



**Fortune Real Estate Investment Trust
Financial Statements
For the First Quarter Ended 31 March 2009**

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 by the Amending and Restating Deed dated 29 June 2005 and a 2nd Supplemental Deed dated 20 April 2006) 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.

Fortune REIT 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 approximately HK\$8.6 billion. The retail malls are City One Shatin Property, Ma On Shan Plaza, The Metropolis Mall, Waldorf Garden Property, Smartland, Tsing Yi Square Property, Jubilee Court Shopping Centre, The Household Center, Centre de Laguna Property, Lido Garden Property and Rhine Garden Property. Together they house a total of 833 tenants as at 31 March 2009 from diverse trade sectors such as supermarkets, food and beverage outlets, banks, real estate agencies, and education providers. Notable tenants include Park'N Shop, 7-Eleven, Aji Ichiban, Maxim's Chinese Restaurant, Watsons, Mannings, Modern Beauty Salon, Fortress, McDonald's, Kentucky Fried Chicken, Watami Japanese Restaurant, Centaline Property Agency, Midland Realty, DBS Bank, Bank of China (Hong Kong), HSBC, Japan Home Centre, Jumpin Gym U.S.A., International Christian School and the Hong Kong Jockey Club.

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		%
	Actual 1/1/09 to 31/3/09 ^(a)	Actual 1/1/08 to 31/3/08 ^(a)	Increase/ (Decrease)
Revenue ^(b)	137,081	123,118	11.3%
Charge-out collections ^(c)	31,168	29,265	6.5%
Total revenue	168,249	152,383	10.4%
Property management fees	(3,917)	(3,491)	12.2%
Other property operating expenses ^(d)	(37,391)	(31,358)	19.2%
Property Operating Expenses	(41,308)	(34,849)	18.5%
Net Property Income (before manager's performance fee)	126,941	117,534	8.0%
Manager's performance fee	(3,808)	(3,526)	8.0%
Net Property Income	123,133	114,008	8.0%
Borrowing costs	(23,500)	(26,960)	(12.8%)
Profit Before Tax	99,633	87,048	14.5%
Hong Kong Taxation :			
Current taxation	(12,365)	(12,054)	2.6%
Deferred Taxation	(3,500)	(3,005)	16.5%
Total Hong Kong Taxation	(15,865)	(15,059)	5.4%
Net Profit of Property Companies	83,768	71,989	16.4%
Manager's base fee	(6,363)	(7,186)	(11.4%)
Foreign exchange (loss)/gain ^(e)	(13)	707	(101.8%)
Non-tax deductible trust expenses ^(f)	(1,644)	(20,127)	(91.8%)
Tax deductible trust expenses	(1,280)	(995)	28.7%
Non tax-exempt income ^(g)	398	1,273	(68.7%)
Singapore current taxation	(58)	(50)	15.9%
Total Trust Expenses	(8,960)	(26,378)	(66.0%)
Net Profit of Group	74,808	45,611	64.0%
Add / (less) :			
Manager's base fee	6,363	7,186	(11.4%)
Foreign exchange loss/(gain) ^(e)	13	(707)	(101.8%)
Non-tax deductible trust expenses ^(f)	1,644	20,127	(91.8%)
Non tax-exempt income ^(g)	-	(689)	(100.0%)
Income Available For Distribution^(h)	82,828	71,528	15.8%

Footnotes:

- (a) *The Group's financial information incorporates the financial statements of the Trust and the 11 Property Companies.*
- (b) *Revenue includes rental income, car park income, licence 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) *Included in the other property operating expenses for the period 1 Jan 2009 to 31 March 2009 is a provision of doubtful debt of HK\$2.0 million (2008: NIL).*
- (e) *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 from the settlement of foreign currencies payables at the transaction dates. All exchange differences are included in the income statements.*
- (f) *There was no fair value changes in the non-tax deductible trust expenses for the period 1 Jan 2009 to 31 March 2009 (2008: HK\$17.6 million) arising from the structured swaps entered on 28 June 2006 as both the "MINT" & "CMS" swaps were unwound in FY2008.*
- (g) *Non tax-exempt income refers mainly to interest income from fixed deposits and structured swaps entered on 28 June 2006. There was no structured swaps interest income for the period 1 January 2009 to 31 March 2009 (2008: HK\$0.7 million) as both the "MINT" & "CMS" swaps were unwound in FY2008.*
- (h) *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.*
- (i) *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 (b)(i) Balance sheet, together with a comparative statement as at the end of the immediately preceding financial year

	Trust		Group ^(a)	
	HK\$ '000		HK\$ '000	
	Actual 31/3/09	Actual 31/12/08	Actual 31/3/09	Actual 31/12/08
Current Assets				
Cash and bank balances	108,653	105,675	182,377	243,361
Trade and other receivables	5,338	162,156	35,391	36,914
Total Current Assets	113,991	267,831	217,768	280,275
Non-Current Assets				
Investment in property companies	3,939,224	3,939,224	-	-
Investment properties ^(b)	-	-	8,612,485	8,602,000
Fixed assets	-	-	99	117
Total Non-Current Assets	3,939,224	3,939,224	8,612,584	8,602,117
Total Assets	4,053,215	4,207,055	8,830,352	8,882,392
Current Liabilities				
Trade and other payables	6,303	5,671	196,378	194,461
Derivative liability ^(c)	-	-	-	11,472
Provision for taxation	2,785	2,726	21,507	9,209
Total Current Liabilities	9,088	8,397	217,885	215,142
Non-Current Liabilities				
Borrowings	-	-	2,343,669	2,342,663
Deferred tax liabilities	-	-	118,278	114,777
Derivative liability ^(c)	-	-	56,346	53,446
Total Non-Current Liabilities	-	-	2,518,293	2,510,886
Total Liabilities	9,088	8,397	2,736,178	2,726,028
Net Assets	4,044,127	4,198,658	6,094,174	6,156,364
Unitholders' Equity				
Issued equity	4,376,894	4,370,531	4,376,894	4,370,531
Unit issue costs ^(d)	(173,097)	(173,097)	(173,097)	(173,097)
Hedging reserve ^(c)	-	-	(56,346)	(64,918)
Revenue reserve	(159,670)	1,224	1,946,723	2,023,848
Total Unitholder's Equity	4,044,127	4,198,658	6,094,174	6,156,364

Footnotes:

- (a) *The Group's financial information incorporates the financial statements of the Trust and the 11 Property Companies.*
- (b) *Investment properties are stated at valuation based on an independent professional valuation carried out by Knight Frank Petty Limited, the independent valuer, on 31 December 2008. During the period, minor capital costs were incurred and included in the investment properties value.*
- (c) *The derivative liability relates to the fair value of the plain vanilla interest rate swaps transacted to hedge the interest rate risk on 100% of the term loan.*
- (d) *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\$169.7 million paid as of 31 March 2009 (31 December 2008: HK\$169.7 million) as well as accruals of approximately HK\$3.4 million (31 December 2008: HK\$3.4 million).*

1 (b)(ii) Aggregate amount of borrowings

As at 31/3/09

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

Secured ^(a)	Unsecured
HK\$ '000	HK\$ '000
-	-
2,343,669	-
2,343,669	-

As at 31/12/08

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

Secured ^(a)	Unsecured
HK\$ '000	HK\$ '000
-	-
2,342,663	-
2,342,663	-

Footnote:

- (a) *Fortune REIT has in place an omnibus facility ("the Facility") of HK\$2,613.7 million (2008: HK\$2,613.7 million) comprising a HK\$2,348.7 million (2008: HK\$2,348.7 million) term loan facility and a HK\$265 million (2008: HK\$265 million) revolving credit facility. The term loan facility and revolving credit facility will be due for refinancing in June 2010.*

Included in the amount payable after one year is a debt front end fee of HK\$5.0 million (31 December 2008: HK\$6.0 million). The facilities are secured by, inter alia, a mortgage over all Fortune REIT's properties (except for Jubilee Court Shopping Centre and Waldorf Garden Property).

1 (c) Cash flow statement

	Group	
	HK\$ '000	HK\$ '000
	Actual 1/1/09 to 31/3/09	Actual 1/1/08 to 31/3/08
Operating Activities		
Profit before taxation	90,731	60,720
Adjustments for:		
Changes in fair value of derivative asset	-	17,590
Amortisation of debt front end fee	1,006	1,006
Depreciation	19	19
Allowance for doubtful debts	1,955	-
Base fee paid in units	6,363	7,186
Interest income	(398)	(1,273)
Borrowing costs	23,500	26,960
Operating Profit before changes in working capital	123,176	112,208
Increase in trade and other receivables	(556)	(733)
Increase in trade and other payables	1,917	7,614
Cash generated from operating activities	124,537	119,090
Income taxes paid	-	(449)
Cash flows from operating activities	124,537	118,641
Investing Activities		
Upgrading of investment properties	(10,485)	(2,769)
Interest received	398	1,273
Cash flow used in investing activities	(10,087)	(1,496)
Financing Activities		
Distribution paid	(151,934)	(141,497)
Borrowing costs paid	(23,500)	(26,960)
Cash flow used in financing activities	(175,434)	(168,457)
Net decrease in cash and cash equivalents	(60,984)	(51,311)
Cash and cash equivalents at beginning of the period	243,361	242,118
Cash and cash equivalents at end of the period	182,377	190,807

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

Statement for the first quarter	HK\$ '000			
	Trust		Group	
	Actual 1/1/09 to 31/3/09	Actual 1/1/08 to 31/3/08	Actual 1/1/09 to 31/3/09	Actual 1/1/08 to 31/3/08
Balance as at beginning of period	4,198,658	4,187,772	6,156,364	7,306,249
Operations				
Net profit/(loss)	(8,960)	(26,378)	74,808	45,611
Fair value changes in hedging instrument	-	-	8,573	(27,476)
Increase/(Decrease) in net assets resulting from operations	(8,960)	(26,378)	83,381	18,135
Unitholders' transactions				
Creation of units				
-management fee paid/payable in units	6,363	7,186	6,363	7,186
Distribution to Unitholders	(151,934)	(141,497)	(151,934)	(141,497)
Net decrease in net assets resulting from Unitholders' transactions	(145,571)	(134,311)	(145,571)	(134,311)
Unitholders' funds as at end of period	4,044,127	4,027,083	6,094,174	7,190,073

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 January 2009	817,743,259	Total units since the end of previous financial period
9 January 2009	3,075,716	As payment of management fee for the period from 1 October 2008 to 31 December 2008
As at 31 March 2009	<u>820,818,975</u>	
6 April 2009 ^(a)	2,299,231	As payment of management fee for the period from 1 January 2009 to 31 March 2009
Deemed units as at 31 March 2009	<u>823,118,206</u>	

Footnote:

(a) On 6 April 2009, there was an additional 2,299,231 Units issued to the Manager as payment of management fee for the period from 1 January 2009 to 31 March 2009.

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 2008.

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 2009 to 31 March 2009

	Actual 1/1/09 to 31/3/09 HK cents	Actual 1/1/08 to 31/3/08 HK cents
Earning per unit for the period based on the weighted average number of units in issue	9.09	5.61
Weighted average number of units in issue (million)	823.0	813.6
Distribution per unit for the period based on the total number of units in issue	10.06	8.79
Total number of units in issue (million)	823.1	813.7

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

	Actual 31/3/09 HK\$	Actual 31/12/08 HK\$
Net asset value per unit ^(a)	7.47	7.58

Footnote:

(a) Net asset value is calculated based on net assets of the Group excluding hedging reserves. The total number of units used for the computation of net asset value per unit is 823.1 million (31 December 2008: 820.8 million). The decrease in net asset value was mainly due to the final distribution for 2008 which was paid in February 2009 as well as an increase in units issued to the Manager as base fee for the period 1 January 2009 to 31 March 2009.

8. Review of performance

Income Statement

	HK\$ '000		%
	Actual 1/1/09 to 31/3/09	Actual 1/1/08 to 31/3/08	Increase
Total Revenue	168,249	152,383	10.4%
Net Property Income	123,133	114,008	8.0%
Income Available for Distribution	82,828	71,528	15.8%

1Q 2009 (“Reporting Period”) versus 1Q 2008

Total Revenue for the Reporting Period was HK\$168.2 million, which was about 10.4% higher as compared to the same quarter last year. The higher revenue was mainly contributed by The Metropolis Mall, City One Shatin Property, Ma On Shan Plaza as well as the completion of the asset enhancement works at Waldorf Garden Property.

Portfolio occupancy rate rose to 95.5% as at 31 March 2009 from 90.7% a year ago. Passing rent also improved by 3.6% to HK\$27.09 psf; a 4.9% rental reversion was achieved from renewed leases for the period.

Property Operating Expenses was HK\$41.3 million compared to HK\$34.8 million in the corresponding period last year mainly due to higher staff costs and legal costs for leasing activities, advertising and promotion expenses, repair and maintenance expenses as well as provision for doubtful debt. Despite the higher property operating expenses, the cost to revenue ratio was well managed at 24.6%.

Net Property Income was HK\$123.1 million, an increase of 8.0% over the same period last year mainly due to strong growth in rental revenues.

Borrowing costs was HK\$23.5 million for the period, with a weighted average borrowing cost of 4.06%. This was about 12.8% lower than the corresponding quarter last year, mainly due to the current low interest rate environment.

Net Profit of the Property Companies was HK\$83.8 million, representing a 16.4% increase compared to the same quarter last year as a result of the strong revenue growth together with the lower borrowing costs for the Reporting Period.

Income Available for Distribution for the Reporting Period was HK\$82.8 million or 15.8% higher than the corresponding period last year.

9. Variance between actual and the forecast results for the period from 1 January 2009 to 31 March 2009

Not applicable.

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

The performance of the Hong Kong economy slowed down over the course of 2008 with Gross Domestic Product contracting by 2.5% in the fourth quarter. The Government expects the Hong Kong economy to contract by 2% to 3% in 2009. Local consumer spending would undoubtedly be depressed by heightened uncertainties and deteriorating job market condition.

The value of total retail sales for the first three months of 2009 registered a decrease of 3.9% over the same period a year earlier. However, non-discretionary spending items such as supermarkets (+6.3%) and food and drinks (+4.1%) still recorded a growth. According to Colliers International, the pace of the downward adjustment in retail rental in shopping districts tapered off from 6.1% in 4Q08 to 3.1% in 1Q09, representing Hong Kong's most resilient property sector for the period.

Whether the massive and unprecedented government policy response taken by the major economies are effective in reviving the global economy in a sustainable manner is still uncertain. However, the supportive measures to Hong Kong given by the Mainland Central Government and the sustained economic growth in the Mainland will render a strong support to Hong Kong economy.

Source: Census and Statistics Department, Hong Kong Government

Outlook for the financial year ending 31 December 2009

2009 is expected to be a challenging year given the global financial and economic crisis. The revenue outlook for Fortune REIT will, to a certain extent, depend on the impact of the economic recession on Fortune REIT's existing tenants as well as demand for new retail space. However, the Manager has always taken a proactive approach in managing the Fortune REIT portfolio. The Manager will continue to negotiate leases with tenants well in advance and will, at the same time, intensify marketing and promotion activities in the retail malls in order to assist tenants in keeping up their sales momentum.

Moreover, Fortune REIT which invests in Hong Kong decentralized retail properties tends to maintain a more resilient performance when compared to the overall market and economic conditions in general.

11. Distributions

(a) Current financial period

Any distribution declared for the current period?	NIL
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(b) Corresponding period of the immediate preceding financial year

Any distribution declared for the current period?	NIL
Name of distribution	N.A.
Distribution Type	N.A.
Distribution Rate	N.A.
Par value of units	N.M.
Tax Rate	N.A.

(c) Date Payable	N.A.
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(d) Book Closure Date	N.A.
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Footnotes:

N.M. - Not meaningful

N.A. - 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 January 2009 to 31 March 2009.

13. Confirmation pursuant to Rule 705(4) 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 balance sheets, consolidated statement of total return, statement of changes in unitholders’ funds and consolidated cash flow statement, together with their accompanying notes) as at 31 March 2009 and the results of the business, changes in unitholders’ funds and cash flows of the Group for the 3 months ended on that date, to be false or misleading in any material respect.

On behalf of the Board of the Manager,

Chiu Kwok Hung, Justin
Director

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

Lim Hwee Chiang
Director

6 May 2009