



**Fortune Real Estate Investment Trust
Financial Statements
For the First Quarter Ended 31 March 2008**

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\$9.7 billion. The retail malls are City One Shatin Property, Ma On Shan Plaza, The Metropolis Mall, 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 807 tenants as at 31 March 2008 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, Mannings, Modern Beauty Salon, Fortress, McDonald's, KFC, 3G Shop, GOME, Bank of China (Hong Kong), DBS Bank, Standard Chartered Bank, Citibank, HSBC, Japan Home Centre, Jumpin Gym U.S.A., International Christian School Limited 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 1/1/08 to 31/3/08 ^(a) | Actual 1/1/07 to 31/3/07 ^(a) | Increase/ (Decrease) |
| Revenue ^(b) | 123,118 | 124,837 | (1.4%) |
| Charge-out collections ^(c) | 29,265 | 31,114 | (5.9%) |
| Total revenue | 152,383 | 155,951 | (2.3%) |
| Property management fees | (3,491) | (3,563) | (2.0%) |
| Other property operating expenses | (31,358) | (32,666) | (4.0%) |
| Property Operating Expenses | (34,849) | (36,229) | (3.8%) |
| Net Property Income (before manager's performance fee) | 117,534 | 119,722 | (1.8%) |
| Manager's performance fee | (3,526) | (3,592) | (1.8%) |
| Net Property Income | 114,008 | 116,130 | (1.8%) |
| Borrowing costs | (26,960) | (26,385) | 2.2% |
| Profit Before Tax | 87,048 | 89,745 | (3.0%) |
| Hong Kong Taxation : | | | |
| Current taxation | (12,054) | (12,199) | (1.2%) |
| Deferred taxation | (3,005) | (3,272) | (8.2%) |
| Total Hong Kong Taxation | (15,059) | (15,471) | (2.7%) |
| Net Profit of Property Companies | 71,989 | 74,274 | (3.1%) |
| Manager's base fee | (7,186) | (6,831) | 5.2% |
| Foreign exchange gain (loss) ^(d) | 707 | 235 | 201.0% |
| Non-tax deductible trust expenses ^(e) | (20,127) | (2,245) | 796.6% |
| Tax deductible trust expenses | (995) | (590) | 68.7% |
| Non tax-exempt income ^(f) | 1,273 | 5,582 | (77.2%) |
| Singapore current taxation | (50) | (309) | (83.8%) |
| Total Trust Expenses | (26,378) | (4,158) | 534.4% |
| Net Profit of Group | 45,611 | 70,116 | (34.9%) |
| Add / (less) : | | | |
| Manager's base fee | 7,186 | 6,831 | 5.2% |
| Foreign exchange gain (loss) ^(d) | (707) | (235) | 201.2% |
| Non-tax deductible trust expenses ^(e) | 20,127 | 2,245 | 796.6% |
| Non tax-exempt income ^(f) | (689) | (5,582) | (87.6%) |
| Income Available For Distribution^(g) | 71,528 | 73,375 | (2.5%) |

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) *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.*
- (e) *Included therein in the non tax-deductible trust expenses is a negative fair value changes of HK\$17.6 million for the period 1 January 2008 to 31 March 2008 (2007:NIL) arising from the structured swaps entered on 28 June 2006.*
- (f) *Non tax-exempt income refers mainly to interest income from fixed deposits and structured swaps entered on 28 June 2006. There is no fair value changes arising from the structured swap included therein for the period 1 January 2008 to 31 March 2008 (2007: positive fair value of HK\$3.08 million).*
- (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.*
- (h) *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 31/3/08 | Actual 31/12/07 | Actual 31/3/08 | Actual 31/12/07 |
| Current Assets | | | | |
| Cash and bank balances | 110,565 | 119,229 | 190,807 | 242,118 |
| Investment properties held for resale ^(b) | - | - | 904 | 904 |
| Trade and other receivables | 9,099 | 142,867 | 36,541 | 35,808 |
| Total Current Assets | 119,664 | 262,096 | 228,252 | 278,830 |
| Non-Current Assets | | | | |
| Investment in property companies | 3,939,224 | 3,939,224 | - | - |
| Investment properties ^(c) | - | - | 9,715,769 | 9,713,000 |
| Fixed assets | - | - | 173 | 191 |
| Total Non-Current Assets | 3,939,224 | 3,939,224 | 9,715,942 | 9,713,191 |
| Total Assets | 4,058,888 | 4,201,320 | 9,944,194 | 9,992,021 |
| Current Liabilities | | | | |
| Trade and other payables | 7,065 | 6,448 | 199,582 | 191,966 |
| Derivative liability ^(d) | - | - | 3,110 | 1,022 |
| Provision for taxation | 1,421 | 1,371 | 17,650 | 5,994 |
| Total Current Liabilities | 8,486 | 7,819 | 220,342 | 198,982 |
| Non-Current Liabilities | | | | |
| Borrowings | - | - | 2,339,644 | 2,338,638 |
| Deferred tax liabilities | - | - | 112,431 | 109,426 |
| Derivative liability ^(d) | 23,319 | 5,729 | 81,704 | 38,726 |
| Total Non-Current Liabilities | 23,319 | 5,729 | 2,533,779 | 2,486,790 |
| Total Liabilities | 31,805 | 13,548 | 2,754,121 | 2,685,772 |
| Net Assets | 4,027,083 | 4,187,772 | 7,190,073 | 7,306,249 |
| Unitholders' Equity | | | | |
| Issued equity | 4,349,417 | 4,342,232 | 4,349,417 | 4,342,232 |
| Unit issue costs ^(e) | (173,097) | (173,097) | (173,097) | (173,097) |
| Hedging reserve ^(d) | - | - | (61,495) | (34,019) |
| Revenue reserve | (149,237) | 18,637 | 3,075,248 | 3,171,133 |
| Total Unitholder's Equity | 4,027,083 | 4,187,772 | 7,190,073 | 7,306,249 |

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 31 March 2008.
- (c) 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 2007. During the period, minor capital costs were incurred and included in the investment properties value.
- (d) The derivative liability relates to the fair value of the interest rate swaps transacted to hedge the interest rate risk on 78% of the 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\$169.7 million paid as of 31 March 2008 (31 December 2007: HK\$169.7 million) as well as accruals of approximately HK\$3.4 million (31 December 2007: HK\$3.4 million).

1 (b)(ii) Aggregate amount of borrowings

As at 31/3/08

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

| Secured ^(a) | Unsecured |
|------------------------|-----------|
| HK\$ '000 | HK\$ '000 |
| - | - |
| 2,339,644 | - |
| 2,339,644 | - |

As at 31/12/07

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

| Secured ^(a) | Unsecured |
|------------------------|-----------|
| HK\$ '000 | HK\$ '000 |
| - | - |
| 2,338,638 | - |
| 2,338,638 | - |

Footnote:

- (a) Fortune REIT has in place an omnibus facility ("the Facility") of HK\$2,613.7 million (2007: HK\$2,613.7 million) comprising a HK\$2,348.7 million (2007: HK\$2,348.7 million) term loan facility and a HK\$265 million (2007: 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\$9.1 million (31 December 2007: HK\$10.1 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).

1 (c) Cash flow statement

| | Group | |
|---|--------------------------------|--------------------------------|
| | HK\$ '000 | HK\$ '000 |
| | Actual 1/1/08 to 31/3/08 | Actual 1/1/07 to 31/3/07 |
| Operating Activities | | |
| Profit before taxation | 60,720 | 85,896 |
| Adjustments for: | | |
| Changes in fair value of derivative asset | 17,590 | (3,076) |
| Amortisation of debt front end fee | 1,006 | 1,006 |
| Depreciation | 19 | 22 |
| Base fee paid in units | 7,186 | 6,831 |
| Interest income | (1,273) | (2,506) |
| Borrowing costs | 26,960 | 26,385 |
| Operating Profit before changes in working capital | 112,208 | 114,558 |
| Decrease/(Increase) in trade and other receivables | (733) | (2,148) |
| (Decrease)/Increase in trade and other payables | 7,614 | (2,200) |
| Cash generated from operating activities | 119,090 | 110,210 |
| Income taxes paid | (449) | (4,164) |
| Cash flows from operating activities | 118,641 | 106,046 |
| Investing Activities | | |
| Upgrading of investment properties | (2,769) | (1,745) |
| Interest received | 1,273 | 2,506 |
| Cash flow from / (used in) investing activities | (1,496) | 761 |
| Financing Activities | | |
| Distribution paid | (141,497) | (135,075) |
| Borrowing costs paid | (26,960) | (26,385) |
| Cash flow used in financing activities | (168,457) | (161,460) |
| Net increase in cash and cash equivalents | (51,311) | (54,653) |
| Cash and cash equivalents at beginning of the period | 242,118 | 251,525 |
| Cash and cash equivalents at end of the period | 190,807 | 196,872 |

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

| Statement for the first quarter | HK\$ '000 | | | |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | Trust | | Group | |
| | Actual 1/1/08 to 31/3/08 | Actual 1/1/07 to 31/3/07 | Actual 1/1/08 to 31/3/08 | Actual 1/1/07 to 31/3/07 |
| Balance as at beginning of period | 4,187,772 | 4,194,086 | 7,306,249 | 6,865,753 |
| Operations | | | | |
| Net profit/(loss) | (26,378) | (4,159) | 45,611 | 70,116 |
| Fair value changes in hedging instrument | - | - | (27,476) | 8,313 |
| Increase in net assets resulting from operations | (26,378) | (4,159) | 18,135 | 78,429 |
| Unitholders' transactions | | | | |
| Creation of units | | | | |
| -management fee paid/payable in units | 7,186 | 6,831 | 7,186 | 6,831 |
| Distribution to Unitholders | (141,497) | (135,075) | (141,497) | (135,075) |
| Net increase in net assets resulting from Unitholders' transactions | (134,311) | (128,244) | (134,311) | (128,244) |
| Unitholders' funds as at end of period | 4,027,083 | 4,061,683 | 7,190,073 | 6,815,938 |

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 2008 | 810,853,651 | Total units since the end of previous financial period |
| 15 January 2008 | 1,412,396 | As payment of management fee for the period from 1 October 2007 to 31 December 2007 |
| As at 31 March 2008 | <u>812,266,047</u> | |
| 10 April 2008 | 1,424,193 | As payment of management fee for the period from 1 January 2008 to 31 March 2008 |
| Deemed units as at 31 March 2008 | <u>813,690,240</u> | |

Footnotes:

(a) On 10 April 2008, there was an additional 1,424,193 units issued to the Manager as payment of management fee for the period from 1 January 2008 to 31 March 2008.

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 2007.

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 2008 to 31 March 2008

| | Actual 1/1/08 to 31/3/08 HK cents | Actual 1/1/07 to 31/3/07 HK cents |
|---|--|--|
| Earnings per unit for the period based on the weighted average number of units in issue | 5.61 | 8.67 |
| Weighted average number of units in issued (million) | 813.6 | 808.5 |
| Distribution per unit for the period based on the total number of units in issue | 8.79 | 9.07 |
| Total number of units in issued (million) | 813.7 | 808.6 |

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

| | Actual 31/3/08 HK\$ | Actual 31/12/07 HK\$ |
|---|---------------------------|----------------------------|
| Net asset value per unit ^(a) | 8.91 | 9.04 |

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 813.7 million (31 December 2007: 812.3 million). The decrease in net asset value was mainly due to the final distribution for 2007 which was paid in February 2008 as well as an increase in units issued to Manager as base fee for the period 1 January 2008 to 31 March 2008.

8. Review of performance

Income Statement

| | HK\$ '000 | | % |
|-----------------------------------|--------------------------------|--------------------------------|----------|
| | Actual 1/1/08 to 31/3/08 | Actual 1/1/07 to 31/3/07 | Increase |
| Total Revenue | 152,383 | 155,951 | -2.3% |
| Net Property Income | 114,008 | 116,130 | -1.8% |
| Income Available for Distribution | 71,578 | 73,375 | -2.4% |

1Q 2008 (“Reporting Period”) versus 1Q 2007

Total Revenue for the Reporting Period was HK\$152.4 million, which was about 2.3% lower year on year (Y-o-Y) due to progressive repositioning of tenants' mix at The Metropolis Mall and Jubilee Court Shopping Centre. Although actual occupancy as at end March 2008 was 90.7%, the committed occupancy has risen to 94.2% as proactive leasing efforts has led to strong forward commitments by tenants. The portfolio achieved a healthy rental reversion for renewals of 13.9% for the Reporting Period, with a corresponding increase in passing rent Y-o-Y by 10.1% to HK\$26.15 psf as at end March 2008. Phase 2 of the asset enhancement works at The Waldorf Garden was completed in March 2008, with about 93.5% of the enhanced area successfully committed as of the reporting date. New rents achieved for the enhanced zone is about 60% higher than previous rents.

Property Operating Expenses for the quarter ended March 2008 has improved by 3.8% as compared to the same quarter in 2007. This was mainly due to more efficient controls over energy costs as well as the waiver of government rates in the first quarter this year. The cost-to-revenue ratio for the portfolio was efficiently managed at 22.9% for the first quarter of 2008 as compared to 23.2% for the same period in 2007.

Borrowing cost for the first quarter of the year was HK\$27 million, with a weighted average borrowing cost of 4.58% p.a. Out of the total borrowings, the interest cost on about 78% of the debts has been fixed for various maturities, with about a third of the fixed borrowing cost maturing in June 2008.

All in, the Net Property Income and Income Available for Distribution for the first quarter of 2008 were HK\$114.0 million and HK\$71.6 million respectively.

9. Variance between actual and the forecast results for the period from 1 January 2008 to 31 March 2008

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 Hong Kong economy sustained a robust growth momentum throughout 2007, with GDP leaping by 6.3% in real terms. This marked the fourth consecutive year of strong economic expansion. The economy had been resilient to the global financial market turbulence. Amidst upbeat consumer and business sentiments, domestic demand has become an increasingly important contributor to overall economic growth. Private consumption expenditure, which is a better gauge of consumption spending by local residents, rose by 7.8% in real term in 2007. The labour market tightened further with unemployment eased to 3.3% for the 3 months ended February 2008.

The total retail sales rose in February 2008 over a year earlier. Taking the first two months of 2008 into account, total retail sales have increased by 16.4% in value or 11.1% in volume over the same period a year earlier. Retail rents have also been improving over the same period, with private retail rents up 10.8% according to Rating and Valuation Department in Hong Kong.

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

Source: Hong Kong Census and Statistics Department, Hong Kong Rating and Valuation Department

Outlook for the financial year ending 31 December 2008

Based on the performance of the portfolio and the financials prepared for the financial period from 1 January 2008 to 31 March 2008, the Manager of Fortune REIT expects the performance of the portfolio for the year ending 31 December 2008 to be comparable with the 2007 performance, barring any unforeseen circumstances.

11. Distributions

(a) Current financial period

| | |
|---|-----|
| Any distribution declared for the current period? | NIL |
|---|-----|

(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.

(d) Book Closure Date N.A.

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 2008 to 31 March 2008.

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 2008 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 2008