



**Fortune Real Estate Investment Trust  
Financial Statements  
for the period from 1 January 2005 to 30 September 2005**

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 made between ARA Asset Management (Singapore) 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 on 12 August 2003. On 28 June 2005, Fortune REIT successfully closed an equity fund raising exercise by the placement of 318.8 million new units in Fortune REIT to partly finance the acquisition of 6 properties located in Hong Kong.

Fortune REIT now holds a portfolio of eleven retail malls in Hong Kong, spread across Kowloon and the New Territories, through the ownership of property companies ("the Property Companies"), worth more than HK\$7.8 billion. The retail malls are City One Shatin Property, The Metropolis Mall, Ma On Shan Plaza, Waldorf Garden Property, The Household Center, Smartland, Jubilee Court Shopping Centre, Tsing Yi Square Property, Centre de Laguna Property, Lido Garden Property and Rhine Garden Property. Together they housed a total of 844 tenants as at 30 September 2005 from diverse trade sectors, including supermarkets, food and beverage outlets, bank and real estate services, and education providers. Tenants include Park 'N Shop, Maxim's Chinese Restaurant, Watson's, Fortress, McDonald's, Café de Coral, Bank of China (Hong Kong), DBS Bank, Standard Chartered Bank, Baleno, Bluestar Exchange, International Christian School Limited, and the Hong Kong Jockey Club.

Where appropriate, comparisons are made against the actual results of the same period last year as well as the forecast for the year ending 31 December 2005 stated in the Fortune REIT Circular to Unitholders dated 13 May 2005 ("the Forecast").

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

	HK\$ '000		%	HK\$ '000		%
	Actual 1/7/05 to 30/9/05	Actual 1/7/04 to 30/9/04		Increase/ (Decrease)	Actual 1/1/05 to 30/9/05	
<b>Revenue<sup>(a)</sup></b>	<b>114,899</b>	<b>49,432</b>	<b>132.4%</b>	<b>223,787</b>	<b>138,253</b>	<b>61.9%</b>
Property income and licence fee top-up <sup>(b)</sup>	3,147	7,313	(57.0%)	9,620	35,240	(72.7%)
Charge-out collections <sup>(c)</sup>	29,803	18,032	65.3%	68,491	51,313	33.5%
	-	-		-	-	
Property management fees	(3,510)	(1,367)	156.8%	(6,522)	(3,794)	71.9%
Other property operating expenses <sup>(d)</sup>	(38,067)	(19,992)	90.4%	(74,093)	(56,507)	31.1%
Property Operating Expenses	(41,577)	(21,359)	94.7%	(80,615)	(60,301)	33.7%
Net Property Income (before manager's performance fee)	106,272	53,418	98.9%	221,283	164,505	34.5%
Manager's performance fee	(3,189)	(1,603)	98.9%	(6,639)	(4,935)	34.5%
<b>Net Property Income</b>	<b>103,083</b>	<b>51,815</b>	<b>98.9%</b>	<b>214,644</b>	<b>159,570</b>	<b>34.5%</b>
Borrowing costs <sup>(e)</sup>	(22,455)	(5,581)	302.3%	(33,666)	(14,243)	136.4%
Profit Before Tax	80,628	46,234	74.4%	180,978	145,327	24.5%
Hong Kong Taxation :						
Current taxation	(8,795)	(3,022)	191.0%	(16,870)	(9,892)	70.5%
Deferred taxation	(5,283)	(5,075)	4.1%	(14,749)	(15,536)	(5.1%)
Total Hong Kong Taxation	(14,078)	(8,097)	73.9%	(31,619)	(25,428)	24.3%
Net Profit of Property Companies	66,550	38,137	74.5%	149,359	119,899	24.6%
Manager's base fee	(5,907)	(2,563)	130.5%	(12,191)	(7,632)	59.7%
Amortisation of negative goodwill <sup>(f)</sup>	-	786	NM	-	2,359	NM
Negative goodwill <sup>(f)</sup>	-	-	NM	141,169	-	NM
Foreign exchange (loss)/gain <sup>(g)</sup>	(35)	346	(110.1%)	(778)	229	(439.7%)
Non-tax deductible trust expenses	(3,828)	(476)	704.2%	(4,974)	(1,460)	240.7%
Tax deductible trust expenses	(413)	(303)	36.3%	(928)	(1,356)	(31.6%)
Non tax-exempt income <sup>(h)</sup>	345	34	914.7%	745	69	979.7%
Total Trust (Expenses)/Income	(9,838)	(2,176)	352.1%	123,043	(7,791)	(1,679.3%)
Net Profit of Group	56,712	35,961	57.7%	272,402	112,108	143.0%
Add / (less) :						
Manager's base fee	5,907	2,563	130.5%	12,191	7,632	59.7%
Amortisation of negative goodwill <sup>(f)</sup>	-	(786)	NM	-	(2,359)	NM
Negative goodwill <sup>(f)</sup>	-	-	NM	(141,169)	-	NM
Foreign exchange (loss)/gain <sup>(g)</sup>	35	(346)	(110.1%)	778	(229)	(439.7%)
Non-tax deductible trust expenses	3,828	476	704.2%	4,974	1,460	240.7%
Non tax-exempt income	(345)	(34)	914.7%	(745)	(69)	979.7%
<b>Income Available For Distribution</b>	<b>66,137</b>	<b>37,834</b>	<b>74.8%</b>	<b>148,431</b>	<b>118,543</b>	<b>25.2%</b>

**Footnotes:**

NM - Not meaningful

- (a) Revenue includes rental income, car park income, licence income, atrium income and others.
- (b) The property income and licence fee top up amount is payable by Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited to Vision Million Limited under the Rental Guarantee Deed dated 12 August 2003.
- (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 other property operating expenses include provision for doubtful debts written back of HK\$Nil and HK\$4,265 for the period 1 July 2005 to 30 September 2005 and 1 January 2005 to 30 September 2005 (provision for doubtful debts for the period 1 July 2004 to 30 September 2004 and 1 January 2004 to 30 September 2004 were HK\$Nil and HK\$6,395) respectively.
- (e) On 1 January 2005, Fortune REIT adopted FRS 39-Financial Instruments: Recognition and Measurement ("FRS 39"), which is effective for accounting periods beginning on or after 1 January 2005. Please refer to Section 5 on the implications of changes in accounting policies.
- (f) FRS 103 – Business Combination has been effected for financial years beginning on or after 1 July 2004. FRS 103 requires, among others, negative goodwill to be recognised as income in the financial year the negative goodwill arises. For Fortune REIT, upon implementation of FRS 103, the outstanding negative goodwill arising from the acquisition of the Property Companies made before 1 January 2005 was taken to accumulated profits as at 1 January 2005. Please refer to Section 5 on the implications of changes in accounting policies.
- (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 balance sheet date. The realised exchange difference arose mainly from the conversion of the foreign currency initial public offering proceeds into Hong Kong dollars at rates closely approximating those ruling at the transaction dates. All exchange differences are included in the income statements.
- (h) Non tax-exempt income refers mainly to bank interest income less deductible expenses.
- (i) Fortune REIT is required to distribute 100.0% 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"). Fortune REIT's distribution policy is to distribute its net Tax-Exempt Income to Unitholders on a semi-annual basis.
- (j) There is no investment income, write-off for stock obsolescence, impairment in the value of investments, adjustments for under/over provision of tax in respect of prior years, 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 (b)(i) Balance sheet, together with a comparative statement as at the end of the immediately preceding financial year**

	Trust		Group <sup>(a)</sup>	
	HK\$ '000		HK\$ '000	
	Actual 30/9/05	Actual 31/12/04	Actual 30/9/05	Actual 31/12/04
<b>Current Assets</b>				
Cash and bank balances	82,747	58,175	165,623	103,622
Trade and other receivables <sup>(b)</sup>	61,141	78,515	75,029	33,906
<b>Total Current Assets</b>	<b>143,888</b>	<b>136,690</b>	<b>240,652</b>	<b>137,528</b>
<b>Non-Current Assets</b>				
Investment in property companies <sup>(c)</sup>	3,740,241	531,486	-	-
Loan to property companies <sup>(d)</sup>	199,798	1,557,799	-	-
Investment properties <sup>(e)</sup>	-	-	7,812,957	4,184,000
Fixed assets	-	-	385	31
Negative goodwill <sup>(f)</sup>	-	-	-	(134,410)
<b>Total Non-Current Assets</b>	<b>3,940,039</b>	<b>2,089,285</b>	<b>7,813,342</b>	<b>4,049,621</b>
<b>Total Assets</b>	<b>4,083,927</b>	<b>2,225,975</b>	<b>8,053,994</b>	<b>4,187,149</b>
<b>Current Liabilities</b>				
Trade and other payables <sup>(g)</sup>	7,940	4,614	165,236	66,295
Borrowings	-	-	30,000	26,000
Provision for taxation	112	19	53,612	5,566
<b>Total Current Liabilities</b>	<b>8,052</b>	<b>4,633</b>	<b>248,848</b>	<b>97,861</b>
<b>Non-Current Liabilities</b>				
Borrowings	-	-	2,365,881	900,000
Deferred tax liabilities	-	-	73,611	55,556
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>2,439,492</b>	<b>955,556</b>
<b>Total Liabilities</b>	<b>8,052</b>	<b>4,633</b>	<b>2,688,340</b>	<b>1,053,417</b>
<b>Net Assets</b>	<b>4,075,875</b>	<b>2,221,342</b>	<b>5,365,654</b>	<b>3,133,732</b>
<b>Unitholders' Equity</b>				
Issued equity	4,281,404	2,245,560	4,281,404	2,245,560
Unit issue costs <sup>(h)</sup>	(173,127)	(87,540)	(173,127)	(87,540)
Revaluation reserve	-	-	928,200	908,200
Hedging reserve	-	-	11,282	-
Revenue reserve	(32,402)	63,322	317,895	67,512
<b>Total Unitholder's Equity</b>	<b>4,075,875</b>	<b>2,221,342</b>	<b>5,365,654</b>	<b>3,133,732</b>

**Footnotes:**

- (a) The Group financial information incorporates the financial statements of the Trust and the 11 Property Companies (as at 31 December 2004: 5 Property Companies).
- (b) Included in the balances as at 30 September 2005 is a derivative asset relating to the fair value of the Hedge of a HK\$1,843.5 million term loan.
- (c) Investment in Property Companies include HK\$1,293.0 million of redeemable preference shares resulting from the conversion of loans to the Property Companies.

- (d) The loans were extended to the 4 new Property Companies. On 4 October 2005, the loans were restructured into redeemable preference shares as equity instruments. The restructured preference shares will be classified as investment in Property Companies in the next reporting period.
- (e) Investment properties are stated at valuation based on an independent professional valuation. For the existing 5 investment properties, the valuation was carried out by Chesterton Petty Ltd, the independent valuer, on 31 December 2004. For each of the newly acquired properties, the valuation was appraised by two independent valuers (Chesterton Petty Ltd and Vigers Appraisal & Consulting Limited), and the lower of the two valuations of each of the newly acquired properties as at 31 January 2005 was HK\$3,628.0 million. During the period, minor capital costs were incurred and included in the investment properties value.
- (f) Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of the Property Companies at the date of acquisition over the cost of acquisition. Negative goodwill was amortised over the remaining average useful lives of the investment properties acquired from the property companies and taken to the profit and loss statement in year 2004. With effect from 2005, the outstanding negative goodwill of HK\$134.4 million as at 31 December 2004 was taken to accumulated profits as at 1 January 2005, in accordance with FRS103.
- (g) This includes accrued Manager's base fee payable in units of HK\$Nil (30 September 2004: HK\$2.7 million). Upon implementation of FRS 102 – Share Base Payment, Fortune REIT's accrual for the manager's base fee for the period from 1 July 2005 to 30 September 2005, which is payable in Units to the Manager, is taken to equity. Please refer to Section 5 on the implications of changes in accounting policies.
- (h) Unit issue costs comprise listing and perusal fee, professional and other fees, underwriting and selling commission and miscellaneous expenses. It includes an amount of approximately HK\$166.8 million paid as of 30 September 2005 (31 December 2004 : HK\$87.1 million) as well as accruals of approximately HK\$6.3 million (31 December 2004 : HK\$0.4 million).

**1 (b)(ii) Aggregate amount of borrowings**

As at 30/9/05

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

Secured	Unsecured
HK\$ '000	HK\$ '000
30,000	-
2,365,881	-
2,395,881	-

As at 31/12/04

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

Secured	Unsecured
HK\$ '000	HK\$ '000
-	26,000
-	900,000
-	926,000

**Footnote:**

- (a) Fortune REIT has in place an omnibus facility ("the Facility") of HK\$2,650 million comprising a HK\$2,385 million term loan facility and a HK\$265 million revolving credit facility, each for a term of five years from 28 June 2005. On 28 June 2005, HK\$2,458 million of facilities has been drawn down to partly finance the acquisition of the six properties and to refinance the existing facility (31 December 2004: HK\$926 million unsecured facility was drawn). The term loan facility has been fully drawn as at 30 September 2005. Included in the amount payable after one year is a debt front end fee of HK\$19.1 million. The facilities are secured by, inter alia, a mortgage over the existing and the newly acquired properties (except for Jubilee Court Shopping Centre and Waldorf Garden Property).

**1 (c) Cash flow statement**

	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
	Actual 1/7/05 to 30/9/05	Actual 1/7/04 to 30/9/04	Actual 1/1/05 to 30/9/05	Actual 1/1/04 to 30/9/04
<b>Operating Activities</b>				
Profit before taxation	70,790	44,058	304,021	137,536
Adjustments for:				
Amortisation of negative goodwill	-	(786)	-	(2,359)
Negative goodwill	-	-	(141,169)	-
Depreciation	10	3	17	6
Base fee paid in units	5,907	2,563	12,191	7,632
Borrowing costs	22,455	5,581	33,666	14,243
Operating Profit before changes in working capital	99,162	51,419	208,726	157,058
Decrease/(increase) in trade and other receivables	1,975	20,501	(21,149)	10,509
(Decrease)/increase in trade and other payables	(4,611)	3,879	38,989	3,571
<b>Cash flow from operating activities</b>	<b>96,526</b>	<b>75,799</b>	<b>226,566</b>	<b>171,138</b>
<b>Investing Activities</b>				
Acquisition of fixed assets	(371)	(12)	(371)	(40)
Upgrading of investment properties	(660)	(237)	(957)	(302)
Acquisition of property companies/properties, net of cash acquired	-	-	(3,377,926)	-
<b>Cash flow used in investing activities</b>	<b>(1,031)</b>	<b>(249)</b>	<b>(3,379,254)</b>	<b>(342)</b>
<b>Financing Activities</b>				
Proceeds from issue of new units (net of issue costs)	100	-	1,934,903	-
Distribution paid	(78,419)	(80,709)	(156,429)	(139,601)
(Repayment)/drawdown of borrowings, net	(41,994)	26,000	1,469,881	1,000
Borrowing costs paid	(22,455)	(5,581)	(33,666)	(14,243)
<b>Cash flow (used in)/from financing activities</b>	<b>(142,768)</b>	<b>(60,290)</b>	<b>3,214,689</b>	<b>(152,844)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(47,273)</b>	<b>15,260</b>	<b>62,001</b>	<b>17,952</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>212,896</b>	<b>92,471</b>	<b>103,622</b>	<b>89,779</b>
<b>Cash and cash equivalents at end of the period</b>	<b>165,623</b>	<b>107,731</b>	<b>165,623</b>	<b>107,731</b>

**Notes to the cash flow statement**

**Summary of the effects of acquisition of property companies/properties**

Non-current assets	HK\$ '000
Non-current liabilities	(3,110,000)
Net current liabilities	3,306
Group's share of net assets acquired	12,771
Negative goodwill	(3,093,923)
Payment for acquisition of property companies	141,169
Net cash acquired	(2,952,754)
Acquisition of property companies, net of cash acquired	72,828
Acquisition of properties	(2,879,926)
<b>Acquisition of property companies/properties, net of cash acquired</b>	<b>(498,000)</b>
	<b>(3,377,926)</b>

1 (d)(i) Statement of changes in unitholders' funds

Statement for the third quarter	HK\$ '000			
	Trust		Group <sup>(a)</sup>	
	Actual 1/7/05 to 30/9/05	Actual 1/7/04 to 30/9/04	Actual 1/7/05 to 30/9/05	Actual 1/7/04 to 30/9/04
<b>Balance as at beginning of period</b>	<b>4,158,161</b>	<b>2,223,594</b>	<b>5,370,072</b>	<b>2,340,043</b>
Net (loss)/profit	(9,874)	(2,969)	56,712	35,962
(Decrease)/increase in net assets resulting from operations	(9,874)	(2,969)	56,712	35,962
Hedging Reserves	-	-	11,282	-
<b>Unitholders' transactions</b>				
Creation of units				
-management fee paid/payable in units	5,907	2,535	5,907	2,535
Establishment and initial public offering expenses	100	935	100	935
Distribution to Unitholders	(78,419)	(80,709)	(78,419)	(80,709)
Net decrease in net assets resulting from Unitholders' transactions	(72,412)	(77,239)	(72,412)	(77,239)
<b>Unitholders' funds as at end of period</b>	<b>4,075,875</b>	<b>2,143,386</b>	<b>5,365,654</b>	<b>2,298,766</b>

Statement for the year-to-date	HK\$ '000			
	Trust		Group <sup>(a)</sup>	
	Actual 1/1/05 to 30/9/05	Actual 1/1/04 to 30/9/04	Actual 1/1/05 to 30/9/05	Actual 1/1/04 to 30/9/04
<b>Balance as at beginning of period</b>	<b>2,221,342</b>	<b>2,202,267</b>	<b>3,133,732</b>	<b>2,317,144</b>
Unrealised loss on revaluation of hedging instrument <sup>(b)</sup>	-	-	(11,902)	-
Unamortised negative goodwill taken to Unitholders' funds on adoption of FRS 103 <sup>(c)</sup>	-	-	134,410	-
<b>Balance at beginning of period, as restated</b>	<b>2,221,342</b>	<b>2,202,267</b>	<b>3,256,240</b>	<b>2,317,144</b>
<b>Operations</b>				
Net profit	60,705	71,605	272,402	112,108
Transfer to income statement in cash flow hedge			11,902	
Fair value changes in hedging instrument	-	-	11,282	-
Revaluation reserve			20,000	
Increase in net assets resulting from operations	60,705	71,605	315,586	112,108
<b>Unitholders' transactions</b>				
Creation of units				
-proceeds from issuance of New Units	1,986,100	-	1,986,100	-
-management and acquisition fee paid/payable in units <sup>(d)</sup>	49,744	7,632	49,744	7,632
Establishment and initial public offering expenses	(85,587)	1,483	(85,587)	1,483
Distribution to Unitholders	(156,429)	(139,601)	(156,429)	(139,601)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	1,793,828	(130,486)	1,793,828	(130,486)
<b>Unitholders' funds as at end of period</b>	<b>4,075,875</b>	<b>2,143,386</b>	<b>5,365,654</b>	<b>2,298,766</b>

**Footnotes:**

- (a) *The Group financial information incorporates the financial statements of the Trust and the 11 Property Companies (30 September 2004: 5 Property Companies).*
- (b) *On 1 January 2005, Fortune REIT adopted FRS 39. Please refer to Section 5 on the implications of changes in accounting policies.*
- (c) *On 1 January 2005, Fortune REIT adopted FRS 103. Please refer to Section 5 on the implications of changes in accounting policies.*
- (d) *This comprises Acquisition Fee component of HK\$34.4 million and the balance represents units issued and to be issued to the manager as payment of the Base Fee component.*

**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 30 June 2005	794,926,970	Total units since the end of previous financial period
18 July 2005	496,797	As payment of management fee for the period from 1 April 2005 to 30 June 2005
18 July 2005	5,520,064	As payment of acquisition fee
As at 30 September 2005	800,943,831	

**Footnotes:**

- (a) *On 3 October 2005, there was an additional 977,811 units issued to the Manager as payment of management fee for the period from 1 July 2005 to 30 September 2005.*

**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 2004 except for the areas stated in item (5).

**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**

The changes in accounting policies and methods of computation during the period as a result of accounting standards that became effective in 2005 are as follows:

- (a) FRS 39 - Financial Instruments: Recognition and Measurement, which became effective on or after 1 January 2005. Fortune REIT adopted hedge accounting for its outstanding interest rate swaps. Hedge accounting allows fair value changes relating to the portion of the interest rate swaps where there is



hedge effectiveness to be taken to equity. Fair value changes relating to the portion of the interest rate swaps where there is no hedge effectiveness will be taken to the profit and loss statement. As a result of implementation of FRS 39 on 1 January 2005, the Unitholders funds has been reduced by the effective portion of the unrealised loss arising from revaluation of the hedging instrument of HK\$11.9 million. The non-effective portion was not material as at 1 January 2005, hence the opening balance of accumulated profits as at 1 January 2005 was not adjusted.

In addition, in order to address the accounting implication under FRS 39 with regards to interest-free loans extended by Fortune REIT to the newly acquired / incorporated property companies, the Manager is in the process of restructuring these loans into redeemable preference shares as equity instruments. The restructured preference shares will be classified as investment in property companies.

- (b) FRS 102 – Share Based Payment which became effective for the financial years beginning on or after 1 January 2005. Under FRS 102, Fortune REIT is required to account for the manager's base fee and Acquisition Fee, which is payable in Units and is disclosed in equity instead of in current liabilities.
- (c) FRS 103 – Business Combination which became effective for the financial years beginning on or after 1 July 2004. FRS 103 requires, among others, negative goodwill to be recognised as income in the financial year the negative goodwill arises. For Fortune REIT, upon implementation of FRS 103, the outstanding negative goodwill arising from the acquisition of the Property Companies as at 31 December 2004 of HK\$134.4 million has been taken to accumulated profits as at 1 January 2005 and the accounting profit of Fortune REIT for the financial period ended 30 September 2005 has been reduced by approximately HK\$2.4 million arising from non-amortisation of this negative goodwill. During the period, the negative goodwill of HK\$141.2 million arising from the acquisitions for the new properties companies has been recognized as income.

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

### Period from 1 July 2005 to 30 September 2005

	Actual 1/7/05 to 30/9/05 HK cents	Actual 1/7/04 to 30/9/04 HK cents
Earnings per unit for the period based on the total number units in issue	7.07	7.57
Distribution per unit for the period based on the total number units in issue	8.25	7.96
Number of units used for computation (million)	801.9	475.2

### Period from 1 January 2005 to 30 September 2005

	Actual 1/1/05 to 30/9/05 HK cents	Actual 1/1/04 to 30/9/04 HK cents
Earnings per unit for the period based on the total number units in issue	40.17	23.59
Distribution per unit for the period based on the total number units in issue	25.21	24.95
Number of units used for computation (million)	801.9	475.2

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

	Actual 30/9/05 HK\$	Actual 31/12/04 HK\$
Net asset value per unit <sup>(a)</sup>	6.68	6.87

### Footnotes:

- (a) Net asset value is calculated based on net assets of the Group excluding hedging reserve. The decrease was due to :-

- (i) increase in total number of units as a result of offer and placement of 318.8 million units on 28 June 2005 to partly finance the acquisitions;
- (ii) units issued to Manager as management fee and acquisition fee; and
- (iii) reschedule distribution for the period from 1 January 2005 to 27 June 2005 paid in August 2005

## 8. Review of the performance

Income Statement	HK\$ '000		%	HK\$ '000		%
	Actual 1/7/05 to 30/9/05	Actual 1/7/04 to 30/9/04	Increase/ (Decrease)	Actual 1/1/05 to 30/9/05	Actual 1/1/04 to 30/9/04	Increase/ (Decrease)
<b>Total Revenue</b>	<b>147,849</b>	<b>74,777</b>	<b>97.7%</b>	<b>301,898</b>	<b>224,806</b>	<b>34.3%</b>
Property Operating Expenses	(41,577)	(21,359)	94.7%	(80,615)	(60,301)	33.7%
Net Property Income (before manager's performance fee)	106,272	53,418	98.9%	221,283	164,505	34.5%
Manager's performance fee	(3,189)	(1,603)	98.9%	(6,639)	(4,935)	34.5%
<b>Net Property Income</b>	<b>103,083</b>	<b>51,815</b>	<b>98.9%</b>	<b>214,644</b>	<b>159,570</b>	<b>34.5%</b>
Borrowing costs	(22,455)	(5,581)	302.3%	(33,666)	(14,243)	136.4%
Profit Before Tax	80,628	46,234	74.4%	180,978	145,327	24.5%
Total Hong Kong Taxation	(14,078)	(8,097)	73.9%	(31,619)	(25,428)	24.3%
Net Profit of Property Companies	66,550	38,137	74.5%	149,359	119,899	24.6%
Tax deductible trust expenses	(413)	(303)	36.3%	(928)	(1,356)	(31.6%)
<b>Income Available For Distribution</b>	<b>66,137</b>	<b>37,834</b>	<b>74.8%</b>	<b>148,431</b>	<b>118,543</b>	<b>25.2%</b>

### Review of performance

#### 3Q 2005 versus 3Q 2004

Total revenue and the net property income for the third quarter ended 30 September 2005 were 97.7% and 98.9% respectively above the same quarter last year. This was mainly due to the contributions by the six new properties acquired by Fortune REIT on 28 June 2005. The higher total revenue was also due to higher passing rental achieved in particular for Ma On Shan Plaza and Smartland and rising occupancy of the malls. Property operating expenses for third quarter was 94.7% higher than the same quarter last year mainly due to property operating expenses from the six newly acquired properties. Borrowing costs for 3Q2005 were HK\$22.5 million. This was due to additional loans of HK\$1.5 billion taken up to partly finance the acquisition of the six properties and also partly due to higher interest rates. All in, the income available for distribution for 3Q2005 was higher than the same quarter in 2004 by 74.8%.

#### YTD SEPTEMBER 2005 versus YTD SEPTEMBER 2004

For the three quarter ended 30 September 2005, total revenue and net property income were 34.3% and 34.5% above the corresponding period last year respectively. Income available for distribution was 25.2% above the same period last year. The better performance was largely due to net property income contributions from the six newly acquired properties of HK\$52.9 million for the period from 29 June 2005 to 30 September 2005, the increase in overall occupancy for the portfolio from 88.4% to 97.2%<sup>(1)</sup> and a higher passing rental achieved from HK\$16.7 psf per month to HK\$22.3<sup>(1)</sup> psf per month. Borrowing costs were HK\$33.7 million for the period, HK\$19 million higher than YTD September 2004 because of additional loans taken up to part finance the acquisition and increase in interest rates. The weighted average borrowing cost for the three quarters ended 30 September 2005 was 3.16% p.a compared to 1.96% p.a for the same period in 2004. Out of the total borrowings of HK\$2.5 billion, 75% of the debt has been fixed for various maturities to mitigate the impact of rises in interest rates.

(1) Include 6 new properties

9 (a) Income statements – actual versus forecast

	HK\$ '000		%
	Actual 1/1/05 to 30/9/05	Forecast <sup>(a)</sup> 1/1/05 to 30/9/05	Increase/ (Decrease)
Revenue	223,787	218,519	2.4%
Charge-out collections	68,491	66,133	3.6%
<b>Total Revenue</b>	<b>292,278</b>	<b>284,652</b>	<b>2.7%</b>
Property income and licence fee top-up	9,620	16,116	(40.3%)
Property management fees	(6,522)	(6,131)	6.4%
Other property operating expenses	(74,093)	(78,929)	(6.1%)
Property Operating Expenses	(80,615)	(85,060)	(5.2%)
Net Property Income (before manager's performance fee)	221,283	215,708	2.6%
Manager's performance fee	(6,639)	(6,471)	2.6%
<b>Net Property Income</b>	<b>214,644</b>	<b>209,237</b>	<b>2.6%</b>
Borrowing costs	(33,666)	(37,864)	(11.1%)
Profit Before Tax	180,978	171,373	5.6%
Hong Kong Taxation :			
Current taxation	(16,870)	(15,661)	7.7%
Deferred taxation	(14,749)	(14,330)	2.9%
Total Hong Kong Taxation	(31,619)	(29,991)	5.4%
Net Profit of Property Companies	149,359	141,382	5.6%
Manager's base fee	(12,191)	(12,195)	(0.0%)
Negative goodwill	141,169	158,968	(11.2%)
Foreign exchange (loss)/gain	(778)	-	NM
Non-tax deductible trust expenses	(4,974)	(3,141)	58.4%
Tax deductible trust expenses	(928)	(1,591)	(41.7%)
Non tax-exempt income	745	-	NM
Total Trust Expenses	123,043	142,041	(13.4%)
Net Profit of Trust	272,402	283,423	(3.9%)
Add / (less) :			
Manager's base fee	12,191	12,195	(0.0%)
Negative goodwill	(141,169)	(158,968)	(11.2%)
Foreign exchange loss/(gain)	778	-	NM
Non-tax deductible trust expenses	4,974	3,141	58.4%
Non tax-exempt income	(745)	-	NM
<b>Income Available For Distribution</b>	<b>148,431</b>	<b>139,791</b>	<b>6.2%</b>

**Actual versus Forecast**

Distribution Per Unit (HK cents)

Tax-exempt distribution yield (annualised)  
 (based on closing price of HK\$6.00 as at 30/9/05)

	Actual 1/1/05 to 30/9/05	Forecast <sup>(a)</sup> 1/1/05 to 30/9/05
Distribution Per Unit (HK cents)	25.21	24.02
Tax-exempt distribution yield (annualised) (based on closing price of HK\$6.00 as at 30/9/05)	5.62%	5.35%

**Footnotes:**

*NM – not meaningful*

(a) *The extrapolated forecast has been derived from the Forecast on a best estimate basis by the Manager so as to allow like for like comparison with the actual results.*

**9 (b) Review of the performance**

**Actual versus Forecast**

Revenue (excluding property income and licence fee top up) and net property income for the period ended 30 September 2005 were above forecast by 2.7% and 2.6% respectively. The property income and licence fee top-up for the Metropolis Mall was much lower than forecast due to the better overall performance of the Metropolis mall compared to forecast.

Borrowing costs for the current period were 11.1% lower than forecast. The weighted average borrowing cost for the period ended 30 September 2005 was 3.16% p.a versus the forecast interest rate of 3.3% p.a.

All in, income available for distribution for the period ended 30 September 2005 increased by HK\$8.6 million, 6.2% above forecast.

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

Hong Kong's economy continues to improve, with unemployment rate reaching a four year low figure of 5.5% in September 2005. In addition, total retail sales in the first eight months of 2005 recorded a solid growth rate of 7.6% in value over the same period last year. According to the September 05 Jones Lang Lasalle Hong Kong property market monitor, the Hong Kong Disneyland, which was officially opened on 12 September 2005, is expected to attract an additional 2 million visitors to Hong Kong this year and generate HK\$148 billion of economic benefits to Hong Kong over a 40-year period. All of the above factors are expected to boost consumer confidence and demand in the economy.

Interest rates in Hong Kong continue to be volatile driven by the rising interest rates in US and short term liquidity crunch as a result of several large initial public offerings in Hong Kong. Fortune REIT's distributable income will be affected by the surge in interest rates. However, it is mitigated by the fact that Fortune REIT's gearing is relatively low and around 75% of its debt has been fixed with various maturities. In addition, the strong rental reversions and increasing occupancy will also offset the higher cost of debt.

On the basis of the information available at present, the Manager does not expect the performance of Fortune REIT to be materially different in the next reporting period ending 31 December 2005.

Source: Census and Statistics Department, Unemployment and Underemployment Statistics for July-September 2005  
 Census and Statistics Department, Provisional Statistics of Retail Sales for August 2005

**Outlook for the financial year ending 31 December 2005**

Based on the performance of the portfolio and the financials prepared for the nine months ended 30 September 2005, the Manager of Fortune REIT expects the full year 2005 performance to meet Forecast, barring any unforeseen circumstances.

**11. Distributions**

**(a) Current financial period**

Any distribution declared for the current period? Nil

**(b) Corresponding period of the immediately preceding financial year**

Any distribution declared for the corresponding period of the immediately preceding financial year? Nil

**(c) Date Payable** NA

**(d) Book closure date** NA

**Footnotes:**

*NM - Not meaningful*

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

Not applicable.

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 (SINGAPORE) LIMITED  
AS MANAGER OF FORTUNE REAL ESTATE INVESTMENT TRUST

Lim Hwee Chiang  
Director

10 November 2005