

# FORTUNE

置富產業信託 REIT

## **Fortune Real Estate Investment Trust Financial Statements and Distribution Announcement for period from 13 August 2003 to 31 December 2003**

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 the Trust Deed entered into on 4 July 2003 made between ARA Asset Management (Singapore) Limited as the Manager of Fortune REIT and Bermuda Trust (Singapore) Limited as the Trustee of Fortune REIT. Fortune REIT was listed on the Singapore Exchange Securities Trading Limited on 12 August 2003.

Although Fortune REIT was established on 4 July 2003, the acquisition of the property companies was completed on 12 August 2003. Consequently, the actual income derived from the properties was effective only from 13 August 2003.

No comparative figures have been presented as this is the first set of financial year results (for period from 13 August 2003 to 31 December 2003) prepared by the Trust since its inception. Where appropriate, comparison will be made against the pro-forma figures stated in the prospectus dated 28 July 2003.

Fortune REIT is a Singapore-based unit trust formed primarily to own and invest in a portfolio of retail shopping malls located in Hong Kong through the ownership of the Property Companies (or other companies whose primary purpose is to hold or own real properties) or directly in properties that Fortune REIT may acquire from time to time.

At present, Fortune REIT, through the ownership of the Property Company Shares, has a portfolio of retail shopping malls located in Hong Kong, namely The Metropolis Mall, Ma On Shan Plaza, The Household Center, Smartland and Jubilee Court Shopping Centre. These properties together house a diverse tenant base of approximately 390 tenants as at 31 December 2003, including bank and real estate services, super market, food and beverage, healthcare products, service and education. Tenants include Park'N Shop, Fortress, Maxim's Chinese Restaurant, Watson's, 7-Eleven, Kopitiam, DBS Bank, Standard Chartered Bank, OSIM, International Christian School Limited, Hong Kong Jockey Club and many others. The rental income from the tenants contributes to the stable distributions to be delivered by Fortune REIT.

**Financial Statements And Distribution Announcement**  
**For the period from 13 August 2003 to 31 December 2003**

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

	HK\$ '000		%
	Actual 13/8/03 to 31/12/03	Pro forma 13/8/02 to 31/12/02 <sup>(a)(b)</sup>	Increase/ (Decrease)
<b>Gross Revenue</b> <sup>(c)</sup>	<b>113,620</b>	<b>93,480</b>	21.5%
Property management fee	(1,752)	(1,357)	29.1%
Other property operating expenses <sup>(d)</sup>	(29,710)	(34,423)	(13.7%)
<b>Property Operating Expenses</b>	<b>(31,462)</b>	<b>(35,780)</b>	(12.1%)
<b>Net Property Income (before property manager's fee)</b>	<b>82,158</b>	<b>57,700</b>	42.4%
Manager's performance fee	(2,465)	(1,731)	42.4%
<b>Net Property Income</b>	<b>79,693</b>	<b>55,969</b>	42.4%
Borrowing costs	(7,850)	(8,052)	(2.5%)
<b>Profit Before Tax</b>	<b>71,843</b>	<b>47,917</b>	49.9%
Hong Kong Taxation			
Current taxation	(5,313)	(3,690)	44.0%
Deferred taxation	(7,212)	(4,061)	77.6%
<b>Total Hong Kong Taxation</b>	<b>(12,525)</b>	<b>(7,751)</b>	61.6%
<b>Net Profit of Property Companies</b>	<b>59,318</b>	<b>40,166</b>	47.7%
Manager's base fee	(3,882)	(2,668)	45.5%
Amortisation of negative goodwill	1,218	1,467	(17.0%)
Foreign exchange gains <sup>(e)</sup>	1,618	-	NM
Non-tax deductible trust expenses	(861)	(267)	222.5%
Tax deductible trust expenses	(407)	(992)	(59.0%)
Non tax-exempt income <sup>(f)</sup>	26	-	NM
<b>Total Trust Expenses</b>	<b>(2,288)</b>	<b>(2,460)</b>	(7.0%)
<b>Net Profit of Trust</b>	<b>57,030</b>	<b>37,706</b>	51.2%
<b>Add / (less):</b>			
Manager's base fee	3,882	2,668	45.5%
Amortisation of negative goodwill	(1,218)	(1,467)	(17.0%)
Foreign exchange gains	(1,618)	-	NM
Non-tax deductible trust expenses	861	267	222.5%
Non tax-exempt income	(27)	-	NM
<b>Income Available For Distribution</b> <sup>(g)</sup>	<b>58,910</b>	<b>39,174</b>	50.4%

**Footnotes**

NA - Not available

NM - Not meaningful

**Financial Statements And Distribution Announcement  
For the period from 13 August 2003 to 31 December 2003**

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- (a) This is the first financial year for Fortune REIT. The comparative figures are extracted from the pro forma profit and loss statement for the year ended 31 December 2002 stated in the prospectus dated 28 July 2003 and pro-rated equally for the 141 day period.
- (b) Rental income for Art Full Resources Limited and Vision Million Limited commenced on 1 October 2002 and 1 November 2002 respectively. Hence, the pro forma figures only include operating results of Art Full Resources Limited and Vision Million Limited for the period from 1 October 2002 and 1 November 2002 to 31 December 2002 respectively and operating results of Poko Shine Limited, Quick Switch Limited and Yee Pang Realty Limited for the period from 13 August 2002 to 31 December 2002.
- (c) The gross revenue includes rental income, property income and licence fee top up, car park income, licence income, charge-out collections, atrium income and others. For the period 13 August 2003 to 31 December 2003, the property income and licence fee top up amount was HK\$25.4 million payable by Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited to Vision Million Limited under the Rental Guarantee Deed dated 12 August 2003.
- (d) The other property operating expenses include provision for doubtful debts of HK\$101,662. (Provision for doubtful debts in the pro forma for the period from 13/8/2002 to 31/12/2002 : HK\$126,145).
- (e) Foreign exchange gains represent realised and unrealised foreign exchange differences. The unrealised exchange gains 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 gains arose mainly from the conversion of the foreign currency IPO proceeds to Hong Kong dollars at rates closely approximating those ruling at the transaction dates. All exchange differences are included in profit and loss statements.
- (f) Non tax-exempt income refers mainly to bank interest income less deductible expenses.
- (g) 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, except for the first distribution, which will be paid for the period from 13 August 2003 to 31 December 2003.
- (h) There are no investment income, write-off for stock obsolescence, impairment in 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 year and the previous corresponding financial year.
- (i) Although Fortune REIT was established on 4 July 2003, the acquisition of the property companies was completed only on 12 August 2003. Consequently, the actual income derived from the properties for the first financial year was from 13 August 2003 to 31 December 2003, a period of 141 days.

**Financial Statements And Distribution Announcement**  
**For the period from 13 August 2003 to 31 December 2003**

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

	Trust	Group	
	HK\$ '000 <sup>(a)</sup>	HK\$ '000 <sup>(b)</sup>	
	Actual 31/12/03	Actual 31/12/03	Pro forma 31/12/02
<b>Current Assets</b>			
Cash	69,645	89,779	56,522
Trade and other receivables	59,561	37,533	9,975
<b>Total Current Assets</b>	<b>129,206</b>	<b>127,312</b>	<b>66,497</b>
<b>Non-Current Assets</b>			
Investment in property companies	531,486	-	-
Loan to property companies	1,547,626	-	-
Deferred tax assets	-	-	976
Investment properties <sup>(c)</sup>	-	3,389,000	3,275,000
Negative goodwill <sup>(d)</sup>	-	(137,564)	(144,019)
<b>Total Non-Current Assets</b>	<b>2,079,112</b>	<b>3,251,436</b>	<b>3,131,957</b>
<b>Total Assets</b>	<b>2,208,318</b>	<b>3,378,748</b>	<b>3,198,454</b>
<b>Current Liabilities</b>			
Trade and other payables <sup>(e)</sup>	6,043	68,605	54,114
Borrowings	-	57,000	90,000
Provision for taxation	8	1,501	2,264
<b>Total Current Liabilities</b>	<b>6,051</b>	<b>127,106</b>	<b>146,378</b>
<b>Non-Current Liabilities</b>			
Borrowings	-	900,000	900,000
Deferred tax liabilities	-	34,498	23,058
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>934,498</b>	<b>923,058</b>
<b>Total Liabilities</b>	<b>6,051</b>	<b>1,061,604</b>	<b>1,069,436</b>
<b>Net Assets</b>	<b>2,202,267</b>	<b>2,317,144</b>	<b>2,129,018</b>
<b>Unitholders' Equity</b>			
Issued equity	2,235,365	2,235,365	2,237,865
Unit issue costs <sup>(f)</sup>	(89,101)	(89,101)	(108,847)
Revaluation reserve	-	113,850	-
Net profit for the period	56,003	57,030	-
<b>Total Unitholder's Equity</b>	<b>2,202,267</b>	<b>2,317,144</b>	<b>2,129,018</b>

**Footnote**

- (a) There are no comparative prior period figures for the Trust because the Trust was formed only on 4 July 2003.
- (b) The comparative figures presented for the Group are from the pro forma balance sheet as at 31 December 2002 as extracted from the Prospectus dated 28 July 2003. The Group financial information incorporates the financial statements of the Trust and the 5 property companies.
- (c) Investments properties are stated at valuation based on an independent professional valuation carried out by Chesterton Petty Ltd, the independent valuer, on 31 December 2003.

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- (d) Negative Goodwill represents the excess of the fair value of the Trust's share of the net assets acquired over the cost of acquisition. Negative Goodwill is amortised over the remaining useful lives of the investment properties and taken to the profit and loss statement.
- (e) This includes accrued Manager's base fee payable in units of HK\$2.6 million.
- (f) Unit issue costs comprise listing and perusal fee, professional and other fees, underwriting and selling commission and miscellaneous expenses. It includes an amount of HK\$86.2 million paid as of 31 December 2003 as well as accruals of HK\$2.9 million.

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

As at 31/12/03

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

Secured	Unsecured <sup>(a)</sup>
HK\$ '000	HK\$ '000
-	57,000
-	900,000
-	957,000

**Footnote**

- (a) Fortune REIT has in place an omnibus unsecured facility ("the Facility") of HK\$1,100 million comprising a HK\$900 million term loan facility and a HK\$200 million revolving credit facility, each for a term of five years. The Facility has been drawn down to HK\$957 million with the term loan facility fully drawn.
- (b) There are no comparative prior period figures as this is the first financial year.

**Financial Statements And Distribution Announcement  
For the period from 13 August 2003 to 31 December 2003**

**1 (c) Cash flow statement for financial period ended 31 December 2003**

	HK\$ '000
	Actual 13/8/03 to 31/12/03 (a)
<b>Operating Activities</b>	
Profit before taxation	69,562
Adjustments for:	
Amortisation of negative goodwill	(1,218)
Base fee paid in units	3,882
Borrowing costs	7,850
Operating Profit before changes in working capital	80,076
(Increase) / decrease in working capital:	
Trade and other receivables	(10,685)
Trade and other payables	(5,405)
Increase in working capital	(16,090)
Cash flow from operating activities	63,986
Tax paid	(9,590)
<b>Cash flow from operating activities</b>	<b>54,396</b>
<b>Investing Activities</b>	
Upgrading of investment properties	(150)
Acquisition of property companies, net of cash acquired	(2,068,562)
<b>Cash flow from investing activities</b>	<b>(2,068,712)</b>
<b>Financing Activities</b>	
Proceeds from issue of new units (net of issue costs)	2,144,945
Repayment of borrowings	(33,000)
Borrowing costs paid	(7,850)
<b>Cash flow from financing activities</b>	<b>2,104,095</b>
<b>Net increase in cash and cash equivalents</b>	<b>89,779</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>-</b>
<b>Cash and cash equivalents at end of the period</b>	<b>89,779</b>

**Footnote:**

- (a) There are no comparative prior period figures as this is the first financial period.
- (b) Although Fortune REIT was established on 4 July 2003, the acquisition of the property companies was completed only on 12 August 2003. Consequently, the actual income derived from the property companies for the first financial year was from 13 August 2003 to 31 December 2003, a period of 141 days.

**Financial Statements And Distribution Announcement  
For the period from 13 August 2003 to 31 December 2003**

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

	HK\$ '000	
	Trust	Group
	Actual 13/8/03 to 31/12/03	Actual 13/8/03 to 31/12/03
<b>Operations</b>		
Net Profit	56,003	57,030
<b>Revaluation reserve</b>		
Surplus on revaluation	-	113,850
<b>Unitholders' transactions</b>		
Creation of units		
-proceeds from placement/initial public offering (c)	2,234,046	2,234,046
-management fee paid in units (d)	1,319	1,319
Establishment and initial public offering expenses	(89,101)	(89,101)
<b>Unitholders' funds as at end of year</b>	<b>2,202,267</b>	<b>2,317,144</b>

**Footnote:**

- (a) There are no comparative prior period figures as this is the first financial period.
- (b) Although Fortune REIT was established on 4 July 2003, the acquisition of the property companies was completed only on 12 August 2003. Consequently, the actual income derived from the properties for the first financial year was from 13 August 2003 to 31 December 2003, a period of 141 days.
- (c) This comprises proceeds from the initial public offering of 473 million units on 12 August 2003.
- (d) This represents 285,275 units as payment of the Base Fee component of the Manager's management fee on 16 October 2003.

**1 (d)(ii) Details of any changes in the units since the end of the previous period to 31 December 2003**

<u>Date</u>	<u>Units Issued</u>	<u>Purpose</u>
12 August 2003	473,000,000	To finance the acquisition of the 5 property companies
16 October 2003	285,275	As payment of management fee for period 13 August 2003 to 30 September 2003
Total	<u>473,285,275</u>	

**Footnote:**

There are additional 508,329 units issued to the Manager on 13 January 2004 as payment of management fee for period 1 October 2003 to 31 December 2003.

- 2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)**

The figures have not been audited but have been reviewed by the auditors.

- 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 are followed during the current financial period as compared with those contained in the prospectus dated 28 July 2003.

- 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 ended 31 December 2003**

Earnings per unit for the period (i.e. 141 days) based on the number of units in issue	12.04 cents
Distribution per unit for the period (i.e. 141 days) based on the number of units in issue	12.43 cents

**Footnote:**

- (a) There are no comparative prior period figures as this is the first financial year.
- (b) The total number of units used for the computation of earnings and distribution rate is 473.8 million. This comprises :
- (i) The number of units in issue as at 31 December 2003 of 473.3 million.
- (ii) The units payable to Manager on 13 January 2004 as base fee for the period from 1 October 2003 to 31 December 2003 of 0.5 million

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

Net asset value per unit at 31 December 2003 <sup>(b)</sup>	HK\$5.18
Adjusted net asset value per unit at 31 December 2003 <sup>(c)</sup>	HK\$5.06



**Footnote**

- (a) There are no comparative prior period figures as this is the first financial year.
- (b) Net asset value is calculated based on net assets of the Group excluding negative goodwill
- (c) As Fortune REIT is required to distribute 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), and Fortune REIT's distribution may also include its taxable income and non-taxable capital gains including dividends excluded from the distributions out of tax-exempt income, the net profit for the period has been excluded in arriving at the adjusted net asset value.
- (d) The total number of units used for the computation of net asset value per unit is 473.8 million.

**8. Review of the performance**

Please refer to Section 9 below on the review of actual performance against the forecast in the Prospectus dated 28 July 2003 (the "forecast").

Financial Statements And Distribution Announcement  
For the period from 13 August 2003 to 31 December 2003

FORTUNE  
置業產業信託 REIT

9(a) Income statement for the period of 13 August 2003 to 31 December 2003

	HK\$ '000		%
	Actual	Forecast <sup>(a)</sup>	Increase/ (Decrease)
<b>Gross Revenue <sup>(b)</sup></b>	<b>113,620</b>	<b>113,138</b>	0.4%
Property management fees	(1,752)	(1,766)	(0.8%)
Other property operating expenses	(29,710)	(30,181)	(1.6%)
<b>Property Operating Expenses</b>	<b>(31,462)</b>	<b>(31,947)</b>	(1.5%)
<b>Net Property Income (before manager's performance fee)</b>	<b>82,158</b>	<b>81,191</b>	1.2%
Manager's performance fee	(2,465)	(2,436)	1.2%
<b>Net Property Income</b>	<b>79,693</b>	<b>78,755</b>	1.2%
Borrowing costs	(7,850)	(10,662)	(26.4%)
<b>Profit Before Tax</b>	<b>71,843</b>	<b>68,093</b>	5.5%
Hong Kong Taxation :			
Current taxation	(5,313)	(7,123)	(25.4%)
Deferred taxation	(7,212)	(4,793)	50.5%
<b>Total Hong Kong Taxation</b>	<b>(12,525)</b>	<b>(11,916)</b>	5.1%
<b>Net Profit of Property Companies</b>	<b>59,318</b>	<b>56,177</b>	5.6%
Manager's base fee	(3,882)	(3,768)	3.0%
Amortisation of negative goodwill	1,218	1,226	(0.7%)
Foreign exchange gains	1,618	-	NM
Non-tax deductible trust expenses	(861)	(477)	80.5%
Tax deductible trust expenses	(407)	(712)	(42.8%)
Non tax-exempt income	26	-	NM
<b>Total Trust Expenses</b>	<b>(2,288)</b>	<b>(3,731)</b>	(38.7%)
<b>Net Profit of Trust</b>	<b>57,030</b>	<b>52,446</b>	8.7%
<b>Add / (less) :</b>			
Manager's base fee	3,882	3,768	3.0%
Amortisation of negative goodwill	(1,218)	(1,226)	(0.7%)
Foreign exchange gains	(1,618)	-	NM
Non-tax deductible trust expenses	861	477	80.5%
Non tax-exempt income	(27)	-	NM
<b>Income Available For Distribution</b>	<b>58,910</b>	<b>55,465</b>	6.2%

**Financial Statements And Distribution Announcement  
For the period from 13 August 2003 to 31 December 2003**

	Actual	Forecast <sup>(a)</sup>	Increase / (Decrease) %
Yield before Hong Kong Taxation (annualised) (based on IPO price of HK\$4.75)	8.22%	7.75%	6.1%
Distribution Per Unit (cents)	12.43	11.70	6.2%
Tax-exempt distribution yield (annualised) (based on IPO price of HK\$4.75)	6.78%	6.38%	6.2%
Tax-exempt distribution yield (annualised) (based on closing price of HK\$4.90 as at 31/12/2003)	6.57%	6.19%	6.2%

**Footnotes**

- (a) The extrapolated forecast for the period from 13 August 2003 to 31 December 2003 has been derived from the forecast, on a best estimate basis by the Manager so as to allow like to like comparison with the actual results.
- (b) The forecasted figures for Gross Rental Income includes a Property Income and Licence Income Top Up amount of HK\$25.4 million payable by Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited to Vision Million Limited under a Rental Guarantee Deed dated 12 August 2003. The actual figures include a Property Income and Licence Income Top Up amount of HK\$25.4 million.
- (c) The total number of units used for the computation of distribution rate is 473.8 million. This comprises :
- (i) The number of units in issue as at 31 December 2003 of 473.3 million.
  - (ii) The units payable to Manager on 13 January 2004 as base fee for the period from 1 October 2003 to 31 December 2003 of 0.5 million

NM – not meaningful

**9(b) Review of the performance for the period of 13 August 2003 to 31 December 2003**

Actual gross revenue for the 141 day period was HK\$113.6 million, which is 0.4% higher than the forecasted gross revenue of HK\$113.1 million. All the 4 malls namely, Ma On Shan Plaza, Household Center, Smartland and Jubilee Court Shopping Centre have achieved more than 95% committed occupancy as at 31 December 2003, and Metropolis Mall, being a newly completed mall has achieved a committed occupancy of 59%. The committed occupancies as at 31 December 2003 were either better than forecast or in line with the forecast.

Property operating expenses were 1.5% lower than the forecast due mainly to lower utilities expenses, service contract cost, government rent and rates. This savings were partly offset by higher advertising and promotion expenses incurred to promote the awareness of the shopping malls.

There was a saving of 26.4% on borrowing costs because the actual weighted average funding cost as at 31 December 2003 is 2.03% (including margins charged on the loans) as compared to forecast interest rate of 3.0% p.a.

Overall, the net profit of property companies was 5.6% higher than forecast and the income available for distribution was 6.2% better than forecast.

There has been an increase in the valuation of all the properties in Fortune REIT as at 31 December 2003 as compared to the last valuation as at 31 May 2003 disclosed in the prospectus. The total increase of 3.5% in valuation from HK\$3,275 million to HK\$3,389 million, has resulted in revaluation reserves of HK\$114 million reflected in the financial statements. The net asset value of Fortune REIT as at 31 December 2003 increased to HK\$5.18 per unit.

**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 economy continues to strengthen with output growing faster, deflationary pressure easing off, improving employment prospects and rebound visitor arrivals especially from Mainland China. The turnaround in Hong Kong's economy in the second half of 2003 is gathering steam, with the consensus growth forecast for 2004 at 5% to 6%, after estimated growth of 3.5% in 2003.

The impact on retail sales is positive, with centrally-located shopping the most sensitive in the short term. Fortune REIT's shopping malls, being suburban malls, also benefit through the trickle down effect.

With the upswing economy in general, there is rising leasing interest for all the shopping malls in Fortune REIT especially the Metropolis Mall and Ma On Shan Plaza.

On the basis of the information available at present, the Manager does not expect the performance of Fortune REIT to be materially affected in the next reporting period ending 31 March 2004.

**Outlook for 2004**

Based on the performance of the portfolio and the financials prepared for the period ended 31 December 2003, the Manager of Fortune REIT expects the full year 2004 performance to meet the profit forecast as stated in the Prospectus dated 28 July 2003, barring any unforeseen circumstances.

**11. Distributions**

**(a) Current financial period**

Name of distribution	First distribution for the period from 13 August 2003 to 31 December 2003
Distribution Type	Tax-exempt income
Distribution Rate	12.43 Hong Kong cents per unit
Par value of units.	N.M
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 immediately preceding year**

Nil

**(c) Date Payable**

The distribution will be paid on 27 February 2004.

**(d) Book closure date**

Registrable Transfers received by Fortune REIT up to 5.00 p.m. on 6 February 2004 will be registered before entitlements to the distributions are determined.

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

Not applicable

**13. Segmented revenue and results for business or geographical segments (of the group)**

Fortune REIT's business is to own and invest in a portfolio of retail shopping malls and all the existing properties are located in Hong Kong.

**14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Please refer to Section 9 for the review of the actual performance.

**15. Breakdown of sales**

Not Applicable

**16. Breakdown of the total distribution for the financial year ended 31 December 2003**

Distribution to Unitholders HK\$58.91 million

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

27 January 2004



Certified Public Accountants  
6 Shenton Way #32-00  
DBS Building Tower Two  
Singapore 068809

Tel: (65) 6224 8288  
Fax: (65) 6538 6166

**Deloitte  
& Touche**

ARA Asset Management (Singapore) Limited  
7 Temasek Boulevard  
# 12-03 Suntec City Tower 1  
Singapore 038987

Attention: Mr John Lim

Dear Sirs

We have reviewed the financial statements of Fortune Real Estate Investment Trust ("Fortune REIT") and the consolidated financial statements of the Group for the financial period from the date of inception of Fortune REIT on 4 July 2003 to 31 December 2003. These financial statements are the responsibility of ARA Asset Management (Singapore) Limited ("The Manager of Fortune REIT") and Bermuda Trust (Singapore) Limited ("The Trustee of Fortune REIT"). Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the Singapore Standard on Auditing applicable to review engagement. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of management personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements of Fortune REIT and the consolidated financial statements of the Group are not presented fairly, in all material respects, in accordance with Singapore Financial Reporting Standards.

*Deloitte & Touche*  
Certified Public Accountants  
Singapore

January 27, 2004

