



**Fortune Real Estate Investment Trust  
Financial Statements  
for financial year ended 31 December 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 (now known as "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 five retail malls spread across Kowloon and the New Territories, through the ownership of the five Property Companies' Shares, worth more than HK\$4 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 440 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 financial year ended 31 December 2003 as well as the forecast for the year ended 31 December 2004 stated in the Prospectus dated 28 July 2003 ("the Forecast").

**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 1/10/04 to 31/12/04	Actual 1/10/03 to 31/12/03		Increase/ (Decrease)	Actual 1/1/04 to 31/12/04	
Revenue <sup>(b)</sup>	50,664	42,183	20.1%	188,917	162,933	15.9%
Property income and licence fee top-up <sup>(c)</sup>	13,935	16,122	(13.6%)	49,175	75,920	(35.2%)
Charge-out collections <sup>(d)</sup>	18,804	16,147	16.5%	70,117	63,311	10.8%
Property management fees	(1,410)	(1,138)	23.9%	(5,203)	(4,431)	17.4%
Other property operating expenses <sup>(e)</sup>	(26,174)	(19,590)	33.6%	(82,682)	(82,811)	(0.2%)
<b>Property Operating Expenses</b>	<b>(27,584)</b>	<b>(20,728)</b>	<b>33.1%</b>	<b>(87,885)</b>	<b>(87,242)</b>	<b>0.7%</b>
<b>Net Property Income (before manager's performance fee)</b>	<b>55,819</b>	<b>53,724</b>	<b>3.9%</b>	<b>220,324</b>	<b>214,922</b>	<b>2.5%</b>
Manager's performance fee	(1,675)	(1,605)	4.4%	(6,610)	(6,448)	2.5%
<b>Net Property Income</b>	<b>54,144</b>	<b>52,119</b>	<b>3.9%</b>	<b>213,714</b>	<b>208,474</b>	<b>2.5%</b>
Borrowing costs	(5,232)	(5,285)	(1.0%)	(19,475)	(26,208)	(25.7%)
<b>Profit Before Tax</b>	<b>48,912</b>	<b>46,834</b>	<b>4.4%</b>	<b>194,239</b>	<b>182,266</b>	<b>6.6%</b>
Hong Kong Taxation :						
Current taxation	(3,744)	(3,719)	0.7%	(13,636)	(10,581)	28.9%
Deferred taxation	(4,791)	(4,400)	8.9%	(20,327)	(20,065)	1.3%
<b>Total Hong Kong Taxation</b>	<b>(8,535)</b>	<b>(8,119)</b>	<b>5.1%</b>	<b>(33,963)</b>	<b>(30,646)</b>	<b>10.8%</b>
<b>Net Profit of Property Companies</b>	<b>40,377</b>	<b>38,715</b>	<b>4.3%</b>	<b>160,276</b>	<b>151,620</b>	<b>5.7%</b>
Manager's base fee	(3,164)	(2,563)	23.4%	(10,796)	(9,955)	8.4%
Amortisation of negative goodwill	795	795	-	3,154	3,196	(1.3%)
Foreign exchange differences <sup>(f)</sup>	601	646	(7.0%)	830	1,618	(48.7%)
Non-tax deductible trust expenses	(535)	(643)	(16.8%)	(1,995)	(1,469)	35.8%
Tax deductible trust expenses	(164)	(141)	16.3%	(1,520)	(1,636)	(7.1%)
Non tax-exempt income <sup>(g)</sup>	65	26	150.0%	134	26	415.4%
<b>Total Trust Expenses</b>	<b>(2,402)</b>	<b>(1,880)</b>	<b>27.8%</b>	<b>(10,193)</b>	<b>(8,220)</b>	<b>24.0%</b>
<b>Net Profit of Trust</b>	<b>37,975</b>	<b>36,835</b>	<b>3.1%</b>	<b>150,083</b>	<b>143,400</b>	<b>4.7%</b>
<b>Add / (less) :</b>						
Manager's base fee	3,164	2,563	23.4%	10,796	9,955	8.4%
Amortisation of negative goodwill	(795)	(795)	-	(3,154)	(3,196)	(1.3%)
Foreign exchange differences	(601)	(646)	(7.0%)	(830)	(1,618)	(48.7%)
Non-tax deductible trust expenses	535	643	(16.8%)	1,995	1,469	35.8%
Non tax-exempt income	(65)	(26)	150.0%	(134)	(26)	415.4%
<b>Income Available For Distribution<sup>(h)</sup></b>	<b>40,213</b>	<b>38,574</b>	<b>4.2%</b>	<b>158,756</b>	<b>149,984</b>	<b>5.8%</b>

**Footnotes:**

NM - Not meaningful

- (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 and the actual results from 13 August 2003 to 31 December 2003.*
- (b) *The revenue includes rental income, car park income, licence income, atrium income and others.*
- (c) *For the period from 1 October 2004 to 31 December 2004 and 1 January 2004 to 31 December 2004, the property income and licence fee top up amount were HK\$13.9 million and HK\$49.2 million (1 October 2003 to 31 December 2003 and pro forma for 1 January 2003 to 31 December 2003 were HK\$16.1 million and HK\$75.9 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\$7.2 million and HK\$7.2million for period 1 October 2004 to 31 December 2004 and 1 January 2004 to 31 December 2004 (1 October 2003 to 31 December 2003 and pro forma for 1 January 2003 to 31 December 2003 were HK\$0.03 million and HK\$0.3 million) 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 <sup>(a)</sup>	
	HK\$ '000		HK\$ '000	
	Actual 31/12/04	Actual 31/12/03	Actual 31/12/04	Actual 31/12/03
<b>Current Assets</b>				
Cash	58,175	69,645	103,622	89,779
Trade and other receivables	78,515	59,561	33,906	37,533
<b>Total Current Assets</b>	<b>136,690</b>	<b>129,206</b>	<b>137,528</b>	<b>127,312</b>
<b>Non-Current Assets</b>				
Investment in property companies	531,486	531,486	-	-
Loan to property companies	1,557,799	1,547,626	-	-
Investment properties <sup>(b)</sup>	-	-	4,184,000	3,389,000
Fixed assets	-	-	31	-
Negative goodwill <sup>(c)</sup>	-	-	(134,410)	(137,564)
<b>Total Non-Current Assets</b>	<b>2,089,285</b>	<b>2,079,112</b>	<b>4,049,621</b>	<b>3,251,436</b>
<b>Total Assets</b>	<b>2,225,975</b>	<b>2,208,318</b>	<b>4,187,149</b>	<b>3,378,748</b>
<b>Current Liabilities</b>				
Trade and other payables <sup>(d)</sup>	4,614	6,043	66,295	68,605
Borrowings	-	-	26,000	57,000
Provision for taxation	19	8	5,566	1,501
<b>Total Current Liabilities</b>	<b>4,633</b>	<b>6,051</b>	<b>97,861</b>	<b>127,106</b>
<b>Non-Current Liabilities</b>				
Borrowings	-	-	900,000	900,000
Deferred tax liabilities	-	-	55,556	34,498
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>955,556</b>	<b>934,498</b>
<b>Total Liabilities</b>	<b>4,633</b>	<b>6,051</b>	<b>1,053,417</b>	<b>1,061,604</b>
<b>Net Assets</b>	<b>2,221,342</b>	<b>2,202,267</b>	<b>3,133,732</b>	<b>2,317,144</b>
<b>Unitholders' Equity</b>				
Issued equity	2,245,560	2,235,365	2,245,560	2,235,365
Unit issue costs <sup>(e)</sup>	(87,540)	(89,101)	(87,540)	(89,101)
Revaluation reserve	-	-	908,200	113,850
Revenue reserve	63,322	56,003	67,512	57,030
<b>Total Unitholder's Equity</b>	<b>2,221,342</b>	<b>2,202,267</b>	<b>3,133,732</b>	<b>2,317,144</b>

**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 2004. During the period, minor capital cost was incurred and included in the investment properties value.

- (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\$3.2 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 31 December 2004 (31 December 2003 : HK\$86.2 million) as well as accruals of HK\$0.4 million (31 December 2003 : HK\$2.9 million).*

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

As at 31/12/04

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

Secured	Unsecured <sup>(a)</sup>
HK\$ '000	HK\$ '000
-	26,000
-	900,000
-	926,000

As at 31/12/03

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

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

**Footnote:**

- (a) *Fortune REIT has in place an omnibus unsecured facility ("the Facility") of HK\$1,100 million comprising a HK\$900 million term loan facility and a HK\$200 million revolving credit facility, each for a term of five years. The Facility has been drawn down to HK\$926 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
	1/10/04 to 31/12/04	1/10/03 to 31/12/03 <sup>(a)</sup>	1/1/04 to 31/12/04	13/8/03 to 31/12/03 <sup>(a)</sup>
<b>Operating Activities</b>				
Profit before taxation	46,510	44,953	184,046	69,562
Adjustments for:				
Amortisation of negative goodwill	(795)	(795)	(3,154)	(1,218)
Base fee paid in units	3,164	2,563	10,796	3,882
Depreciation	4	-	10	-
Borrowing costs	5,232	5,285	19,475	7,850
Operating Profit before changes in working capital	54,115	52,006	211,173	80,076
Decrease/(increase) in trade and other receivables	(6,883)	(13,362)	3,626	(10,685)
Decrease in trade and other payables	(4,922)	(63,257)	(1,351)	(5,405)
Cash flow from/(used in) operation	42,310	(24,613)	213,448	63,986
Tax paid	(8,839)	(9,590)	(8,839)	(9,590)
<b>Cash flow from operating activities</b>	<b>33,471</b>	<b>(34,203)</b>	<b>204,609</b>	<b>54,396</b>
<b>Investing Activities</b>				
Acquisition of fixed assets	-	-	(40)	-
Upgrading of investment properties	(348)	(150)	(650)	(150)
Acquisition of property companies, net of cash acquired	-	(65)	-	(2,068,562)
<b>Cash flow used in investing activities</b>	<b>(348)</b>	<b>(215)</b>	<b>(690)</b>	<b>(2,068,712)</b>
<b>Financing Activities</b>				
Distribution paid	-	-	(139,601)	-
Proceeds from issue of new units (net of issue costs)	-	1,444	-	2,144,945
Drawdown/(repayment) of borrowings	(32,000)	(33,000)	(31,000)	(33,000)
Borrowing costs paid	(5,232)	(5,285)	(19,475)	(7,850)
<b>Cash flow (used in) / from financing activities</b>	<b>(37,232)</b>	<b>(36,841)</b>	<b>(190,076)</b>	<b>2,104,095</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(4,109)</b>	<b>(71,259)</b>	<b>13,843</b>	<b>89,779</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>107,731</b>	<b>161,038</b>	<b>89,779</b>	<b>-</b>
<b>Cash and cash equivalents at end of the period</b>	<b>103,622</b>	<b>89,779</b>	<b>103,622</b>	<b>89,779</b>

**Footnotes:**

- (a) Although Fortune REIT was established on 4 July 2003, the acquisition of the property companies was completed only on 12 August 2003 and it was officially listed on Singapore Exchange Securities Trading Limited on 12 August 2003. Consequently, the actual income derived from the property companies for the first financial year was from 13 August 2003 to 31 December 2003, a period of 141 days.

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

Statement for the fourth quarter

	HK\$ '000			
	Trust		Group <sup>(a)</sup>	
	Actual 1/10/04 to 31/12/04	Actual 1/10/03 to 31/12/03 <sup>(b)</sup>	Actual 1/10/04 to 31/12/04	Actual 1/10/03 to 31/12/03 <sup>(b)</sup>
<b>Balance as at beginning of period</b>	<b>2,143,386</b>	<b>2,142,677</b>	<b>2,298,766</b>	<b>2,163,697</b>
<b>Operations</b>				
Net profit	75,315	56,828	37,975	36,835
<b>Revaluation reserve</b>				
Appreciation on revaluation of investment properties	-	-	794,350	113,850
Increase in net assets resulting from operation	2,218,701	2,199,505	3,131,091	2,314,382
<b>Unitholders' transactions</b>				
Creation of units				
-management fee paid in units <sup>(c)</sup>	2,563	1,319	2,563	1,319
Establishment and initial public offering expenses	78	1,443	78	1,443
Distribution to Unitholders	-	-	-	-
Net increase in net assets resulting from Unitholders' transactions	2,641	2,762	2,641	2,762
<b>Unitholders' funds as at end of period</b>	<b>2,221,342</b>	<b>2,202,267</b>	<b>3,133,732</b>	<b>2,317,144</b>

Statement for the year

	HK\$ '000			
	Trust		Group <sup>(a)</sup>	
	Actual 1/1/04 to 31/12/04	Actual 4/7/03 to 31/12/03 <sup>(b)</sup>	Actual 1/1/04 to 31/12/04	Actual 4/7/03 to 31/12/03 <sup>(b)</sup>
<b>Balance as at beginning of year/period</b>	<b>2,202,267</b>	-	<b>2,317,144</b>	-
<b>Operations</b>				
Net Profit	146,920	56,003	150,083	57,030
<b>Revaluation reserve</b>				
Appreciation on revaluation of investment properties	-	-	794,350	113,850
Increase in net assets resulting from operation	146,920	56,003	944,433	170,880
<b>Unitholders' transactions</b>				
Creation of units				
-proceeds from placement/initial public offering <sup>(d)</sup>	-	2,234,046	-	2,234,046
-management fee paid in units <sup>(e)</sup>	10,195	1,319	10,195	1,319
Establishment and initial public offering expenses	1,561	(89,101)	1,561	(89,101)
Distribution to Unitholders	(139,601)	-	(139,601)	-
Net (decrease)/increase in net assets resulting from Unitholders' transactions	(127,845)	2,146,264	(127,845)	2,146,264
<b>Unitholders' funds as at end of year/period</b>	<b>2,221,342</b>	<b>2,202,267</b>	<b>3,133,732</b>	<b>2,317,144</b>

Footnotes:

- (a) The Group financial information incorporates the financial statements of the Trust and the 5 property companies.
- (b) Although Fortune REIT was established on 4 July 2003, the acquisition of the property companies was completed only on 12 August 2003 and it was officially listed on Singapore Exchange Securities Trading Limited on 12 August

2003. Consequently, the actual income derived from the property companies for the first financial year was from 13 August 2003 to 31 December 2003, a period of 141 days.

- (c) This represents 411,900 units (1 October 2003 to 31 December 2003 : 285,275 units) as payment of the Base Fee component of the Manager's management fee.
- (d) This comprises proceeds from the initial public offering of 473 million units on 12 August 2003.
- (e) This represents 1,883,534 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 30 September 2004	474,756,909	Total units since the end of previous financial period
1 October 2004	411,900	As payment of management fee for the period from 1 July 2004 to 30 September 2004
As at 31 December 2004	475,168,809	

**Footnote:**

- (a) There are additional 501,966 units issued to the Manager on 12 January 2005 as payment of management fee for the period from 1 October 2004 to 31 December 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 1/10/04 to 31/12/04 HK cents	Actual 1/10/03 to 31/12/03 HK cents	Actual 1/1/04 to 31/12/04 HK cents	Pro forma 1/1/03 to 31/12/03 <sup>(a)</sup> HK cents
Earnings per unit for the period based on the total number units in issue <sup>(b)</sup>	7.98	7.77	31.58	30.27
Distribution per unit for the period based on the total number units in issue <sup>(b)</sup>	8.45	8.14	33.40	31.66

**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 and the actual results from 13 August 2003 to 31 December 2003.
- (b) The total number of units used for the computation of earnings and distribution rate is 475.7 million (31 December 2003 : 473.8 million) units. This comprises :
- (i) The number of units in issue as at 31 December 2004 of 475.2 million (31 December 2003 : 473.3 million) units.
- (ii) The units payable to Manager on 12 January 2005 as base fee for the period from 1 October 2004 to 31 December 2004 of 0.5 million units (31 December 2003 : 0.5 million units for the period from 1 October 2003 to 31 December 2003).
- (iii) Earning per unit and Distribution per unit for the year ended 31 December 2004 comprise:

	Actual 1/7/2004 to 31/12/2004 HK\$'000	Actual 1/1/2004 to 30/6/2004 HK\$'000	Total 1/1/2004 to 31/12/2004 HK\$'000
Net profit of trust	73,936	76,147	150,083
Income available for distribution	78,047	80,709	158,756
Unit in issue as at end of period	475,671	474,757	NA
Earnings per unit (HK cents)	15.54	16.04	31.58
Distribution per unit (HK cents)	16.40	17.00	33.40

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

	Actual 31/12/04 HK\$	Actual 31/12/03 HK\$
Net asset value per unit <sup>(a)</sup>	6.87	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) appreciation on revaluation of investment properties; and*
  - (ii) increase in revenue reserve.*
- (b) *The total number of units used for the computation of net asset value per unit is 475.7 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 forecast for the year ended 2004 stated in the Prospectus dated 28 July 2003.

9 (a) Income statements

	HK\$ '000		%	HK\$ '000		%
	1/10/04 to 31/12/04			1/1/04 to 31/12/04		
	Actual	Forecast <sup>(a)</sup>	Increase/ (Decrease)	Actual	Forecast <sup>(b)</sup>	Increase/ (Decrease)
Revenue	50,664	51,328	(1.3%)	188,917	197,176	(4.2%)
Property income and licence fee top-up <sup>(c)</sup>	13,935	3,517	296.2%	49,175	26,655	84.5%
<b>Total revenue</b>	<b>64,599</b>	<b>54,845</b>	<b>17.8%</b>	<b>238,092</b>	<b>223,831</b>	<b>6.4%</b>
Charge-out collections	18,804	21,402	(12.1%)	70,117	80,965	(13.4%)
Property management fees	(1,410)	(1,446)	(2.5%)	(5,203)	(5,516)	(5.7%)
Other property operating expenses	(26,174)	(19,786)	32.3%	(82,682)	(81,551)	1.4%
<b>Property Operating Expenses</b>	<b>(27,584)</b>	<b>(21,232)</b>	<b>29.9%</b>	<b>(87,885)</b>	<b>(87,067)</b>	<b>0.9%</b>
<b>Net Property Income (before manager's performance fee)</b>	<b>55,819</b>	<b>55,015</b>	<b>1.5%</b>	<b>220,324</b>	<b>217,729</b>	<b>1.2%</b>
Manager's performance fee	(1,675)	(1,650)	1.5%	(6,610)	(6,532)	1.2%
<b>Net Property Income</b>	<b>54,144</b>	<b>53,365</b>	<b>1.5%</b>	<b>213,714</b>	<b>211,197</b>	<b>1.2%</b>
Borrowing costs	(5,232)	(6,768)	(22.7%)	(19,475)	(26,925)	(27.7%)
<b>Profit Before Tax</b>	<b>48,912</b>	<b>46,597</b>	<b>5.0%</b>	<b>194,239</b>	<b>184,272</b>	<b>5.4%</b>
Hong Kong Taxation :						
Current taxation	(3,744)	(5,658)	(33.8%)	(13,636)	(22,262)	(38.7%)
Deferred taxation	(4,791)	(2,496)	91.9%	(20,327)	(9,986)	103.6%
<b>Total Hong Kong Taxation</b>	<b>(8,535)</b>	<b>(8,154)</b>	<b>4.7%</b>	<b>(33,963)</b>	<b>(32,248)</b>	<b>5.3%</b>
<b>Net Profit of Property Companies</b>	<b>40,377</b>	<b>38,443</b>	<b>5.0%</b>	<b>160,276</b>	<b>152,024</b>	<b>5.4%</b>
Manager's base fee	(3,164)	(2,479)	27.6%	(10,796)	(9,837)	9.7%
Amortisation of negative goodwill	795	800	(0.6%)	3,154	3,200	(1.4%)
Foreign exchange differences	601	-	NM	830	-	NM
Non-tax deductible trust expenses	(535)	(317)	68.8%	(1,995)	(1,267)	57.5%
Tax deductible trust expenses	(164)	(493)	(66.7%)	(1,520)	(1,971)	(22.9%)
Non tax-exempt income	65	-	NM	134	-	NM
<b>Total Trust Expenses</b>	<b>(2,402)</b>	<b>(2,489)</b>	<b>(3.5%)</b>	<b>(10,193)</b>	<b>(9,875)</b>	<b>3.2%</b>
<b>Net Profit of Trust</b>	<b>37,975</b>	<b>35,954</b>	<b>5.6%</b>	<b>150,083</b>	<b>142,149</b>	<b>5.6%</b>
<b>Add / (less) :</b>						
Manager's base fee	3,164	2,479	27.6%	10,796	9,837	9.7%
Amortisation of negative goodwill	(795)	(800)	(0.6%)	(3,154)	(3,200)	(1.4%)
Foreign exchange differences	(601)	-	NM	(830)	-	NM
Non-tax deductible trust expenses	535	317	68.8%	1,995	1,267	57.5%
Non tax-exempt income	(65)	-	NM	(134)	-	NM
<b>Income Available For Distribution</b>	<b>40,213</b>	<b>37,950</b>	<b>6.0%</b>	<b>158,756</b>	<b>150,053</b>	<b>5.8%</b>

	1/10/04 to 31/12/04			1/1/04 to 31/12/04		
	Actual	Forecast <sup>(a)</sup>	Increase / (Decrease) %	Actual	Forecast <sup>(b)</sup>	Increase / (Decrease) %
Yield before Hong Kong Taxation (annualised) (based on IPO price of HK\$4.75)	8.56%	8.09%	5.8%	8.53%	8.06%	5.8%
Distribution Per Unit (HK cents) <sup>(d)</sup>	8.45	7.97	6.0%	33.40	31.52	6.0%
Tax-exempt distribution yield (annualised) (based on IPO price of HK\$4.75)	7.06%	6.66%	6.0%	7.03%	6.63%	6.0%
Tax-exempt distribution yield (annualised) (based on closing price of HK\$6.30 as at 31/12/2004)	5.32%	5.02%	6.0%	5.30%	5.00%	6.0%

**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) Based on forecast for the year ended 2004 stated in the Prospectus dated 28 July 2003.
- (c) 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.
- (d) Please refer to para 6(b)(iii).
- (e) The total number of units used for the computation of distribution rate is 475.7 million. This comprises :
- (i) The number of units in issue as at 31 December 2004 of 475.2 million.
- (ii) The units payable to Manager on 12 January 2005 as base fee for the period from 1 October 2004 to 31 December 2004 of 0.5 million.

**9 (b) Review of the performance for the period of 1 January 2004 to 31 December 2004**

Total Revenue for the year ended 31 December 2004 was 6.4% above Forecast and for the fourth quarter 2004, total revenue was 10.8% higher than the same quarter last year. This was mainly due to the rising occupancy and improved average passing rental of the whole portfolio. Occupancy of the malls continued to pick up through the fourth quarter with actual portfolio occupancy of about 95% and average passing rental rose 11% over 2004.

Overall property operating expenses for the year was marginally higher than Forecast due mainly to extensive advertising and promotion activities carried out in Metropolis Mall to promote the mall and also a year end adjustment of rental receivables in the accounts. To-date, the achieved cost-to-revenue ratio was 28.5%.

Borrowing costs for the year was HK\$19.5 million, 27.7% lower than Forecast. The weighted average borrowing costs as at 31 December 2004 was 2.02% p.a compared to a forecast interest rate of 3.0% p.a.

As a result of the above, net profit of property companies and income available for distribution for the year ended 31 December 2004 were 5.4% and 5.8% above Forecast.

The total income available for distribution to Unitholders for the second half year ended 31 December 2004 was HK\$78 million, 16.40 Hong Kong cents per unit.

There has been an increase in the valuation of all the properties in Fortune REIT as at 31 December 2004 as compared to the last valuation as at 31 December 2003. The total increase of 23.5% in valuation from HK\$3,389 million to HK\$4,184 million, has resulted in an increase in revaluation reserves by about HK\$795 million reflected in the financial statements. The net asset value of Fortune REIT as at 31 December 2004 increase to HK\$6.87 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 enjoyed strong growth in 2004, estimated at more than 7%, whilst deflation came to an end after more than five years of price declines. Bolstered by stronger consumer sentiment and an unemployment rate that has fallen to 6.5%, retail spending grew 11% in the first eleven months of 2004.

Economic growth is expected to moderate in 2005 to around 4%. Similarly, retail sales growth could moderate but the growth should continue to lift the local retail sector. Disneyland's scheduled opening in 2005 is also expected to draw in more tourists from Mainland China and Asia, further benefiting the sector.

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 report period ending 31 March 2005.

**Outlook for the financial year ending 31 December 2005**

Barring unforeseen circumstances, the Manager of Fortune REIT expects the performance of Fortune REIT for the year ending 31 December 2005 to be in line with the current financial year.

**11. Distributions**

**(a) Current financial period**

Any distribution declared for the current period?	Yes
Name of distribution	Final distribution for the second half-year period from 1 July 2004 to 31 December 2004
Distribution Type	Tax-exempt income
Distribution Rate	16.40 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 2003 to 31 December 2003
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** 28 February 2005

**(d) Book closure date** 4 February 2005

**Footnotes:**

NA - Not applicable

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 January 2005

# **Attachment**

# Deloitte.

ARA Asset Management (Singapore) Limited  
9 Temasek Boulevard  
# 09-01 Suntec City Tower 2  
Singapore 038989

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HSBC Institutional Trust Services (Singapore) Limited  
(as Trustee of Fortune REIT)  
9 Temasek Boulevard  
# 09-01 Suntec City Tower 2  
Singapore 038989

Attention: Mr John Lim

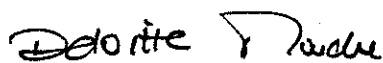
Dear Sirs

We have reviewed the accompanying balance sheets of Fortune Real Estate Investment Trust ("Fortune REIT") and the Group as at December 31, 2004 and the related statements of income, changes in unitholders' funds and cash flows of the Group for the financial year then ended. These financial statements are the responsibility of ARA Asset Management (Singapore) Limited ("The Manager of Fortune REIT") and HSBC Institutional Trust Services (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

January 27, 2005

Audit . Tax . Consulting . Financial Advisory .

Member of  
Deloitte Touche Tohmatsu