended 30 September 2014, the effective interest cost was 2.17% (nine months ended 30 September 2013: 2.82%). As at 30 September 2014, the interest cost for 55% (31 December 2013: 37%) of Fortune REIT's loan was hedged through interest rate swaps and caps.

The gearing ratio and aggregate leverage was at 31.2% as at the end of the Reporting Period (31 December 2013: 32.7%). The net current liabilities as at 30 September 2014 of HK\$1,070.8 million was mainly as a result of the drawdown of the revolving credit facilities of the 2011 Facilities, which has an option to rollover the revolving credit facility up until maturity to partly finance the acquisition of Belvedere Square and Provident Square in 2012. The weighted average term to maturity of debt was 2.5 years.

Additional Quarterly Review

Revenue and net property income for the third quarter of 2014 rose 32.0% and 33.0% year-on-year to HK\$416.6 million and HK\$286.7 million respectively. The improvement in financial performance compared to the third quarter of 2013 is mainly attributable to the additional income contribution from Fortune Kingswood as well as strong rental growth across the entire portfolio. Property operating expenses and borrowing costs for the third quarter of 2014 were higher than the corresponding quarter last year by 29.6% and 56.3% respectively. Income available for distribution was HK\$193.1 million, an increase of 25.9% compared to the corresponding period last year.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The asset performance in this quarter is broadly in line with the commentary under paragraph 10 in the second quarter 2014 results released on 25 July 2014.

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 slowed down further to a 1.8% year-on-year growth in the second quarter of 2014, from 2.6% in the first quarter, marking the slowest growth since the third quarter of 2012. The weak performance was mainly weighed down by a fall in tourist spending and a concurrent slowdown in domestic demand. The total value of retail sales in Hong Kong recorded a drop of 1.0% for the first eight months of 2014. While retail business is expected to turn more stable as the high base effects from last year progressively fade, the distinct slackening in tourist spending, the adverse impact from the "occupy activities" lately and the slowdown in domestic demand have emerged as new sources of uncertainty affecting the overall economic outlook. Nevertheless, Fortune REIT's portfolio of private housing estate retail properties, which cater mainly to day-to-day shopping needs, will continue to benefit from the resilient nature of the non-discretionary retail sector.

As there could be continuing pressure going forward on certain costs such as rising statutory minimum wages and electricity tariffs, as well as inflation and other external factors, the Manager will continue to closely monitor operating expenses. Meanwhile, Fortune REIT will continue to adopt energy-saving initiatives as part of its green policy to alleviate the impact of higher electricity tariffs.

The leases that expire in the fourth quarter of 2014 account for 13.1% and 10.5% of the gross rentable area and gross rental income of Fortune REIT's portfolio respectively. The Manager has successfully renewed the majority of the leases for the year 2014. The Manager maintains its commitment to drive revenue growth by implementing AEs, as well as effective leasing and tenant repositioning strategies. Looking ahead, the HK\$80 million AEs at Belvedere Square that has already commenced in September 2014 is expected to contribute to the further revenue growth of Fortune REIT upon its completion in phases throughout 2015.

11. Distributions

(a) Current financial period

Any distribution declared for the current period? No

(b) Corresponding period of the immediate preceding financial year

Any distribution declared for the current period? No

(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 2014 to 30 September 2014.

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 profit or loss and other 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 2014 and the results of the business, changes in net assets attributable to Unitholders and cash flows of the Group for the nine 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

11 November 2014