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

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 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.

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 1/4/14 to 30/6/14 [a]	Actual 1/4/13 to 30/6/13 [a]	Increase/ (Decrease)	Actual 1/1/14 to 30/6/14 [a]	Actual 1/1/13 to 30/6/13 [a]	Increase/ (Decrease)
Revenue [b]	334,829	249,451	34.2%	664,852	494,579	34.4%
Charge-out collections [c]	74,776	58,414	28.0%	148,603	114,641	29.6%
Total revenue	**409,605**	**307,865**	**33.0%**	**813,455**	**609,220**	**33.5%**
Property management fees	(9,473)	(7,121)	33.0%	(18,819)	(14,147)	33.0%
Other property operating expenses	(99,175)	(74,299)	33.5%	(195,515)	(143,950)	35.8%
Property operating expenses	(108,648)	(81,420)	33.4%	(214,334)	(158,097)	35.6%
Net property income (before manager's performance fee)	300,957	226,445	32.9%	599,121	451,123	32.8%
Manager's performance fee	(9,084)	(6,801)	33.6%	(18,072)	(13,543)	33.4%
Net property income	**291,873**	**219,644**	**32.9%**	**581,049**	**437,580**	**32.8%**
Interest Income	1,837	274	NM	3,287	319	NM
Net property income after interest income	**293,710**	**219,918**	**33.6%**	**584,336**	**437,899**	**33.4%**
Gain on disposal of investment properties [d]	-	-	NM	-	897	(100.0%)
Change in fair value of investment properties [e]	1,512,690	1,957,965	(22.7%)	1,512,690	1,957,965	(22.7%)
Change in fair value of financial instruments [f]	(29,424)	77,748	(137.8%)	(21,200)	107,216	(119.8%)
Profit before borrowing costs	1,776,976	2,255,631	(21.2%)	2,075,826	2,503,977	(17.1%)
Borrowing costs	(53,867)	(33,888)	59.0%	(108,056)	(66,610)	62.2%
Profit before tax	1,723,109	2,221,743	(22.4%)	1,967,770	2,437,367	(19.3%)
Hong Kong taxation :						
Current taxation	(34,936)	(25,694)	36.0%	(69,881)	(51,647)	35.3%
Deferred taxation	(7,915)	(5,957)	32.9%	(15,429)	(11,601)	33.0%
Total Hong Kong taxation	(42,851)	(31,651)	35.4%	(85,310)	(63,248)	34.9%
Net profit of property companies	1,680,258	2,190,092	(23.3%)	1,882,460	2,374,119	(20.7%)
Manager's base fee	(23,097)	(16,595)	39.2%	(44,799)	(31,543)	42.0%
Foreign exchange gain/(loss) [g]	86	(40)	(315.0%)	46	(139)	(133.1%)
Non-tax deductible trust expenses [h]	(18,840)	(6,710)	180.8%	(30,701)	(13,344)	130.1%
Tax deductible trust expenses	(1,001)	(889)	12.6%	(2,073)	(1,833)	13.1%
Non tax-exempt income [i]	686	220	211.8%	1,873	911	105.6%
Singapore taxation	(115)	(37)	210.8%	(316)	(154)	105.2%
Total trust expenses	(42,281)	(24,051)	75.8%	(75,970)	(46,102)	64.8%
Net profit of the Group, before transactions with unitholders	1,637,977	2,166,041	(24.4%)	1,806,490	2,328,017	(22.4%)
Distributions to unitholders [j]	(196,562)	(153,673)	27.9%	(390,454)	(306,965)	27.2%
Net profit of the Group, after transactions with unitholders [k]	**1,441,415**	**2,012,368**	**(28.4%)**	**1,416,036**	**2,021,052**	**(29.9%)**
Net profit of the Group, before transactions with unitholders	1,637,977	2,166,041	(24.4%)	1,806,490	2,328,017	(22.4%)
Add/(Less):						
Manager's base fee	23,097	16,595	39.2%	44,799	31,543	42.0%
Foreign exchange gain/(loss) [g]	(86)	40	(315.0%)	(46)	139	(133.1%)
Non-tax deductible trust expenses [h]	18,840	6,710	180.8%	30,701	13,344	130.1%
Gain on disposal of investment property [d]	-	-	NM	-	(897)	(100.0%)
Change in fair value of financial instruments [f]	29,424	(77,748)	(137.8%)	21,200	(107,216)	(119.8%)
Change in fair value of investment properties [e]	(1,512,690)	(1,957,965)	(22.7%)	(1,512,690)	(1,957,965)	(22.7%)
Income available for distribution [l]	**196,562**	**153,673**	**27.9%**	**390,454**	**306,965**	**27.2%**

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 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 June 2014.

(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 profit or loss.

(h) The increase in the non-tax deductible trust expenses for the period from 1 January 2014 to 30 June 2014 was mainly due to (i) an increase in the amortization of debt front end fee 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.

(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 was mainly due to (i) a decrease in change in fair value gain on investment properties; and (ii) an increase in change in fair value loss 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 1/4/14 to 30/6/14	Actual 1/4/13 to 30/6/13	Increase/ (Decrease)	Actual 1/1/14 to 30/6/14	Actual 1/1/13 to 30/6/13	Increase/ (Decrease)
Net profit of the Group, after transactions with unitholders	1,441,415	2,012,368	(28.4%)	1,416,036	2,021,052	(29.9%)
Other comprehensive income - Items that will be reclassified to profit or loss:						
Cash flow hedge						
- Change in fair value of financial instruments	1,756	16,652	(89.5%)	7,011	25,278	(72.3%)
- Release to profit or loss[(a)]	1,244	1,245	(0.1%)	2,488	2,905	(14.4%)
	3,000	17,897	(83.2%)	9,499	28,183	(66.3%)
Total comprehensive income	1,444,415	2,030,265	(28.9%)	1,425,535	2,049,235	(30.4%)

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$2.5 million.

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 30/6/14	Actual 31/12/13	Actual 30/6/14	Actual 31/12/13
Current assets				
Cash and bank balances	430,447	514,978	941,014	858,175
Trade and other receivables	69,171	100,143	60,920	67,093
Total current assets	499,618	615,121	1,001,934	925,268
Non-current assets				
Investment in property companies	6,429,319	6,293,502	-	-
Investment properties [b]	-	-	30,880,000	29,338,000
Derivative assets [d]	-	-	43,992	66,906
Total non-current assets	6,429,319	6,293,502	30,923,992	29,404,906
Total assets	**6,928,937**	**6,908,623**	**31,925,926**	**30,330,174**
Current liabilities				
Trade and other payables	5,724	9,559	562,728	540,665
Distribution payable [c]	390,454	335,424	390,454	335,424
Borrowings	-	-	970,000	970,000
Derivative liabilities [d]	-	-	9,486	21,368
Provision for taxation	320	547	144,202	105,842
Total current liabilities	396,498	345,530	2,076,870	1,973,299
Non-current liabilities				
Borrowings	-	-	8,866,121	8,860,372
Deferred tax liabilities	-	-	361,806	346,377
Derivative liabilities [d]	-	-	41,468	40,799
Total non-current liabilities	-	-	9,269,395	9,247,548
Total liabilities	**396,498**	**345,530**	**11,346,265**	**11,220,847**
Net assets attributable to unitholders	**6,532,439**	**6,563,093**	**20,579,661**	**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 January 2014 to 30 June 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. Their fair values are determined based on the discounted future cash flows using the applicable yield curve for the remaining duration of the instruments and fall under level 2 of the fair value hierarchy.

1 (b)(ii) Aggregate amount of borrowings

As at 30/6/14	Secured [(a)]	Unsecured [(a)]
	HK$ '000	HK$ '000
Amount repayable in one year or less, or on demand	970,000	-
Amount repayable after one year	7,263,955	1,602,166
	8,233,955	1,602,166

As at 31/12/13	Secured [(a)]	Unsecured [(a)]
	HK$ '000	HK$ '000
Amount repayable in one year or less, or on demand	970,000	-
Amount repayable after one year	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 June 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 June 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 June 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$86.8 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 1/4/14 to 30/6/14	Actual 1/4/13 to 30/6/13	Actual 1/1/14 to 30/6/14	Actual 1/1/13 to 30/6/13
Operating Activities				
Profit before taxation	1,680,943	2,197,729	1,892,116	2,391,419
Adjustments for:				
Change in fair value of investment properties	(1,512,690)	(1,957,965)	(1,512,690)	(1,957,965)
Change in fair value of financial instruments	29,424	(77,748)	21,200	(107,216)
Debt front end fee	17,190	4,890	26,449	9,780
Gain on disposal of investment properties	-	-	-	(897)
Base fee paid in units	23,097	16,595	44,799	31,543
Interest income	(2,523)	(494)	(5,160)	(1,230)
Borrowing costs	52,912	33,888	107,101	66,610
Operating profit before changes in working capital	288,353	216,895	573,815	432,044
(Increase)/decrease in trade and other receivables	(1,707)	(1,736)	6,117	(466)
Increase in trade and other payables	27,484	10,759	23,362	13,155
Cash generated from operating activities	314,130	225,918	603,294	444,733
Income taxes paid	(543)	(534)	(31,837)	(534)
Cash flow from operating activities	**313,587**	**225,384**	**571,457**	**444,199**
Investing Activities				
Upgrading of investment properties	(9,587)	(9,409)	(29,310)	(23,185)
Disposal of investment properties	-	-	-	2,047
Interest received	2,648	909	5,216	1,651
Cash flow used in investing activities	**(6,939)**	**(8,500)**	**(24,094)**	**(19,487)**
Financing Activities				
Distribution paid	-	-	(335,256)	(281,047)
Drawdown of borrowings	-	-	30,000	-
Repayment of borrowings	-	-	(30,000)	(102,047)
Borrowing costs paid	(54,530)	(33,973)	(108,568)	(67,134)
Payment of debt front end fee	(20,700)	-	(20,700)	-
Cash flow used in financing activities	**(75,230)**	**(33,973)**	**(464,524)**	**(450,228)**
Net increase/(decrease) in cash and cash equivalents	**231,418**	**182,911**	**82,839**	**(25,516)**
Cash and cash equivalents at beginning of the period	**709,596**	**369,595**	**858,175**	**578,022**
Cash and cash equivalents at end of the period	**941,014**	**552,506**	**941,014**	**552,506**

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

Statement for the second quarter FY2014	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 April 2014	**7,594,058**	**(286,279)**	**(47,111)**	**11,851,481**	**19,112,149**
Profit for the period, before transactions with unitholders	-	-	-	1,637,977	1,637,977
Cash flow hedge					
- Change in fair value of financial instruments	-	-	1,756	-	1,756
- Release to profit or loss	-	-	1,244	-	1,244
Unitholders' transactions					
Creation of units					
- management fee paid/payable in units	23,097	-	-	-	23,097
Distribution paid/payable to Unitholders	-	-	-	(196,562)	(196,562)
Increase/(decrease) in net assets resulting from Unitholders' transactions	23,097	-	-	(196,562)	(173,465)
Balance as at 30 June 2014	**7,617,155**	**(286,279)**	**(44,111)**	**13,292,896**	**20,579,661**
Balance as at 1 April 2013	**6,483,308**	**(271,593)**	**(78,617)**	**8,878,529**	**15,011,627**
Profit for the period, before transactions with unitholders	-	-	-	2,166,041	2,166,041
Cash flow hedge					
- Change in fair value of financial instruments	-	-	16,652	-	16,652
- Release to profit or loss	-	-	1,245	-	1,245
Unitholders' transactions					
Creation of units					
- management fee paid/payable in units	16,595	-	-	-	16,595
Distribution paid/payable to Unitholders	-	-	-	(153,673)	(153,673)
Increase/(decrease) in net assets resulting from Unitholders' transactions	16,595	-	-	(153,673)	(137,078)
Balance as at 30 June 2013	**6,499,903**	**(271,593)**	**(60,720)**	**10,890,897**	**17,058,487**

Statement for the first half FY2014	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 2014	**7,572,356**	**(286,279)**	**(53,610)**	**11,876,860**	**19,109,327**
Profit for the period, before transactions with unitholders	-	-	-	1,806,490	1,806,490
Cash flow hedge					
- Change in fair value of financial instruments	-	-	7,011	-	7,011
- Release to profit or loss	-	-	2,488	-	2,488
Unitholders' transactions					
Creation of units					
- management fee paid/payable in units	44,799	-	-	-	44,799
Distribution paid/payable to Unitholders	-	-	-	(390,454)	(390,454)
Increase/(decrease) in net assets resulting from Unitholders' transactions	44,799	-	-	(390,454)	(345,655)
Balance as at 30 June 2014	**7,617,155**	**(286,279)**	**(44,111)**	**13,292,896**	**20,579,661**
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	-	-	-	2,328,017	2,328,017
Cash flow hedge					
- Change in fair value of financial instruments	-	-	25,278	-	25,278
- Release to profit or loss	-	-	2,905	-	2,905
Unitholders' transactions					
Creation of units					
- management fee paid/payable in units	31,543	-	-	-	31,543
Distribution paid/payable to Unitholders	-	-	-	(306,965)	(306,965)
Increase/(decrease) in net assets resulting from Unitholders' transactions	31,543	-	-	(306,965)	(275,422)
Balance as at 30 June 2013	**6,499,903**	**(271,593)**	**(60,720)**	**10,890,897**	**17,058,487**

Statement for the second quarter FY2014	Actual			
	Issued Units	Unit issue costs	Accumulated losses	Net
	HK$'000	HK$'000	HK$'000	HK$'000
Trust				
Balance as at 1 April 2014	**7,594,058**	**(286,279)**	**(950,565)**	**6,357,214**
Profit for the period, before transactions with unitholders	-	-	348,690	348,690
Unitholders' transactions				
Creation of units				
- management fee paid/payable in units	23,097	-	-	23,097
Distribution paid/payable to Unitholders	-	-	(196,562)	(196,562)
Increase/(decrease) in net assets resulting from Unitholders' transactions	23,097	-	(196,562)	(173,465)
Balance as at 30 June 2014	**7,617,155**	**(286,279)**	**(798,437)**	**6,532,439**
Balance as at 1 April 2013	**6,483,308**	**(271,593)**	**(700,917)**	**5,510,798**
Profit for the period, before transactions with unitholders	-	-	283,990	283,990
Unitholders' transactions				
Creation of units				
- management fee paid/payable in units	16,595	-	-	16,595
Distribution paid/payable to Unitholders	-	-	(153,673)	(153,673)
Increase/(decrease) in net assets resulting from Unitholders' transactions	16,595	-	(153,673)	(137,078)
Balance as at 30 June 2013	**6,499,903**	**(271,593)**	**(570,600)**	**5,657,710**

Statement for the first half FY2014	Actual			
	Issued Units	Unit issue costs	Accumulated losses	Net
	HK$'000	HK$'000	HK$'000	HK$'000
Trust				
Balance as at 1 January 2014	**7,572,356**	**(286,279)**	**(722,984)**	**6,563,093**
Profit for the period, before transactions with unitholders	-	-	315,001	315,001
Unitholders' transactions				
Creation of units				
- management fee paid/payable in units	44,799	-	-	44,799
Distribution paid/payable to Unitholders	-	-	(390,454)	(390,454)
Increase/(decrease) in net assets resulting from Unitholders' transactions	44,799	-	(390,454)	(345,655)
Balance as at 30 June 2014	**7,617,155**	**(286,279)**	**(798,437)**	**6,532,439**
Balance as at 1 January 2013	**6,468,360**	**(271,593)**	**(525,574)**	**5,671,193**
Profit for the period, before transactions with unitholders	-	-	261,939	261,939
Unitholders' transactions				
Creation of units				
- management fee paid/payable in units	31,543	-	-	31,543
Distribution paid/payable to Unitholders	-	-	(306,965)	(306,965)
Increase/(decrease) in net assets resulting from Unitholders' transactions	31,543	-	(306,965)	(275,422)
Balance as at 30 June 2013	**6,499,903**	**(271,593)**	**(570,600)**	**5,657,710**

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

Date	Units Issued	Purpose
As at 1 April 2014	1,862,533,814	Total units since the end of previous financial period
4 April 2014	3,739,997	As payment of management fee for the period from 1 January 2014 to 31 March 2014
As at 30 June 2014	1,866,273,811	
4 July 2014[(a)]	3,415,184	As payment of management fee for the period from 1 April 2014 to 30 June 2014
Deemed units as at 30 June 2014	1,869,688,995	

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 4 July 2014, there was an additional 3,415,184 units issued to the Manager as payment of management fee for the period from 1 April 2014 to 30 June 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 but have been reviewed by the auditors in accordance with International Standard on Review Engagements 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 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 June 2014	Actual 1/4/14 to 30/6/14 HK cents	Actual 1/4/13 to 30/6/13 HK cents	Actual 1/1/14 to 30/6/14 HK cents	Actual 1/1/13 to 30/6/13 HK cents
Earnings per unit for the period based on the weighted average number of units in issue, before transactions with unitholders	87.73	127.19	96.77	136.71
Weighted average number of units in issue (million)	1,866.8	1,702.8	1,866.8	1,702.8
Distribution per unit ("DPU") for the period	10.50	9.00	20.88	18.00
Total number of deemed units in issue (million)	1,869.7	1,704.7	1,869.7	1,704.7

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

	Actual 30/6/14 HK$	Actual 31/12/13 HK$
Net asset value per unit[(a)]	11.01	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 1,869.7 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 1/4/14 to 30/6/14	Actual 1/4/13 to 30/6/13	Increase	Actual 1/1/14 to 30/6/14	Actual 1/1/13 to 30/6/13	Increase
Total revenue	409,605	307,865	33.0%	813,455	609,220	33.5%
Net property income	291,873	219,644	32.9%	581,049	437,580	32.8%
Income available for distribution	196,562	153,673	27.9%	390,454	306,965	27.2%

Financial Review

Fortune REIT continued to grow during the first half of 2014, benefiting from the success of its three core growth strategies: active leasing management, yield-accretive acquisitions and asset enhancement initiatives ("AEIs").

For the six months ended 30 June 2014 (the "Reporting Period"), Fortune REIT's revenue and net property income rose by 33.5% and 32.8% year-on-year to historical highs of HK$813.5 million and HK$581.0 million respectively, maintaining last year's growth momentum. This exceptional financial performance was attributable to (i) the strong rental reversions across its enlarged portfolio; (ii) satisfactory returns from completed AEIs; as well as (iii) additional income contributions from Fortune Kingswood acquired in October 2013.

Borrowing costs, excluding non-tax deductible front end fees, for the Reporting Period totalled HK$108.1 million, an increase of 62.2% over the first half of 2013, mainly as a result of the drawdown of additional loan facilities in October 2013 to finance the acquisition of Fortune Kingswood.

Income available for distribution for the Reporting Period amounted to HK$390.5 million, a year-on-year increase of 27.2%. Distribution per unit ("DPU") for the Reporting Period was 20.88 Hong Kong cents, 16.0% higher than the DPU of 18.00 Hong Kong cents for the corresponding period in 2013. This represents an annualised distribution yield of 6.2% based on the unit price of HK$6.785, the average of the two closing unit prices in Singapore and Hong Kong as at 30 June 2014.

The interim distribution of 20.88 Hong Kong cents per unit will be paid on Friday, 29 August 2014 to unitholders registered in the registers of unitholders of Fortune REIT as at Monday, 11 August 2014.

The outstanding performance of Fortune REIT has gained widespread recognition from the investment community. Fortune REIT won seven champions in the Asia's Best Companies 2014 Poll (Hong Kong) conducted by FinanceAsia - not only been named the "Best Managed Company," but also honoured as the "Best Mid Cap" for the third consecutive year and the "Most Committed to a Strong Dividend Policy" for the second consecutive year, in addition to winning four other prestigious accolades in the Poll.

Capital Management

Fortune REIT's financial position strengthened during the Reporting Period. Capitalising on an opportunity of liquidity in Hong Kong's credit market, the Manager proactively refinanced Fortune REIT's existing loan facilities of HK$1,400 million at a lower cost ahead of their maturity in February 2015. The interest margin under the new facilities has been lowered to 1.4% per annum over HIBOR (down from 2% per annum over HIBOR). The new facilities, which is due in April 2019, will also extend Fortune REIT's weighted average term to maturity of debt. Further, the enlarged revolving credit facility of HK$700 million provides Fortune REIT with a strong foundation to deliver stable returns and pursue growth opportunities when they arise.

As at 30 June 2014, the total committed loan facilities amounted to HK$10,623.0 million. Fortune REIT closed the Reporting Period with a gearing ratio and an aggregate leverage of 31.1% (31 December 2013: 32.7%), a term of 2.8 years of weighted average term to maturity of debt, and an average all-in cost of debt of 2.20% (31 December 2013: 2.59%). Fortune REIT's gross liabilities as a percentage of gross assets decreased to 35.5% as at 30 June 2014 (31 December 2013: 37.0%). The net current liabilities as at 30 June 2014 were HK$1,074.9 million. There is an option to roll over the revolving credit facilities up until maturity.

The facilities are secured over Fortune REIT's 15 investment properties, which carried an aggregate fair value of HK$28,578 million as at 30 June 2014. The Trustee has provided a guarantee for the facilities.

During the Reporting Period, the Manager has stepped up its effort to mitigate the impact of interest rate fluctuations. As at 30 June 2014, the interest cost for approximately 55% (31 December 2013: 37%) of Fortune REIT's outstanding debt has been hedged through interest rate swaps and caps. The Manager will continue to closely monitor interest rate movements and may, depending on market conditions, consider putting in place additional hedging arrangements.

Net asset value per unit amounted to HK$11.01 as at 30 June 2014, up 7.3% from HK$10.26 reported as at the end of 2013, mainly as a result of the increase in the valuation of investment properties.

Portfolio Valuation

The valuation of Fortune REIT's 17 retail properties was appraised at HK$30,880 million by Jones Lang LaSalle Limited ("Jones Lang LaSalle"), an independent valuer, as at 30 June 2014. This represents a 5.3% increase from the valuation of HK$29,338 million as at 31 December 2013. With the capitalization rates adopted unchanged, the increase in valuation can be attributed to an overall improvement in asset performance. The higher valuation has resulted in a revaluation gain of HK$1,512.7 million for the Reporting Period.

Operations Review

Fortune REIT's private housing estate retail portfolio has again demonstrated its resilience by delivering a solid performance amidst a softening of overall retail sales in Hong Kong. Active leasing management and the completed AEIs continued to drive the revenue growth of the portfolio. Portfolio occupancy remained strong at 99.1% as at 30 June 2014 (30 June 2013: 97.8%).

A solid rental reversion of 21.2% was recorded for renewals during the Reporting Period, driven by the strong rental growth at Fortune Kingswood. Consequently, portfolio passing rent stood at HK$34.2 per Sq.ft. Excluding Fortune Kingswood, passing rent for the original portfolio has increased by 7.3% year-on-year.

Operating expenses (excluding the Manager's performance fee) stood at HK$214.3 million, 35.6% higher than the corresponding period last year, mainly attributed to the additional expenses from Fortune Kingswood. Meanwhile, the cost-to-revenue ratio was 26.3% (first half 2013: 26.0%).

Asset Enhancement Initiatives

Fortune REIT continued its success in executing and delivering good returns from its AEIs. The two AEIs at Ma On Shan Plaza and Fortune City One Market were successfully completed in the fourth quarter last year with return on investment ("ROI") of 60% and 27% respectively. The two AEIs began to fully contribute during the Reporting Period.

Looking ahead, the AEIs at Belvedere Square are on track to commence in the second half of 2014 and are scheduled for completion by the end of 2015. Phase 3 of Belvedere Square, involving a GRA of approximately 133,750 Sq.ft., will be fully upgraded to offer an enhanced shopping ambiance. Capital expenditure for the project is approximately HK$80 million with a target ROI of 15%.

Additional Quarterly Review

Revenue and net property income for the second quarter of 2014 rose 33.0% and 32.9% year-on-year to HK$409.6 million and HK$291.9 million respectively. The improvement in financial performance compared to the second quarter of 2013 is mainly attributed to the additional income generated by Fortune Kingswood acquired in October 2013, as well as higher occupancy rates and strong rental growth across the entire portfolio. Cost-to-revenue was 26.5% compared to 26.4% recorded for the second quarter of 2013. Income available for distribution was HK$196.6 million, an increase of 27.9% 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 first quarter 2014 results released on 8 May 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

Hong Kong's economic growth moderated in the first quarter of 2014. Gross domestic product grew 2.5% from a year earlier, a slower rate than that of 2.9% in the fourth quarter of 2013. Supported by a full-employment labour market, private consumption expenditure increased by 2.0% year-on-year in the first quarter of 2014. For the first five months of 2014, total retail sales in Hong Kong decreased by 0.2% in value over the same period a year earlier, caused by a plunge in a sales of major big-ticket items. Nevertheless, retail sales related to local consumption, such as supermarkets, food and beverage, actually held firm, reflecting the still positive local consumer sentiment amid full employment. As more than 60% of Fortune REIT's tenants cater to the non-discretionary and necessity type of spending, Fortune REIT's portfolio of 17 private housing estate retail properties should continue to benefit from the healthy local consumption environment.

As there could be continuing pressure going forward on certain costs items 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. As part of Fortune REIT's green policy, energy-saving measures will continue to be adopted to alleviate the impact of higher electricity tariffs.

The Manager will maintain its commitment to drive revenue growth by implementing AEIs, as well as effective leasing and tenant repositioning strategies. Looking ahead, the full-year contribution from Fortune Kingswood, as well as the completed AEIs at Ma On Shan Plaza and Fortune City One Market are expected to contribute to the further revenue growth 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 2014 to 30 June 2014
Distribution Type	Tax-exempt income
Distribution Rate	20.88 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 2013 to 30 June 2013
Distribution Type	Tax-exempt income
Distribution Rate	18.00 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 2014

(d) Book Closure Date

11 August 2014

Footnote:
NM - Not meaningful

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

Not applicable.

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 June 2014 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 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

25 July 2014

Deloitte.

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Dear Sirs

We have reviewed the accompanying interim condensed financial information of Fortune Real Estate Investment Trust ("Fortune REIT") and its subsidiaries (the "Group") which comprise the condensed statements of financial position of the Group and Fortune REIT as of June 30, 2014, and the condensed statements of changes in net assets attributable to unitholders of the Group and of Fortune REIT and the condensed statement of profit or loss and other comprehensive income and statement of cash flows of the Group for the six month period then ended, and selected explanatory notes as enumerated in sections 1, 4, 5, 6, 7, 11, 12 of the announcement ("interim condensed financial information").

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"). Such interim financial information has been prepared by Fortune REIT for announcement on the Singapore Exchange Securities Trading Limited. 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.

Deloitte & Touche LLP (Unique Entity No. T08LL0721A) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnerships Act (Chapter 163A).

Deloitte.

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 Chartered Accountants
Singapore

July 25, 2014