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Third Quarter * Financial Statement And Dividend Announcement


* Asterisks denote mandatory information

Name of Announcer *	FORTUNE REAL ESTATE INV TRUST
Company Registration No.	N/A
Announcement submitted on behalf of	FORTUNE REAL ESTATE INV TRUST
Announcement is submitted with respect to *	FORTUNE REAL ESTATE INV TRUST
Announcement is submitted by *	Lim Hwee Chiang
Designation *	Director
Date & Time of Broadcast	06-Nov-2007 18:31:31
Announcement No.	00140

>> Announcement Details

The details of the announcement start here ...

For the Financial Period Ended *	30-09-2007
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Fortune Real Estate Investment Trust

Financial Statements For The Third Quarter Ended 30 September 2007

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 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 approximately HK\$9.2 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 house a total of 817 tenants as at 30 September 2007 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, Watson's, Modern Beauty Salon, Fortress, McDonald's, Kentucky Fried Chicken, 3G Shop, GOME, Bank of China (Hong Kong), DBS Bank, Standard Chartered Bank, Citibank, The Hongkong & Shanghai Banking Corporation Limited, Yeh Lam Kwok Restaurant, Japan Home Centre, Jumpin Gym U.S.A., International Christian School Limited and the Hong Kong Jockey Club.

Financial Statements Announcement
For the third quarter ended 30 September 2007



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 1/7/07 to 30/9/07 ^(a)	Actual 1/7/06 to 30/9/06 ^(a)		Increase/ (Decrease)	Actual 1/1/07 to 30/9/07 ^(a)	
Revenue ^(b)	120,152	122,945	(2.3%)	367,976	374,371	(1.7%)
Charge-out collections ^(c)	28,230	30,268	(6.7%)	88,644	89,569	(1.0%)
Total revenue	148,382	153,213	(3.2%)	456,620	463,940	(1.6%)
Property management fees	(3,409)	(3,527)	(3.4%)	(10,461)	(10,362)	1.0%
Other property operating expenses ^(d)	(34,030)	(39,401)	(13.6%)	(99,274)	(113,214)	(12.3%)
Property Operating Expenses	(37,439)	(42,928)	(12.8%)	(109,735)	(123,576)	(11.2%)
Net Property Income (before manager's performance fee)	110,943	110,285	0.6%	346,885	340,364	1.9%
Manager's performance fee	(3,328)	(3,308)	0.6%	(10,398)	(10,211)	1.8%
Net Property Income	107,615	106,977	0.6%	336,487	330,153	1.9%
Borrowing costs	(29,320)	(28,682)	2.2%	(82,666)	(79,729)	3.7%
Profit Before Tax	78,295	78,295	0.0%	253,821	250,424	1.4%
Hong Kong Taxation :						
Current taxation	(10,402)	(10,369)	0.3%	(34,657)	(30,830)	12.4%
Deferred taxation	(3,468)	(3,825)	(9.3%)	(10,419)	(13,480)	(22.7%)
Total Hong Kong Taxation	(13,870)	(14,194)	(2.3%)	(45,076)	(44,310)	1.7%
Net Profit of Property Companies	64,425	64,101	0.5%	208,745	206,114	1.3%
Gain on disposal of investment property ^(e)	-	2,997	(100.0%)	-	2,997	(100.0%)
Manager's base fee	(6,984)	(6,498)	7.5%	(20,723)	(19,280)	7.5%
Foreign exchange gain (loss) ^(f)	447	34	1,215.1%	588	1,395	(57.9%)
Non-tax deductible trust expenses ^(g)	(4,061)	(10,608)	(61.7%)	(7,141)	(14,906)	(52.1%)
Tax deductible trust expenses	(464)	(356)	30.2%	(1,461)	(1,232)	18.6%
Non tax-exempt income ^(h)	1,856	3,032	(38.8%)	7,527	5,067	48.5%
Total Trust Expenses	(9,206)	(11,399)	(19.2%)	(21,210)	(25,959)	(18.3%)
Net Profit of Group	55,219	52,702	4.8%	187,535	180,155	4.1%
Add / (less) :						
Gain on disposal of investment property ^(e)	-	(2,997)	(100.0%)	-	(2,997)	(100.0%)
Manager's base fee	6,984	6,498	7.5%	20,723	19,280	7.5%
Foreign exchange gain (loss) ^(f)	(447)	(34)	1,215.1%	(588)	(1,395)	(57.9%)
Non-tax deductible trust expenses ^(g)	4,061	10,608	(61.7%)	7,141	14,906	(52.1%)
Non tax-exempt income ^(h)	(1,856)	(3,032)	(38.8%)	(7,527)	(5,067)	48.5%
Income Available For Distribution before Gain on disposal of investment property^{(e), (i)}	63,961	63,745	0.3%	207,284	204,882	1.2%
Gain on disposal of investment property ^(e)	-	2,997	(100.0%)	-	2,997	(100.0%)
Income Available For Distribution ⁽ⁱ⁾	63,961	66,742	(4.2%)	207,284	207,879	(0.3%)

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. The property income and licence fee top up, paid by Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited to Vision Million Limited under the Rental Guarantee Deed dated 12 August 2003, had lapsed on 12 August 2006.*
- (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 allowance for doubtful debts of HK\$487 and HK\$32,860 for the period 1 July 2007 to 30 September 2007 and 1 January 2007 to 30 September 2007 respectively. Allowance for doubtful debts for the period 1 July 2006 to 30 September 2006 and 1 January 2006 to 30 September 2006 were HK\$35,516 and HK\$201,093 respectively.*
- (e) *Gain on disposal of investment property arises from the sale of 314 car park lots in one of the investment properties, City One Shatin Property, in 2006.*
- (f) *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 conversion of SGD fixed deposits upon maturity at contracted rates fixed at the transaction dates. All exchange differences are included in the income statements.*
- (g) *Included therein in the non tax-deductible trust expenses is a negative fair value of HK\$1.42 million and HK\$NIL for the period 1 July 2007 to 30 September 2007 and 1 January 2007 to 30 September 2007 respectively arising from the structured swaps entered on 28 June 2006. (The amount for the periods of 1 July 2006 to 30 September 2006 and 1 January 2006 to 30 September 2006 was HK\$8.43 million respectively).*
- (h) *Non tax-exempt income refers mainly to interest income from fixed deposits and structured swaps entered on 28 June 2006. Included therein for the period 1 January 2007 to 30 September 2007 (2006: NIL), is a positive fair value of HK\$1.48 million arising from the structured swap.*
- (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.*
- Distribution per Unit ("DPU") excluding the gain on disposal of investment property for the period 1 July 2007 to 30 September 2007 and 1 January 2007 to 30 September 2007 was 7.86 HK cents and 25.56 HK cents respectively (DPU for the period 1 July 2006 to 30 September 2006 and 1 January 2006 to 30 September 2006 was 7.91 HK cents and 25.41 HK cents respectively which includes the gain of about HK\$3.0 million on disposal of 314 car park lots in City One Shatin Property).*
- (j) *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 HK\$ '000		Group ^(a) HK\$ '000	
	Actual 30/9/07	Actual 31/12/06	Actual 30/9/07	Actual 31/12/06
Current Assets				
Cash and bank balances	118,335	115,123	204,464	251,525
Investment properties held for resale ^(b)	-	-	904	904
Trade and other receivables	11,838	150,847	38,335	29,954
Total Current Assets	130,173	265,970	243,703	282,383
Non-Current Assets				
Investment in property companies	3,939,224	3,939,224	-	-
Investment properties ^(c)	-	-	9,248,737	9,235,000
Fixed assets	-	-	210	270
Derivative asset ^(d)	-	-	604	87
Total Non-Current Assets	3,939,224	3,939,224	9,249,551	9,235,357
Total Assets	4,069,397	4,205,194	9,493,254	9,517,740
Current Liabilities				
Trade and other payables	6,488	7,374	194,146	189,669
Derivative liability ^(d)	-	2,233	1,870	2,233
Provision for taxation	1,078	1,501	37,399	8,713
Total Current Liabilities	7,566	11,108	233,415	200,615
Non-Current Liabilities				
Borrowings	-	-	2,337,631	2,334,613
Deferred tax liabilities	-	-	105,966	95,546
Derivative liability ^(d)	753	-	7,717	21,213
Total Non-Current Liabilities	753	-	2,451,314	2,451,372
Total Liabilities	8,319	11,108	2,684,729	2,651,987
Net Assets	4,061,078	4,194,086	6,808,525	6,865,753
Unitholders' Equity				
Issued equity	4,334,886	4,314,164	4,334,886	4,314,164
Unit issue costs ^(e)	(173,097)	(173,097)	(173,097)	(173,097)
Hedging reserve ^(d)	-	-	(8,230)	(21,126)
Revenue reserve	(100,711)	53,019	2,654,966	2,745,812
Total Unitholder's Equity	4,061,078	4,194,086	6,808,525	6,865,753

**Financial Statements Announcement
For the third quarter ended 30 September 2007**



Footnotes:

- (a) The Group's financial information incorporates the financial statements of the Trust and the 11 Property Companies.
- (b) This relates to the four car park lots in City One Shatin Property which were not sold as at 30 September 2007.
- (c) Investment properties are stated at valuation based on an independent professional valuation carried out by Savills Valuation and Professional Services Ltd, the independent valuer, on 31 December 2006. During the period, minor capital costs were incurred and included in the investment properties value.
- (d) The derivative asset/liability relates to the fair value of the interest rate swaps transacted to hedge the interest rate risk on the HK\$1,843.5 million term loan and the structured swaps entered on 28 June 2006.
- (e) 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\$169.1 million paid as of 30 September 2007 (31 December 2006: HK\$168.7 million) as well as accruals of approximately HK\$4.0 million (31 December 2006: HK\$4.4 million).

1 (b)(ii) Aggregate amount of borrowings

As at 30/9/07

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

Secured ^(a)	Unsecured
HK\$ '000	HK\$ '000
-	-
2,337,631	-
2,337,631	-

As at 31/12/06

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

Secured ^(a)	Unsecured
HK\$ '000	HK\$ '000
-	-
2,334,613	-
2,334,613	-

Footnote:

- (a) Fortune REIT has in place an omnibus facility ("the Facility") of HK\$2,613.7 million (2006: HK\$2,613.7 million) comprising a HK\$2,348.7 million (2006: HK\$2,348.7 million) term loan facility and a HK\$265 million (2006: HK\$265 million) revolving credit facility, each for a term of five years from 28 June 2005.

Included in the amount payable after one year is a debt front end fee of HK\$11.1 million (31 December 2006: HK\$14.1 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).

**Financial Statements Announcement
For the third quarter ended 30 September 2007**



1 (c) Cash flow statement

	Group		Group	
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
	Actual 1/7/07 to 30/9/07	Actual 1/7/06 to 30/9/06	Actual 1/1/07 to 30/9/07	Actual 1/1/06 to 30/9/06
Operating Activities				
Profit before taxation	69,090	66,896	232,611	224,465
Adjustments for:				
Changes in fair value of derivative asset	1,416	8,429	(1,479)	8,429
Gain on disposal of investment properties	-	(2,997)	-	(2,997)
Depreciation	18	21	59	65
Base fee paid in units	6,984	6,498	20,723	19,280
Interest income	(1,856)	-	(6,048)	-
Borrowing costs	29,320	28,682	82,666	79,729
Operating Profit before changes in working capital	104,972	107,529	328,532	328,971
Decrease/(Increase) in trade and other receivables	(6,049)	24,009	(8,381)	15,974
(Decrease)/Increase in trade and other payables	14,213	(16,196)	4,477	1,108
Cash generated from operating activities	113,136	115,342	324,628	346,053
Income taxes paid	(709)	(154)	(5,970)	(1,155)
Cash flows from operating activities	112,427	115,188	318,658	344,898
Investing Activities				
Disposal / (Acquisition) of investment properties	-	73,961	-	73,961
Upgrading of investment properties	(8,075)	(2,955)	(13,737)	(5,174)
Interest received	1,856	-	6,048	-
Cash flow from / (used in) investing activities	(6,219)	71,006	(7,689)	68,787
Financing Activities				
Purchase of structured swap	-	(12,290)	-	(12,290)
Distribution paid	(143,306)	(141,138)	(278,382)	(279,424)
(Repayment)/drawdown of borrowings, net	1,006	(35,294)	3,018	(45,282)
Borrowing costs paid	(29,320)	(28,682)	(82,666)	(79,729)
Cash flow used in financing activities	(171,620)	(217,404)	(358,030)	(416,725)
Net increase in cash and cash equivalents	(65,412)	(31,210)	(47,061)	(3,040)
Cash and cash equivalents at beginning of the period	269,876	241,315	251,525	213,145
Cash and cash equivalents at end of the period	204,464	210,105	204,464	210,105

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

Statement for the third quarter	HK\$ '000			
	Trust		Group	
	Actual 1/7/07 to 30/9/07	Actual 1/7/06 to 30/9/06	Actual 1/7/07 to 30/9/07	Actual 1/7/06 to 30/9/06
Balance as at beginning of period	4,206,935	4,214,653	6,897,570	6,221,053
Operations				
Net profit/(loss)	(9,535)	(14,985)	55,219	52,702
Fair value changes in hedging instrument	-	-	(7,942)	(31,275)
Increase in net assets resulting from operations	(9,535)	(14,985)	47,277	21,427
Unitholders' transactions				
Creation of units				
-management fee paid/payable in units	6,984	6,498	6,984	6,498
Distribution to Unitholders	(143,306)	(141,139)	(143,306)	(141,139)
Net decrease in net assets resulting from Unitholders' transactions	(136,322)	(134,641)	(136,322)	(134,641)
Unitholders' funds as at end of period	4,061,078	4,065,027	6,808,525	6,107,839

Statement for the year-to-date	HK\$ '000			
	Trust		Group	
	Actual 1/1/07 to 30/9/07	Actual 1/1/06 to 30/9/06	Actual 1/1/07 to 30/9/07	Actual 1/1/06 to 30/9/06
Balance as at beginning of year	4,194,086	4,212,857	6,865,753	6,215,149
Operations				
Net profit	124,651	112,314	187,535	180,155
Fair value changes in hedging instrument	-	-	12,896	(27,321)
Increase in net assets resulting from operations	124,651	112,314	200,431	152,834
Unitholders' transactions				
Creation of units				
-management and acquisition fee paid/payable in units	20,723	19,280	20,723	19,280
Distribution to Unitholders	(278,382)	(279,424)	(278,382)	(279,424)
Net decrease in net assets resulting from Unitholders' transactions	(257,659)	(260,144)	(257,659)	(260,144)
Unitholders' funds as at end of year	4,061,078	4,065,027	6,808,525	6,107,839

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

<u>Date</u>	<u>Units Issued</u>	<u>Purpose</u>
As at 1 July 2007	808,560,010	Total units since the end of previous financial period
4 July 2007	1,081,039	As payment of management fee for the period from 1 April 2007 to 30 June 2007
As at 30 September 2007	<u>809,641,049</u>	
5 October 2007	1,212,602	As payment of management fee for the period from 1 July 2007 to 30 September 2007
Deemed units as at 30 September 2007	<u>810,853,651</u>	

Footnotes:

(a) On 5 October 2007, there was an additional 1,212,602 units issued to the Manager as payment of management fee for the period from 1 July 2007 to 30 September 2007.

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 2006.

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 2007 to 30 September 2007

	Actual 1/7/07 to 30/9/07 HK cents	Actual 1/7/06 to 30/9/06 HK cents	Actual 1/1/07 to 30/9/07 HK cents	Actual 1/1/06 to 30/9/06 HK cents
Earnings per unit for the period based on the total number units in issue	6.79	6.53	23.13	22.35
Distribution per unit for the period based on the total number of units in issue before gain on disposal of investment property	7.86	7.91	25.56	25.41
Distribution per unit for the period based on the total number of units in issue after gain on disposal of investment property	7.86	8.28	25.56	25.78
Number of units used for computation (million)	810.9	806.2	810.9	806.2

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

Net asset value per unit^(a)

Actual 30/9/07 HK\$	Actual 31/12/06 HK\$
8.41	8.53

Footnotes:

(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 810.9 million (31 December 2006: 807.4 million). The decrease in net asset value was due to:-

(i) the distribution for the period from 1 January 2007 to 30 June 2007 which was paid in August 2007 and

(ii) an increase in the number of units issued to Manager as management fee.

8. Review of performance

Income Statement	HK\$ '000		%	HK\$ '000		%
	Actual 1/7/07 to 30/9/07	Actual 1/7/06 to 30/9/06	Increase/ (Decrease)	Actual 1/1/07 to 30/9/07	Actual 1/1/06 to 30/9/06	Increase/ (Decrease)
Total Revenue	148,382	153,213	-3.2%	456,620	463,940	-1.6%
Property Operating Expenses	(37,439)	(42,928)	-12.8%	(109,735)	(123,576)	-11.2%
Net Property Income (before manager's performance fee)	110,943	110,285	0.6%	346,885	340,364	1.9%
Manager's performance fee	(3,328)	(3,308)	0.6%	(10,398)	(10,211)	1.8%
Net Property Income	107,615	106,977	0.6%	336,487	330,153	1.9%
Borrowing costs	(29,320)	(28,682)	2.2%	(82,666)	(79,729)	3.7%
Profit Before Tax	78,295	78,295	0.0%	253,821	250,424	1.4%
Total Hong Kong Taxation	(13,870)	(14,194)	-2.3%	(45,076)	(44,310)	1.7%
Net Profit of Property Companies	64,425	64,101	0.5%	208,745	206,114	1.3%
Tax deductible trust expenses	(464)	(356)	30.2%	(1,461)	(1,232)	18.6%
Income Available For Distribution before Gain on disposal of investment property	63,961	63,745	0.3%	207,284	204,882	1.2%
Gain on disposal of investment property	0	2,997	-100.0%	0	2,997	-100.0%
Income Available For Distribution	63,961	66,742	-4.2%	207,284	207,879	-0.3%

3Q 2007 versus 3Q 2006

The net property income for the quarter ended 30 September 2007 ("3Q07") was 0.6% higher than the same quarter last year despite lower revenue contribution of approximately 3.2% in 3Q07. The revenue achieved was lower due to various tenant repositioning plans and asset enhancements initiatives in the reporting period. As the income available for distribution in the same period of 2006 included an extraordinary distribution of approximately HK\$3.0 million being the gain on disposal of 314 car park lots in City One Shatin Property ("Gain"), the income available for distribution in the said period last year was correspondingly higher by 4.2% primarily due to the Gain. However, if such one-off Gain was not taken into account for comparison purposes, the income available for distribution for 3Q07 is 0.3% higher. This was mainly due to a more effective cost rationalization regime as well as proactive lease management practices. The cost-to-revenue ratio remained stable at 25.2% in 3Q07.

In terms of asset performance, the actual portfolio occupancy as at 30 September 2007 rose to 93.1% from 90.7% as at 30 June 2007. Due to active leasing efforts, committed occupancy has also improved to 94.2% as at 30 September 2007 whilst rental reversions were a healthy 19.3% for renewals on expiring leases in 3Q07. In addition, the portfolio passing rent increased to HK\$25.01 psf in the reporting period. The asset enhancement work in Waldorf Garden to convert a large restaurant space into smaller retail units was completed in mid August 2007, and is expected to improve future rental contributions as the new rents achieved are about 300% higher than previous rents.

Property operating expenses for 3Q07 were lower than the same quarter last year by 12.8% due to lower repair and maintenance cost, reduced advertising and promotion expenses as well as the waiver of the government rates in 3Q07.

Overall, the net property income for 3Q07 was HK\$107.6 million. This was approximately 0.6% higher than the same quarter last year.

Borrowing cost of about HK\$29.3 million, or a weighted average borrowing cost of 4.7% for 3Q07, was about 2.2% higher than the same period last year. Out of the total borrowings of about HK\$2.3 billion, the interest cost on about 78% of the debt had been fixed for various maturities to mitigate the impact of rises in interest rates.

Excluding the gain on disposal of investment property of approximately HK\$3.0 million registered in September 2006, the income available for distribution in 3Q07 was higher than the same quarter in 2006 by 0.3%.

YTD SEPTEMBER 2007 versus YTD SEPTEMBER 2006

For the three quarters ended 30 September 2007 ("YTD07"), the net property income was 1.9% higher than the same period last year despite a lower revenue contribution in YTD07 of about 1.6% mainly due to various tenant repositioning plans and asset enhancements initiatives in the period. Rental reversions for renewals leases in YTD07 recorded a healthy 15.9% and portfolio committed occupancy had risen to 94.2% as at 30 Sep 2007. The better performing malls such as Waldorf Garden Property and Ma On Shan Plaza registered positive rental reversions of 22.9% and 32.3% respectively on renewals leases. With proactive lease management, portfolio passing rent rose year-on-year by 6.8% to HK\$25.01 psf as at 30 September 2007.

Property operating expenses for YTD07 was lower than the same period in 2006 by 11.2%, with a cost-to-revenue ratio of 24.0%. This was partly due to the waiver of government rates from April 2007 to September 2007, a lower advertising and promotion expense and the capitalization of certain asset enhancement costs.

Overall, the net property income for YTD07 was HK\$336.5 million, which was approximately 1.9% higher than the same period in 2006.

Borrowing cost was higher for the first nine months of 2007 at HK\$82.7 million, which represented an increase of 3.7% over the same period last year.

Excluding the gain on disposal of investment property of approximately HK\$3.0 million registered in September 2006, the income available for distribution was HK\$207.2 million. This was about 1.2% higher than the same period in 2006

9. Variance between actual and the forecast results for the period from 1 January 2007 to 30 September 2007

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

Hong Kong's Gross Domestic Product increased by 6.6% in the second quarter of 2007 compared to the same period a year ago. In the first nine months of 2007, the Consumer Price Index also rose by 1.5% over a year earlier. In tandem with sustained economic growth, unemployment rate edged down to 4.1% in July to September 2007, back to its lowest level for more than nine years.

In September, the tourism sector benefited from a 15.9% improvement in tourist traffic as more than 2.12 million tourists visited Hong Kong in the month. Retail sales also improved for the first eight months of 2007 by a 10.6% increase in value or 8.5% rise in volume over the same period a year earlier. Whilst the retail sales market performed well in the first eight months of 2007, retail rents remained relatively stable over the same period, with private retail rents up 5.7% according to Rating and Valuation Department.

Capital markets in Hong Kong remained volatile as the 3 month HIBOR continued its upward trend since the beginning of 2007 despite the US Federal Reserve cutting Fed rates by 50bps on 18 Sep 2007 after keeping it stable at 5.25% since June 2006. The 3-month HIBOR rose from 4.47% to 5.15% as at the end of 3Q07 due to the numerous IPOs in Hong Kong mopping up liquidity. Fortune REIT's gearing is low at 24.7% and a portion of interest cost on its debt has been fixed for various maturities to mitigate the impact of fluctuations in interest rates.

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 2007.

Source: Census and Statistics Department, Rating and Valuation Department, Government of HKSAR

Outlook for the financial year ending 31 December 2007

Based on the performance of the portfolio and the financials prepared for the financial period from 1 January 2007 to 30 September 2007, the Manager of Fortune REIT does not expect the performance of the portfolio for the year ending 31 December 2007 to be materially different from the 2006 performance, barring any unforeseen circumstances.

11. Distributions

(a) Current financial period

Any distribution declared for the current period?	No
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(b) Corresponding period of the immediate preceding financial year

Any distribution declared for the corresponding period of the immediate preceding financial year?	No
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(c) Date Payable	Not applicable
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(d) Book Closure Date	Not applicable
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12. If no distribution has been declared/(recommended), a statement to that effect

No distribution has been declared or recommended for the current financial period from 1 July 2007 to 30 September 2007.

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 30 September 2007 and the results of the business, changes in unitholders' funds and cash flows of the Group for the 9 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 November 2007