



## **FORTUNE REAL ESTATE INVESTMENT TRUST 2003 Q3 FINANCIAL STATEMENT ANNOUNCEMENT**

**Financial Statements for the period from 13 August 2003 to 30 September 2003**

These figures have not been audited nor reviewed by the auditors.

The Fortune Real Estate Investment Trust ("Fortune REIT") was established under a Trust Deed dated 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. Hence, the actual income derived from the properties was effective only from **13 August 2003** onwards.

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 over 380 tenants as at 30 September 2003, including bank and real estate services, super market, food and beverage, service and education. Tenants include Park'N Shop, Fortress, Maxim's Chinese Restaurant, Watson's, Kopitiam, DBS Bank, Standard Chartered Bank, International Christian School Limited, Hong Kong Jockey Club and many others.

## 1(a) INCOME STATEMENT

Together with a comparative statement for the corresponding period of the immediately preceding financial year

	HK\$ '000		%
	Actual 13/8/03 to 30/9/03	Pro forma 13/8/02 to 30/9/02 <sup>(a)(b)</sup>	
Gross rental income <sup>(c)</sup>	27,025	13,051	107.1%
Other income	12,144	6,882	76.5%
<b>Gross Revenue</b>	<b>39,169</b>	<b>19,933</b>	96.5%
Property management fee	(615)	(402)	52.9%
Other property operating expenses <sup>(d)</sup>	(10,119)	(6,095)	66.0%
<b>Property Operating Expenses</b>	<b>(10,734)</b>	<b>(6,497)</b>	65.2%
<b>Net Property Income (before property manager's fee)</b>	<b>28,435</b>	<b>13,436</b>	111.6%
Manager's performance fee	(859)	(403)	113.2%
<b>Net Property Income</b>	<b>27,576</b>	<b>13,033</b>	111.6%
Interest on borrowings	(2,565)	(1,792)	43.1%
<b>Profit Before Tax</b>	<b>25,011</b>	<b>11,241</b>	122.5%
Hong Kong Taxation			
Current taxation	(1,602)	(1,282)	25.0%
Deferred taxation	(2,812)	(465)	504.7%
<b>Total Hong Kong Taxation</b>	<b>(4,414)</b>	<b>(1,747)</b>	152.7%
<b>Net Profit of Property Companies</b>	<b>20,597</b>	<b>9,494</b>	117.0%
Manager's base fee	(1,319)	(593)	122.4%
Amortisation of negative goodwill	423	117	261.5%
Foreign exchange gains <sup>(e)</sup>	971	-	NM
Non-tax deductible trust expenses	(219)	(60)	265.0%
Tax deductible trust expenses	(258)	(220)	(17.3%)
<b>Total Trust Expenses</b>	<b>(402)</b>	<b>(756)</b>	(46.8%)
<b>Net Profit of Trust</b>	<b>20,195</b>	<b>8,738</b>	131.1%
<b>Add / (less):</b>			
Manager's base fee	1,319	593	122.4%
Amortisation of negative goodwill	(423)	(117)	261.5%
Foreign exchange gains <sup>(e)</sup>	(971)	-	NM
Non-tax deductible trust expenses	219	60	265.0%
<b>Income Available For Distribution <sup>(f)</sup></b>	<b>20,339</b>	<b>9,274</b>	119.3%

### Footnotes:

- (a) This is the first financial period of Fortune REIT and the comparative numbers for 2002 are extracted from the pro forma income statement which was included in the Prospectus dated 28 July 2003 and pro-rated equally for the 49 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 Poko Shine Limited, Quick Switch Limited and Yee Pang Realty Limited, but exclude Art Full Resources Limited and Vision Million Limited.
- (c) The actual Gross Rental Income figure includes a Property Income and Licence Fee Top Up amount of HK\$ 9.3 million to be paid 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 allowance for doubtful debts and bad debts written back of HK\$ 75,757. (Allowance for doubtful debts and bad debts in the Pro forma for the period from 13/8/2002 to 30/9/2002 is HK\$ 43,838).
- (e) Foreign exchange gains represent unrealized foreign exchange difference from translation of monetary assets and liabilities denominated in foreign currencies into Hong Kong dollars at rates of exchange approximating to those ruling at balance sheet date. Exchange differences are included in profit and loss accounts.
- (f) 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.
- (g) 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 period and the previous corresponding financial period.
- (h) 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 period was from 13 August 2003 to 30 September 2003, a period of 49 days.

NM – not meaningful  
NA – not available

**1(b) (i) BALANCE SHEET**

**Together with a comparative statement as at the end of the immediately preceding financial year**

	<b>Trust</b>	<b>Group</b>	
	HK\$ '000 <sup>(a)</sup>	HK\$ '000 <sup>(b)</sup>	
	Actual 30/9/03	Actual 30/9/03	Pro forma 31/12/02
<b>Current Assets</b>			
Cash	136,726	161,038	56,522
Trade and other receivables	7	23,272	9,975
Deferred tax assets	-	-	976
<b>Total Current Assets</b>	<b>136,733</b>	<b>184,310</b>	<b>67,473</b>
<b>Non-Current Assets</b>			
Investment in property companies	531,421	-	-
Loan to property companies	1,537,626	-	-
Investment properties <sup>(c)</sup>	-	3,275,000	3,275,000
Negative goodwill <sup>(d)</sup>	-	(138,359)	(144,019)
<b>Total Non-Current Assets</b>	<b>2,069,047</b>	<b>3,136,641</b>	<b>3,130,981</b>
<b>Total Assets</b>	<b>2,205,780</b>	<b>3,320,951</b>	<b>3,198,454</b>
<b>Current Liabilities</b>			
Trade and other payables <sup>(e)</sup>	63,103	129,879	54,114
Provision for taxation	-	7,277	2,264
<b>Total Current Liabilities</b>	<b>63,103</b>	<b>137,156</b>	<b>56,378</b>
<b>Non-Current Liabilities</b>			
Borrowings	-	990,000	990,000
Deferred tax liabilities	-	30,098	23,058
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>1,020,098</b>	<b>1,013,058</b>
<b>Total Liabilities</b>	<b>63,103</b>	<b>1,157,254</b>	<b>1,069,436</b>
<b>Net Assets</b>	<b>2,142,677</b>	<b>2,163,697</b>	<b>2,129,018</b>
<b>Unitholders' Equity</b>			
Issued equity	2,234,046	2,234,046	2,237,865
Unit issue costs <sup>(f)</sup>	(90,544)	(90,544)	(108,847)
Net (Loss)/Profit for the period	(825)	20,195	-
<b>Total Unitholder's Equity</b>	<b>2,142,677</b>	<b>2,163,697</b>	<b>2,129,018</b>

**Footnotes:**

- (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 May 2003.

- (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 account.
- (e) This includes accrued Manager's base fee payable in units of HK\$ 1.3 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\$ 29.2 million paid as of 30 September 2003 as well as accruals of HK\$ 61.3 million.

#### 1(b)(ii) AGGREGATE AMOUNT OF GROUP'S BORROWINGS AND DEBT SECURITIES

As at 30/9/03

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

Secured	Unsecured <sup>(a)</sup>
HK\$ '000	HK\$ '000
-	90,000
-	900,000
-	990,000

#### Footnotes:

- (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\$ 990 million with the term loan facility fully drawn.
- (b) There are no comparative prior period figures as this is the first financial period.

**1(c) CASH FLOW STATEMENT**

	HK\$ '000
	Actual 13/8/03 to 30/9/03 (a)
<b>Operating Activities</b>	
Profit before taxation	24,609
Adjustments for:	
Amortisation of negative goodwill	(423)
Borrowing costs	2,565
Operating Profit before changes in working capital	26,751
Increase / (decrease) in working capital:	
Trade and other receivables	2,677
Trade and other payables	59,171
Decrease in working capital	61,848
<b>Cash flow from operating activities</b>	<b>88,599</b>
<b>Investing Activities</b>	
Acquisition of property companies, net of cash acquired	(2,068,497)
<b>Cash flow from investing activities</b>	<b>(2,068,497)</b>
<b>Financing Activities</b>	
Proceeds from issue of new units (net of issue costs)	2,143,501
Interest paid	(2,565)
<b>Cash flow from financing activities</b>	<b>2,140,936</b>
<b>Net increase in cash and cash equivalents</b>	<b>161,038</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>161,038</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 period was from 13 August 2003 to 30 September 2003, a period of 49 days.

**1(d)(i) STATEMENT OF CHANGES IN UNITHOLDER'S FUNDS**

	HK\$ '000	
	Trust	Group
	Actual 13/8/03 to 30/9/03	Actual 13/8/03 to 30/9/03
<b>Operations</b>		
Net (Loss) / Profit	(825)	20,195
<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	-	-
Establishment and initial public offering expenses	(90,544)	(90,544)
<b>Unitholders' funds as at end of period</b>	<b>2,142,677</b>	<b>2,163,697</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 period was from 13 August 2003 to 30 September 2003, a period of 49 days.
- (c) This comprises proceeds from the initial public offering of 473 million units on 12 August 2003.

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

<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

**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)**

These 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)**

NA.

**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 for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

Earnings per unit for the period (i.e. 49 days) based on the number of units in issue	HK\$ 0.043
Distribution per unit for the period (i.e. 49 days) based on the number of units in issue	HK\$ 0.043

There are no comparative prior period figures as this is the first financial period.

**7. Net asset value per unit based on issued share capital of the issuer at the end of the period**

Net asset value per unit at 30 September 2003 <sup>(a)</sup>	HK\$ 4.87
Adjusted net asset value per unit at 30 September 2003 <sup>(b)</sup>	HK\$ 4.82

<sup>(a)</sup> Net asset value is calculated based on net assets of the Group excluding negative goodwill

<sup>(b)</sup> 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.

**8. Review of the performance**

See paragraph 9 below on the review of performance against the forecast in the Prospectus dated 28 July 2003.



9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

9(a) Income statement for the period of 13 August 2003 to 30 September 2003

	HK\$ '000		%
	Actual	Forecast <sup>(a)</sup>	Increase/ (Decrease)
Gross rental income <sup>(b)</sup>	27,025	26,938	0.3%
Other income	12,144	12,106	0.3%
<b>Gross Revenue</b>	<b>39,169</b>	<b>39,044</b>	0.3%
Property management fees	(615)	(617)	(0.3%)
Other property operating expenses	(10,119)	(11,098)	(8.8%)
<b>Property Operating Expenses</b>	<b>(10,734)</b>	<b>(11,715)</b>	(8.4%)
<b>Net Property Income (before manager's performance fee)</b>	<b>28,435</b>	<b>27,329</b>	4.0%
Manager's performance fee	(859)	(820)	4.8%
<b>Net Property Income</b>	<b>27,576</b>	<b>26,509</b>	4.0%
Interest on borrowings	(2,565)	(3,705)	(30.8%)
<b>Profit Before Tax</b>	<b>25,011</b>	<b>22,804</b>	9.7%
Hong Kong Taxation :			
Current taxation	(1,602)	(2,315)	(30.8%)
Deferred taxation	(2,812)	(1,676)	67.8%
<b>Total Hong Kong Taxation</b>	<b>(4,414)</b>	<b>(3,991)</b>	10.6%
<b>Net Profit of Property Companies</b>	<b>20,597</b>	<b>18,813</b>	9.5%
Manager's base fee	(1,319)	(1,319)	NM
Amortization of negative goodwill	423	426	(0.7%)
Foreign exchange gains/(losses)	971	-	NM
Non-tax deductible trust expenses	(219)	(166)	31.9%
Tax deductible trust expenses	(258)	(248)	(4.0%)
<b>Total Trust Expenses</b>	<b>(402)</b>	<b>(1,307)</b>	(69.2%)
<b>Net Profit of Trust</b>	<b>20,195</b>	<b>17,506</b>	15.4%
<b>Add / (less) :</b>			
Manager's base fee	1,319	1,319	NM
Amortization of negative goodwill	(423)	(426)	(0.7%)
Foreign exchange gains/(losses)	(971)	-	NM
Non-tax deductible trust expenses	219	166	31.9%
<b>Income Available For Distribution</b>	<b>20,339</b>	<b>18,565</b>	9.6%

	Actual	Forecast <sup>(a)</sup>	Increase / (Decrease) %
Yield before Hong Kong Taxation (annualised) (based on IPO price of HK\$4.75)	8.20%	7.48%	9.6%
Distribution Per Unit (cents)	4.30	3.92	9.6%
Tax-exempt distribution yield (annualised) (based on IPO price of HK\$4.75)	6.74%	6.15%	9.6%
Tax-exempt distribution yield (annualised) (based on closing price of HK\$4.725 as at 30/9/2003)	6.78%	6.19%	9.6%

**Footnote:**

- (a) The extrapolated forecast for the period from 13 August 2003 to 30 September 2003 has been derived from the forecast stated in the Prospectus dated 28 July 2003, 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\$ 8.9 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\$ 9.3 million.
- (c) The number of units in issue is 473 million.

NM – not meaningful

**9(b) Review of the performance for the period of 13 August 2003 to 30 September 2003**

Actual gross revenue for the 49 day period was HK\$ 39.2 million, which is 0.3% higher than the forecasted gross revenue of HK\$ 39.0 million. All the property companies have either performed better than forecast or in line with the forecast, except for Ma On Shan Plaza (“MOSP”). The lower performance by MOSP was mainly due to a slight dip in occupancy rate for the period under review. The fall in occupancy rate was a result of the strategy to review the tenant mix and reconfigure the retail space in view of the planned refurbishment of MOSP and its link to the Kowloon-Canton Railway Corporation (“KCRC”) Station in early 2005.

Property operating expenses were 8.4% lower than the forecast due to cost rationalisation and also lower utilities expenses, government rent and rates.

There was a saving of 30.8% on borrowing costs because the actual weighted average funding cost as at 30 September 2003 is 2.15% (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 9.5% higher than forecast and the income available for distribution was 9.6% better than forecast.

**10. A commentary at the date of the announcement of 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.**

Presently, Hong Kong is enjoying new-found optimism after an eventful first half marred by the effects of the war in Iraq, the proposal to enact anti-subversion laws and SARs. With the abatement of SARs, the pent-up demand coupled with the liberalisation of Mainland tourist visiting rules have led to a strong turnaround in both sentiment and economic growth.

With the Hong Kong economy recovering, there was a gradual improved leasing interest for all the shopping malls in Fortune REIT.

Based on 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 December 2003.

**Outlook for 2004**

Given the actual performance for the period from 13 August 2003 to 30 September 2003 and the improving Hong Kong economy, 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. If a decision regarding a dividend has been made:-**

**(a) Whether an interim/(final) ordinary dividend has been declared/(recommended)**

Not applicable

**(b) Amount per share:**

<b>Current Period</b>	Not applicable
<b>Previous corresponding period</b>	Not applicable

**(c) Whether the dividend is before tax, net of tax or tax exempt**

Not applicable

**(d) The date the dividend is payable**

Not applicable

**(e) The date on which registrable transfer received by the issuer (up to 5.00pm) will be registered before entitlements to the dividends are determined**

Not applicable

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

No dividend has been declared or recommended for the period from 13/8/03 to 30/9/03.

**Disclaimer**

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

Lim Hwee Chiang  
Director

19 November 2003