



**Fortune Real Estate Investment Trust
Financial Statements
for period from 1 January 2004 to 30 June 2004**

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.

Fortune REIT holds a portfolio of five retail malls spread across Kowloon and the New Territories, through the ownership of the five Property Companies' Shares, worth more than HK\$3 billion. The five retail malls are The Metropolis Mall, Ma On Shan Plaza, The Household Center, Smartland and Jubilee Court Shopping Centre, and they house a list of about 400 tenants from diverse trade sectors, including bank, real estate services, super market, food and beverage, healthcare products, service and education.

Where appropriate, comparisons are made against the extrapolated pro forma figures for the 3 months ended 31 March 2003 as well as the extrapolated forecast for the year ending 31 December 2004 stated in the Prospectus dated 28 July 2003 ("the Forecast").

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1 (a) 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 1/4/04 to 30/6/04	Pro forma 1/4/03 to 30/6/03 ^(a)	Increase/ (Decrease)	Actual 1/1/04 to 30/6/04	Pro forma 1/1/03 to 30/6/03 ^(a)	Increase/ (Decrease)
Revenue ^(b)	46,080	39,999	15.2%	88,821	80,000	11.0%
Property income and licence fee top-up ^(c)	13,056	20,444	(36.1%)	27,927	40,887	(31.7%)
Charge-out collections ^(d)	17,357	15,812	9.8%	33,281	31,624	5.2%
Property management fees	(1,269)	(1,083)	17.2%	(2,426)	(2,167)	12.0%
Other property operating expenses ^(e)	(20,341)	(21,476)	(5.3%)	(36,516)	(42,953)	(15.0%)
Property Operating Expenses	(21,610)	(22,559)	(4.2%)	(38,942)	(45,120)	(13.7%)
Net Property Income (before manager's performance fee)	54,883	53,696	2.2%	111,087	107,391	3.4%
Manager's performance fee	(1,646)	(1,611)	2.2%	(3,333)	(3,222)	3.4%
Net Property Income	53,237	52,085	2.2%	107,754	104,169	3.4%
Borrowing costs	(4,421)	(7,425)	(40.5%)	(8,661)	(14,850)	(41.7%)
Profit Before Tax	48,816	44,660	9.3%	99,093	89,319	10.9%
Hong Kong Taxation :						
Current taxation	(733)	(2,127)	(65.5%)	(6,870)	(4,255)	61.5%
Deferred taxation	(7,814)	(5,199)	50.3%	(10,461)	(10,396)	0.6%
Total Hong Kong Taxation	(8,547)	(7,326)	16.7%	(17,331)	(14,651)	18.3%
Net Profit of Property Companies	40,269	37,334	7.9%	81,762	74,668	9.5%
Manager's base fee	(2,535)	(2,456)	3.2%	(5,070)	(4,913)	3.2%
Amortisation of negative goodwill	786	800	(1.8%)	1,573	1,600	(1.7%)
Foreign exchange differences ^(f)	(536)	-	100.0%	(117)	-	NM
Non-tax deductible trust expenses	(507)	(246)	106.1%	(984)	(491)	100.4%
Tax deductible trust expenses	(547)	(500)	9.4%	(1,053)	(1,000)	5.3%
Non tax-exempt income ^(g)	25	-	100.0%	36	-	NM
Total Trust Expenses	(3,314)	(2,402)	38.0%	(5,615)	(4,804)	16.9%
Net Profit of Trust	36,955	34,932	5.8%	76,147	69,864	9.0%
Add / (less) :						
Manager's base fee	2,535	2,457	3.2%	5,070	4,913	3.2%
Amortisation of negative goodwill	(786)	(800)	(1.8%)	(1,573)	(1,600)	(1.7%)
Foreign exchange differences	536	-	100.0%	117	-	NM
Non-tax deductible trust expenses	507	245	106.9%	984	491	100.4%
Non tax-exempt income	(25)	-	100.0%	(36)	-	NM
Income Available For Distribution^(h)	39,722	36,834	7.8%	80,709	73,668	9.6%

Footnotes:

NM - Not meaningful

- (a) *The comparative figures are extrapolated from the pro forma consolidated profit and loss statements for the period from 1 January 2003 to 31 March 2003 stated in the Prospectus dated 28 July 2003.*
- (b) *The revenue include rental income, car park income, licence income, atrium income and others.*
- (c) *For the period from 1 April 2004 to 30 June 2004 and 1 January 2004 to 30 June 2004, the property income and licence fee top up amount were HK\$13.1 million and HK\$27.9 million (pro forma for the period from 1 April 2003 to 30 June 2003 and 1 January 2003 to 30 June 2003 were HK\$20.4 million and HK\$40.9 million) respectively, payable by Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited to Vision Million Limited under the Rental Guarantee Deed dated 12 August 2003.*
- (d) *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 fee, promotional charges, government rents, utility charges, cleaning charges and government rates.*
- (e) *The other property operating expenses include provision for doubtful debts of HK\$5,842 and HK\$6,395 for period 1 April 2004 to 30 June 2004 and 1 January 2004 to 30 June 2004 (pro forma for the period 1 April 2004 to 30 June 2004 and 1 January 2003 to 30 June 2003 were HK\$ 60,919 and HK\$121,838) respectively.*
- (f) *Foreign exchange differences represent realised and unrealised foreign exchange differences. The unrealised exchange differences 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 differences arose from the conversion of the transactions in foreign currencies to Hong Kong dollars at rates closely approximating those ruling at the transaction dates. All exchange differences are included in profit and loss statements.*
- (g) *Non tax-exempt income refers mainly to bank interest income less deductible expenses.*
- (h) *Fortune REIT is required to distribute 100.0% of its Tax-Exempt Income (except dividends paid out of interest income and gains, if any, which are distributable at the discretion of the Manager) after deduction of applicable expenses ("net Tax-Exempt Income"). Fortune REIT's distribution policy is to distribute its net Tax-Exempt Income to Unitholders on a semi-annual basis.*
- (i) *There 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.*

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 30/6/04	Actual 31/12/03	Actual 30/6/04	Actual 31/12/03
Current Assets				
Cash	57,255	69,645	92,471	89,779
Trade and other receivables	81,769	59,561	47,525	37,533
Total Current Assets	139,024	129,206	139,996	127,312
Non-Current Assets				
Investment in property companies	531,486	531,486	-	-
Loan to property companies	1,557,799	1,547,626	-	-
Investment properties ^(b)	-	-	3,389,065	3,389,000
Fixed assets	-	-	25	-
Negative goodwill ^(c)	-	-	(135,991)	(137,564)
Total Non-Current Assets	2,089,285	2,079,112	3,253,099	3,251,436
Total Assets	2,228,309	2,208,318	3,393,095	3,378,748
Current Liabilities				
Trade and other payables ^(d)	4,700	6,043	67,722	68,605
Borrowings	-	-	32,000	57,000
Provision for taxation	15	8	7,639	1,501
Total Current Liabilities	4,715	6,051	107,361	127,106
Non-Current Liabilities				
Borrowings	-	-	900,000	900,000
Deferred tax liabilities	-	-	45,691	34,498
Total Non-Current Liabilities	-	-	945,691	934,498
Total Liabilities	4,715	6,051	1,053,052	1,061,604
Net Assets	2,223,594	2,202,267	2,340,043	2,317,144
Unitholders' Equity				
Issued equity	2,240,462	2,235,365	2,240,462	2,235,365
Unit issue costs ^(e)	(88,553)	(89,101)	(88,553)	(89,101)
Revaluation reserve	-	-	113,850	113,850
Revenue reserve	71,685	56,003	74,284	57,030
Total Unitholder's Equity	2,223,594	2,202,267	2,340,043	2,317,144

Footnotes:

- (a) The Group financial information incorporates the financial statements of the Trust and the 5 property companies.
- (b) 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. During the period, minor capital cost was incurred and included in the investment properties value.

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- (c) *Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of property companies at the date of acquisition over the cost of acquisition. Negative goodwill is amortised over the remaining average useful lives of the investment properties acquired from the property companies and taken to the profit and loss statement.*
- (d) *This includes accrued Manager's base fee payable in units of HK\$2.7 million (31 December 2003 : HK\$2.6 million).*
- (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 HK\$87.1 million paid as of 30 June 2004 (31 December 2003 : HK\$86.2 million) as well as accruals of HK\$1.4 million (31 December 2003 : HK\$2.9 million).*

1 (b)(ii) Aggregate amount of borrowings

As at 30/6/04

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

	Secured	Unsecured ^(a)
	HK\$ '000	HK\$ '000
Amount repayable in one year or less, or on demand	-	32,000
Amount repayable after one year	-	900,000
	-	932,000

As at 31/12/03

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

	Secured	Unsecured ^(a)
	HK\$ '000	HK\$ '000
Amount repayable in one year or less, or on demand	-	57,000
Amount repayable after one year	-	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\$932 million (31 December 2003: HK\$957 million) with the term loan facility fully drawn.*

1 (c) Cash flow statement

	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
	Actual	Actual	Actual	Actual
	1/4/04 to 30/6/04	1/4/03 to 30/6/03 ^(a)	1/1/04 to 30/6/04	13/8/03 to 31/12/03 ^(a)
Operating Activities				
Profit before taxation	45,502	NA	93,478	69,562
Adjustments for:				
Amortisation of negative goodwill	(786)	NA	(1,573)	(1,218)
Base fee paid in units	2,535	NA	5,070	3,882
Depreciation	2	NA	3	-
Borrowing costs	4,421	NA	8,661	7,850
Operating Profit before changes in working capital	51,674	NA	105,639	80,076
Increase in trade and other receivables	(18,767)	NA	(9,992)	(10,685)
Decrease in trade and other payables	(2,014)	NA	(308)	(5,405)
Cash flow from operation	30,893	NA	95,339	63,986
Tax paid	-	NA	-	(9,590)
Cash flow from operating activities	30,893	NA	95,339	54,396
Investing Activities				
Acquisition of fixed assets	-	NA	(28)	-
Upgrading of investment properties	(65)	NA	(65)	(150)
Acquisition of property companies, net of cash acquired	-	NA	-	(2,068,562)
Cash flow used in investing activities	(65)	NA	(93)	(2,068,712)
Financing Activities				
Distribution paid	-	NA	(58,893)	-
Proceeds from issue of new units (net of issue costs)	-	NA	-	2,144,945
Repayment of borrowings	(24,000)	NA	(25,000)	(33,000)
Borrowing costs paid	(4,421)	NA	(8,661)	(7,850)
Cash flow (used in) / from financing activities	(28,421)	NA	(92,554)	2,104,095
Net increase in cash and cash equivalents	2,407	NA	2,692	89,779
Cash and cash equivalents at beginning of the period	90,064	NA	89,779	-
Cash and cash equivalents at end of the period	92,471	NA	92,471	89,779

Footnotes:

(a) There was no comparative cash flow statement as at 30 June 2003 because Fortune REIT was formed on 4 July 2003. The first financial year was from 13 August 2003 to 31 December 2003.

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

Statement for the second quarter

	HK\$ '000			
	Trust		Group ^(a)	
	Actual 30/6/04	Actual 30/6/03 ^(b)	Actual 30/6/04	Actual 30/6/03 ^(b)
Balance as at beginning of period	2,143,397	NA	2,300,554	NA
Operations				
Net Profit	77,663	NA	36,955	NA
Revaluation reserve				
Appreciation on revaluation of investment properties	-	NA	-	NA
Increase in net assets resulting from operation	77,663	-	36,955	-
Unitholders' transactions				
Creation of units				
-management fee paid in units ^(c)	2,534	NA	2,534	NA
Net increase in net assets resulting from Unitholders' transactions	2,534	-	2,534	-
Unitholders' funds as at end of period	2,223,594	NA	2,340,043	NA

Statement for the half-year

	HK\$ '000			
	Trust		Group ^(a)	
	Actual 30/6/04	Actual 31/12/03 ^(d)	Actual 30/6/04	Actual 31/12/03 ^(d)
Balance as at beginning of period	2,202,267	-	2,317,144	-
Operations				
Net Profit	74,575	56,003	76,147	57,030
Revaluation reserve				
Appreciation on revaluation of investment properties	-	-	-	113,850
Increase in net assets resulting from operation	74,575	56,003	76,147	170,880
Unitholders' transactions				
Creation of units				
-proceeds from placement/initial public offering ^(e)	-	2,234,046	-	2,234,046
-management fee paid in units ^(f)	5,097	1,319	5,097	1,319
Establishment and initial public offering expenses	548	(89,101)	548	(89,101)
Distribution to Unitholders	(58,893)	-	(58,893)	-
Net (decrease)/increase in net assets resulting from Unitholders' transactions	(53,248)	2,146,264	(53,248)	2,146,264
Unitholders' funds as at end of period	2,223,594	2,202,267	2,340,043	2,317,144

Footnotes:

- (a) The Group financial information incorporates the financial statements of the Trust and the 5 property companies.
- (b) Prior period comparatives are not available as at 30 June 2003 as Fortune REIT was listed on Singapore Exchange Securities Trading Limited on 12 August 2003.
- (c) This represents 491,656 units as payment of the Base Fee component of the Manager's management fee.

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- (d) 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.
- (e) This comprises proceeds from the initial public offering of 473 million units on 12 August 2003.
- (f) This represents 999,985 units (31 December 2003 : 285,275 units) as payment of the Base Fee component of the Manager's management fee.

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 April 2004	473,793,604	Total units since the end of previous financial period
1 April 2004	491,656	As payment of management fee for the period from 1 January 2004 to 31 March 2004
As at 30 June 2004	<u>474,285,260</u>	

Footnote:

- (a) There are additional 471,649 units issued to the Manager on 2 July 2004 as payment of management fee for the period from 1 April 2004 to 30 June 2004.

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 audited financial statements for the period from 4 July 2003(date of inception) to 31 December 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

	Actual 1/4/04 to 30/6/04 HK cents	Pro forma 1/4/03 to 30/6/03 ^(a) HK cents	Actual 1/1/04 to 30/6/04 HK cents	Actual 13/08/03 to 31/12/03 HK cents
Earnings per unit for the period based on the total number units in issue ^(b)	7.79	7.36	16.04	12.04
Distribution per unit for the period based on the total number units in issue ^(b)	8.37	7.76	17.00	12.43

Footnotes:

- (a) *The comparative figures have been derived on a best estimate basis from the extrapolated pro forma consolidated profit and loss statements for the period from 1 January 2003 to 31 March 2003 stated in the Prospectus dated 28 July 2003.*
- (b) *The total number of units used for the computation of earnings and distribution rate is 474.8 million (31 December 2003 : 473.8 million) units. This comprises :*
- (i) *The number of units in issue as at 30 June 2004 of 474.3 million (31 December 2003 : 473.3 million) units.*
- (ii) *The units payable to Manager on 2 July 2004 as base fee for the period from 1 April 2004 to 30 June 2004 of 0.5 million units (31 December 2003 : 0.5 million units for the period from 1 October 2003 to 31 December 2003).*

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

	Actual 30/6/04 HK\$	Actual 31/12/03 HK\$
Net asset value per unit ^(a)	5.22	5.18

Footnotes:

- (a) *Net asset value is calculated based on net assets of the Group excluding negative goodwill. The increase was due to:-*
- (i) *net profit for the half-year ended 30 June 2004; and*
- (ii) *increase in total number of units in issue as a result of units issued to Manager as base fee.*
- (b) *The total number of units used for the computation of net asset value per unit is 474.8 million (31 December 2003 : 473.8 million) units.*

8. Review of the performance

Please refer to Section 9 below on the review of actual performance against the extrapolated forecast for the year ending 2004 stated in the Prospectus dated 28 July 2003.

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9 (a) Income statements

	HK\$ '000		%	HK\$ '000		%
	1/4/04 to 30/6/04			1/1/04 to 30/6/04		
	Actual	Forecast ^(a)	Increase/ (Decrease)	Actual	Forecast ^(a)	Increase/ (Decrease)
Revenue	46,080	48,999	(6.0%)	88,821	93,120	(4.6%)
Property income and licence fee top-up ^(b)	13,056	6,160	111.9%	27,927	19,396	44.0%
Total revenue	59,136	55,159	7.2%	116,748	112,516	3.8%
Charge-out collections	17,357	20,298	(14.5%)	33,281	38,403	(13.3%)
Property management fees	(1,269)	(1,386)	(8.4%)	(2,426)	(2,648)	(8.4%)
Other property operating expenses	(20,341)	(19,888)	2.3%	(36,516)	(39,706)	(8.0%)
Property Operating Expenses	(21,610)	(21,274)	1.6%	(38,942)	(42,354)	(8.1%)
Net Property Income (before manager's performance fee)	54,883	54,183	1.3%	111,087	108,565	2.3%
Manager's performance fee	(1,646)	(1,626)	1.2%	(3,333)	(3,257)	2.3%
Net Property Income	53,237	52,557	1.3%	107,754	105,308	2.3%
Borrowing costs	(4,421)	(6,695)	(34.0%)	(8,661)	(13,389)	(35.3%)
Profit Before Tax	48,816	45,862	6.4%	99,093	91,919	7.8%
Hong Kong Taxation :						
Current taxation	(733)	(5,530)	(86.7%)	(6,870)	(11,093)	(38.1%)
Deferred taxation	(7,814)	(2,496)	213.1%	(10,461)	(4,993)	109.5%
Total Hong Kong Taxation	(8,547)	(8,026)	6.5%	(17,331)	(16,086)	7.7%
Net Profit of Property Companies	40,269	37,836	6.4%	81,762	75,833	7.8%
Manager's base fee	(2,535)	(2,453)	3.3%	(5,070)	(4,878)	3.9%
Amortisation of negative goodwill	786	800	(1.8%)	1,573	1,600	(1.7%)
Foreign exchange differences	(536)	-	NM	(117)	-	NM
Non-tax deductible trust expenses	(507)	(317)	59.9%	(984)	(634)	55.2%
Tax deductible trust expenses	(547)	(492)	11.2%	(1,053)	(985)	6.9%
Non tax-exempt income	25	-	NM	36	-	NM
Total Trust Expenses	(3,314)	(2,462)	34.6%	(5,615)	(4,897)	14.7%
Net Profit of Trust	36,955	35,374	4.5%	76,147	70,936	7.3%
Add / (less) :						
Manager's base fee	2,535	2,453	3.3%	5,070	4,878	3.9%
Amortisation of negative goodwill	(786)	(800)	(1.8%)	(1,573)	(1,600)	(1.7%)
Foreign exchange differences	536	-	NM	117	-	NM
Non-tax deductible trust expenses	507	317	59.9%	984	634	55.2%
Non tax-exempt income	(25)	-	NM	(36)	-	NM
Income Available For Distribution	39,722	37,344	6.4%	80,709	74,848	7.8%

	1/4/04 to 30/6/04			1/1/04 to 30/6/04		
	Actual	Forecast ^(a)	Increase / (Decrease) %	Actual	Forecast ^(a)	Increase / (Decrease) %
Yield before Hong Kong Taxation (annualised) (based on IPO price of HK\$4.75)	8.59%	8.07%	6.4%	8.72%	8.09%	7.8%
Distribution Per Unit (HK cents)	8.37	7.87	6.4%	17.00	15.77	7.8%
Tax-exempt distribution yield (annualised) (based on IPO price of HK\$4.75)	7.07%	6.64%	6.4%	7.18%	6.66%	7.8%
Tax-exempt distribution yield (annualised) (based on closing price of HK\$5.40 as at 30/6/2004)	6.21%	5.83%	6.4%	6.32%	5.86%	7.8%

Footnotes:

NM – not meaningful

- (a) *The extrapolated forecast has been derived from the Forecast on a best estimate basis by the Manager so as to allow like for like comparison with the actual results.*
- (b) *The Property Income and Licence Income Top Up is payable by Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited to Vision Million Limited under a Rental Guarantee Deed dated 12 August 2003.*
- (c) *The total number of units used for the computation of distribution rate is 474.8 million. This comprises :*
- (i) *The number of units in issue as at 30 June 2004 of 474.3 million.*
 - (ii) *The units payable to Manager on 2 July 2004 as base fee for the period from 1 April 2004 to 30 June 2004 of 0.5 million*

9 (b) Review of the performance for the period of 1 January 2004 to 30 June 2004

Total Revenue for half-year ended 30 June 2004 was 3.8% above Forecast. All the malls' total revenue (including property income and licence fee top-up for Metropolis Mall) were higher than or achieved Forecast. Metropolis Mall's occupancy has reached 85% in June 2004, and all the other malls have also performed well, with occupancy above 95%.

Although utilities cost were higher for this second quarter due to the summer season, the overall property operating expenses were still lower than Forecast by 8.1%.

Borrowing costs were HK\$4.7 million lower than Forecast due to lower interest rate achieved versus Forecast. The weighted average borrowing costs as at 30 June 2004 was 1.79% p.a. compared to a forecast interest rate of 3% p.a.

As a result of the above, net profit of property companies and income available for distribution for the half-year ended 30 June 2004 were above Forecast by 7.8%.

The total income available for distribution to Unitholders for the half-year ended 30 June 2004 was HK\$80.7 million, 17 Hong Kong cents 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's economy continues to enjoy a robust and steady growth in 2004. The government projected a 6% growth in this year. This persistent growth was due to export surge and further growth in inbound tourism and employment market together with the revival in property market. Since January 2004, Hong Kong has experienced the fastest increase in retail sales as a result of improvement in local consumer market and increase in inbound tourism.

The current credit controls undertaken by China is unlikely to have significant impact on the tourism spending because these measures are aimed mainly at slowing investment spending. Over the longer term, the trend of increasing Mainland out-bound tourism should continue as Mainland Chinese become wealthier. Hong Kong remains a key destination, with its duty-free shopping, to be aided by the scheduled opening of Disneyland in 2005. Given these factors, the retail industry should benefit from the prospect of improving leasing demand and rental revenue in the near future.

As for the current rising interest rates environment, the impact on Fortune REIT's results going forward would unlikely be significant because of its relatively low gearing and also half of its debt is on a fixed rate terms.

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 30 September 2004.

Outlook for the financial year ending 31 December 2004

Based on the performance of the portfolio and the financials prepared for the half-year 2004, the Manager of Fortune REIT expects the full year 2004 performance to meet the Forecast, barring any unforeseen circumstances.

11. Distributions

(a) Current financial period

Any distribution declared for the current period?	Yes
Name of distribution	Interim distribution for the half-year period from 1 January 2004 to 30 June 2004
Distribution Type	Tax-exempt income
Distribution Rate	17.00 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 financial period

Any distribution declared for the corresponding period of the immediately preceding financial year?	Fortune REIT was listed on Singapore Exchange Securities Trading Limited on 12 August 2003. The first dividend was for the period from 13 August 2004 to 31 December 2003
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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.
(c) Date Payable	The distribution will be paid on 27 August 2004.
(d) Book closure date	Registrable Transfers received by Fortune REIT up to 5.00 p.m. on 6 August 2004 will be registered before entitlements to the distributions are determined.

Footnotes:

NA - Not available

NM - Not meaningful

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

NA.

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 July 2004

Attachment

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 accompanying balance sheets of Fortune Real Estate Investment Trust ("Fortune REIT") and the Group as at June 30, 2004 and the related statements of income, changes in unitholders' funds and cash flows of the Group for the financial period from January 1, 2004 to June 30, 2004. 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 information of Fortune REIT and the Group are not presented fairly, in all material respects, in accordance with Singapore Financial Reporting Standards.

Yours faithfully



Certified Public Accountants
Singapore

July 16, 2004