



**Fortune Real Estate Investment Trust
Financial Statements
for the period from 1 January 2005 to 30 June 2005**

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 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.

On 28 June 2005, Fortune REIT acquired six properties, adding to the existing portfolio. Following the acquisitions, Fortune REIT now holds a portfolio of eleven shopping malls and properties in Hong Kong, spread across Kowloon and the New Territories, through the ownership of Property Companies, worth more than HK\$7.8 billion. The retail malls and properties are City One Shatin Property, The Metropolis Mall, Ma On Shan Plaza, Waldorf Garden Property, The Household Center, Smartland, Jubilee Court Shopping Centre, Tsing Yi Square Property, Centre de Laguna Property, Lido Garden Property and Rhine Garden Property. Together they housed a total of 842 tenants as at 30 June 2005 from diverse trade sectors, including supermarkets, food and beverage outlets, bank and real estate services, and education providers. Tenants include Park 'N Shop, Maxim's Chinese Restaurant, Watson's, Fortress, McDonald's, Café de Coral, Bank of China (Hong Kong), DBS Bank, Standard Chartered Bank, Baleno, Bluestar Exchange, International Christian School Limited, and the Hong Kong Jockey Club.

Where appropriate, comparisons are made against the actual results of the same period last year as well as the forecast for the year ending 31 December 2005 stated in the Fortune REIT Circular to Unitholders dated 13 May 2005 ("the Forecast").

1 (a) (i) Income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	HK\$ '000		%	HK\$ '000		%
	Actual 1/4/05 to 30/6/05	Actual 1/4/04 to 30/6/04		Increase/ (Decrease)	Actual 1/1/05 to 30/6/05	
Revenue ^(a)	55,679	46,080	20.8%	108,888	88,821	22.6%
Property income and licence fee top-up ^(b)	3,405	13,056	(73.9%)	6,473	27,927	(76.8%)
Charge-out collections ^(c)	19,629	17,357	13.1%	38,688	33,281	16.2%
Property management fees	(1,531)	(1,269)	41.3%	(3,012)	(2,426)	24.2%
Other property operating expenses ^(d)	(19,956)	(20,341)	(3.8%)	(36,026)	(36,516)	(1.3%)
Property Operating Expenses	(21,487)	(21,610)	(1.1%)	(39,038)	(38,942)	0.2%
Net Property Income (before manager's performance fee)	57,226	54,883	4.3%	115,011	111,087	3.5%
Manager's performance fee	(1,716)	(1,646)	4.3%	(3,450)	(3,333)	3.5%
Net Property Income	55,510	53,237	4.3%	111,561	107,754	3.5%
Borrowing costs ^(e)	(5,651)	(4,421)	27.8%	(11,211)	(8,661)	29.4%
Profit Before Tax	49,859	48,816	2.1%	100,350	99,093	1.3%
Hong Kong Taxation :						
Current taxation	(3,959)	(733)	440.1%	(8,075)	(6,870)	17.5%
Deferred taxation	(4,793)	(7,814)	(38.7%)	(9,466)	(10,461)	(9.5%)
Total Hong Kong Taxation	(8,752)	(8,547)	2.4%	(17,541)	(17,331)	1.2%
Net Profit of the Property Companies	41,107	40,269	2.1%	82,809	81,762	1.3%
Manager's base fee	(3,189)	(2,535)	25.8%	(6,284)	(5,070)	23.9%
Amortisation of negative goodwill ^(f)	-	786	NM	-	1,573	NM
Negative goodwill ^(f)	141,169	-	NM	141,169	-	NM
Foreign exchange loss ^(g)	(602)	(536)	12.3%	(743)	(117)	NM
Non-tax deductible trust expenses	(581)	(507)	14.6%	(1,146)	(984)	16.5%
Tax deductible trust expenses	(312)	(547)	(43.0%)	(515)	(1,053)	(51.1%)
Non tax-exempt income ^(h)	275	25	NM	400	36	NM
Total Trust Income/(Expenses)	136,760	(3,314)	NM	132,881	(5,615)	NM
Net Profit of the Group	177,867	36,955	381.3%	215,690	76,147	183.3%
Add / (less) :						
Manager's base fee	3,189	2,535	25.8%	6,284	5,070	23.9%
Amortisation of negative goodwill ^(f)	-	(786)	NM	-	(1,573)	NM
Negative goodwill ^(f)	(141,169)	-	NM	(141,169)	-	NM
Foreign exchange loss ^(g)	602	536	12.3%	743	117	NM
Non-tax deductible trust expenses	581	507	14.6%	1,146	984	16.5%
Non tax-exempt income	(275)	(25)	NM	(400)	(36)	NM
Income Available For Distribution⁽ⁱ⁾	40,795	39,722	2.7%	82,294	80,709	2.0%

1 (a) (ii) Income statement - breakdown

	HK\$ '000		
	Actual 1/1/05 to 27/6/05 ⁽ⁱ⁾	Actual 28/6/05 to 30/6/05 ^(k)	Actual 1/1/05 to 30/6/05
Revenue ^(a)	104,694	4,194	108,888
Property income and licence fee top-up ^(b)	6,342	131	6,473
Charge-out collections ^(c)	37,735	953	38,688
Property management fees	(2,919)	(93)	(3,012)
Other property operating expenses ^(d)	(34,449)	(1,577)	(36,026)
Property Operating Expenses	(37,368)	(1,670)	(39,038)
Net Property Income (before manager's performance fee)	111,403	3,608	115,011
Manager's performance fee	(3,342)	(108)	(3,450)
Net Property Income	108,061	3,500	111,561
Borrowing costs ^(e)	(12,408)	1,197	(11,211)
Profit Before Tax	95,653	4,697	100,350
Hong Kong Taxation :			
Current taxation	(7,435)	(640)	(8,075)
Deferred taxation	(9,282)	(184)	(9,466)
Total Hong Kong Taxation	(16,717)	(824)	(17,541)
Net Profit of the Property Companies	78,936	3,873	82,809
Manager's base fee	(6,121)	(163)	(6,284)
Amortisation of negative goodwill ^(f)	-	-	-
Negative goodwill ^(f)	-	141,169	141,169
Foreign exchange loss ^(g)	(604)	(139)	(743)
Non-tax deductible trust expenses	(1,118)	(28)	(1,146)
Tax deductible trust expenses	(505)	(10)	(515)
Non tax-exempt income ^(h)	388	12	400
Total Trust Income / (Expenses)	(7,960)	140,841	132,881
Net Profit of the Group	70,976	144,714	215,690
Add / (less) :			
Manager's base fee	6,121	163	6,284
Amortisation of negative goodwill ^(f)	-	-	-
Negative goodwill ^(f)	-	(141,169)	(141,169)
Foreign exchange loss ^(g)	604	139	743
Non-tax deductible trust expenses	1,118	28	1,146
Non tax-exempt income	(388)	(12)	(400)
Income Available For Distribution⁽ⁱ⁾	78,431	3,863	82,294

Footnotes:

NM - Not meaningful

- (a) Revenue includes rental income, car park income, licence income, atrium income and others.
- (b) The property income and licence fee top up amount is payable by Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited to Vision Million Limited under the Rental Guarantee Deed dated 12 August 2003.
- (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 fee, promotional charges, government rents, utility charges, cleaning charges and government rates.
- (d) The other property operating expenses include provision for doubtful debts written back of of HK\$1,572 and HK\$4,265 for the period 1 April 2005 to 30 June 2005 and 1 January 2005 to 30 June 2005 (provision for doubtful debts for the period 1 April 2004 to 30 June 2004 and 1 January 2004 to 30 June 2004 were HK\$5,842 and HK\$6,395) respectively.
- (e) On 1 January 2005, Fortune REIT adopted FRS 39-Financial Instruments: Recognition and Measurement ("FRS 39"), which became effective on or after 1 January 2005. Please refer to Section 5 on the implications of changes in accounting policies.
- (f) FRS 103 – Business Combination has been effected for financial years beginning on or after 1 July 2004. FRS 103 requires, among others, negative goodwill to be recognised as income in the financial year the negative goodwill arises. For Fortune REIT, upon implementation of FRS 103, the outstanding negative goodwill arising from the acquisition of the Property Companies made before 1 January 2005 has been taken to accumulated profits as at 1 January 2005. Please refer to Section 5 on the implications of changes in accounting policies.
- (g) Foreign exchange loss 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 mainly from the conversion of the foreign currency IPO proceeds to Hong Kong dollars at rates closely approximating those ruling at the transaction dates. All exchange differences are included in the income statements.
- (h) Non tax-exempt income refers mainly to bank interest income less deductible expenses.
- (i) Fortune REIT is required to distribute 100.0% of its Tax-Exempt Income (except dividends paid out of interest income and gains, if any, which are distributable at the discretion of the Manager) after deduction of applicable expenses ("net Tax-Exempt Income"). Fortune REIT's distribution policy is to distribute its net Tax-Exempt Income to Unitholders on a semi-annual basis.
- (j) On 28 June 2005, Fortune REIT completed the Equity Fund Raising for the acquisition of six properties. As stated in the circular dated 13 May 2005, the distribution of Fortune REIT's tax-exempt income is for the period from 1 January 2005 to 27 June 2005, the day immediately prior to the date on which the New Units were issued. Fortune REIT's tax-exempt income derived from properties held before the New Units were issued is to be paid only in respect of the units in issue prior to the New Units being issued.
- (k) This includes the results of the existing five properties for the period from 28 June 2005 to 30 June 2005 and the six properties for the period from 29 June 2005 to 30 June 2005.
- (l) There is 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 HK\$ '000		Group ^(a) HK\$ '000	
	Actual 30/6/05	Actual 31/12/04	Actual 30/6/05	Actual 31/12/04
Current Assets				
Cash and bank balances	97,468	58,175	212,896	103,622
Trade and other receivables	141,054	78,515	65,722	33,906
Total Current Assets	238,522	136,690	278,618	137,528
Non-Current Assets				
Investment in property companies ^(b)	3,740,241	531,486	-	-
Loan to property companies ^(c)	199,798	1,557,799	-	-
Investment properties ^(d)	-	-	7,812,297	4,184,000
Fixed assets	-	-	24	31
Negative goodwill ^(e)	-	-	-	(134,410)
Total Non-Current Assets	3,940,039	2,089,285	7,812,321	4,049,621
Total Assets	4,178,561	2,225,975	8,090,939	4,187,149
Current Liabilities				
Trade and other payables ^(f)	20,325	4,614	169,847	66,295
Borrowings	-	-	73,000	26,000
Provision for taxation	75	19	44,816	5,566
Total Current Liabilities	20,400	4,633	287,663	97,861
Non-Current Liabilities				
Borrowings	-	-	2,364,875	900,000
Deferred tax liabilities	-	-	68,329	55,556
Total Non-Current Liabilities	-	-	2,433,204	955,556
Total Liabilities	20,400	4,633	2,720,867	1,053,417
Net Assets	4,158,161	2,221,342	5,370,072	3,133,732
Unitholders' Equity				
Issued equity	4,275,497	2,245,560	4,275,497	2,245,560
Unit issue costs ^(g)	(173,227)	(87,540)	(173,227)	(87,540)
Revaluation reserve	-	-	928,201	908,200
Revenue reserve	55,891	63,322	339,601	67,512
Total Unitholder's Equity	4,158,161	2,221,342	5,370,072	3,133,732

Footnotes:

- (a) The Group financial information incorporates the financial statements of the Trust and the 11 property companies (as at 31 December 2004: 5 property companies).
- (b) Investment in property companies include HK\$1,293.0 million of redeemable preference shares resulting from the conversion of loans to property companies.

- (c) The loans were extended to the 6 new property companies. The loans are in the process of being restructured into redeemable preference shares as equity instruments. When the restructuring formality is completed, the restructured preference shares will be classified as investment in property companies.
- (d) Investment properties are stated at valuation based on an independent professional valuation. For the existing 5 investment properties, the valuation was 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. For each of the newly acquired properties, the valuation was appraised by two independent valuers (Chesterton Petty Ltd and Vigers Appraisal & Consulting Limited), and the lower of the two valuations of each of the newly acquired properties as at 31 January 2005 was HK\$3,628.0 million.
- (e) 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 in year 2004. With effect from 2005, the outstanding negative goodwill of HK\$134.4 million as at 31 December 2004 has been taken to accumulated profits as at 1 January 2005.
- (f) This includes accrued Manager's base fee payable in units of HK\$Nil (30 June 2004: HK\$2.7 million). Upon implementation of FRS 102 – Share Base Payment, Fortune REIT's accrual for the manager's base fee for the period from 1 April 2005 to 30 June 2005 and acquisition fee, which is payable in Units to the Manager, is taken to equity. Please refer to Section 5 on the implications of changes in accounting policies.
- (g) 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\$119 million paid as of 30 June 2005 (31 December 2004 : HK\$87.1 million) as well as accruals of approximately HK\$54 million (31 December 2004 : HK\$0.4 million).

1 (b)(ii) Aggregate amount of borrowings

As at 30/6/05

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

Secured	Unsecured
HK\$ '000	HK\$ '000
73,000	-
2,364,875	-
2,437,875	-

As at 31/12/04

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

Secured	Unsecured
HK\$ '000	HK\$ '000
-	26,000
-	900,000
-	926,000

Footnote:

- (a) Fortune REIT has in place an omnibus facility ("the Facilities") of HK\$2,650 million comprising a HK\$2,385 million term loan facility and a HK\$265 million revolving credit facility, each for a term of five years from 28 June 2005. On 28 June 2005, HK\$2,458 million of facilities have been drawn down to partly finance the acquisition of the six properties and to refinance the existing facility (31 December 2004: HK\$926 million unsecured facility was drawn). The term loan facility has been fully drawn as at 30 June 2005. Included in the amount payable after one year is a debt front end fee of HK\$20.1 million. The facilities are secured by, inter alia, a mortgage over the existing and the newly acquired properties (except for Jubilee Court Shopping Centre and Waldorf Garden Property).

1 (c) Cash flow statement

	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
	Actual	Actual	Actual	Actual
	1/4/05 to 30/6/05	1/4/04 to 30/6/04	1/1/05 to 30/6/05	1/1/04 to 30/6/04
Operating Activities				
Profit before taxation	186,619	45,502	233,231	93,478
Adjustments for:				
Amortisation of negative goodwill	-	(786)	-	(1,573)
Negative goodwill	(141,169)	-	(141,169)	-
Depreciation	3	2	7	3
Base fee paid in units	3,189	2,535	6,284	5,070
Borrowing costs	5,651	4,421	11,211	8,661
Operating Profit before changes in working capital	54,293	51,674	109,564	105,639
Increase in trade and other receivables	(40,563)	(18,767)	(23,124)	(9,992)
Increase/(decrease) in trade and other payables	35,724	(2,014)	43,600	(308)
Cash flow from operating activities	49,454	30,893	130,040	95,339
Investing Activities				
Acquisition of fixed assets	-	-	-	(28)
Upgrading of investment properties	(161)	(65)	(297)	(65)
Acquisition of property companies/properties, net of cash acquired	(3,377,926)	-	(3,377,926)	-
Cash flow used in investing activities	(3,378,087)	(65)	(3,378,223)	(93)
Financing Activities				
Proceeds from issue of new units (net of issue costs)	1,934,803	-	1,934,803	-
Distribution paid	-	-	(78,010)	(58,893)
Drawdown/(repayment) of borrowings, net	1,496,875	(24,000)	1,511,875	(25,000)
Borrowing costs paid	(5,651)	(4,421)	(11,211)	(8,661)
Cash flow from/(used in) financing activities	3,426,027	(28,421)	3,357,457	(92,554)
Net increase in cash and cash equivalents	97,394	2,407	109,274	2,692
Cash and cash equivalents at beginning of the period	115,502	90,064	103,622	89,779
Cash and cash equivalents at end of the period	212,896	92,471	212,896	92,471

Notes to the cash flow statement

Summary of the effects of acquisition of property companies/properties

	HK\$ '000
Non-current assets	(3,110,000)
Non-current liabilities	3,306
Net current liabilities	12,771
Group's share of net assets acquired	(3,093,923)
Negative goodwill	141,169
Payment for acquisition of property companies	(2,952,754)
Net cash acquired	72,828
Acquisition of property companies, net of cash acquired	(2,879,926)
Acquisition of properties	(498,000)
Acquisition of property companies/properties, net of cash acquired	(3,377,926)

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

Statement for the second quarter

	HK\$ '000			
	Trust		Group ^(a)	
	Actual 1/4/05 to 30/6/05	Actual 1/4/04 to 30/6/04	Actual 1/4/05 to 30/6/05	Actual 1/4/04 to 30/6/04
Balance as at beginning of period	2,145,699	2,143,397	3,236,696	2,300,554
Operations				
Net profit	74,470	77,663	177,867	36,955
Fair value changes in hedging instrument	-	-	(2,483)	-
Revaluation reserve	-	-	20,000	-
Increase in net assets resulting from operations	74,470	77,663	195,384	36,955
Unitholders' transactions				
Creation of units				
-proceeds from issuance of New Units	1,986,100	-	1,986,100	-
-management and acquisition fee paid/payable in units ^(b)	37,579	2,534	37,579	2,534
Public offering expenses	(85,687)	-	(85,687)	-
Net increase in net assets resulting from Unitholders' transactions	1,937,992	2,534	1,937,992	2,534
Unitholders' funds as at end of period	4,158,161	2,223,594	5,370,072	2,340,043

Statement for the half-year

	HK\$ '000			
	Trust		Group ^(a)	
	Actual 1/1/05 to 30/6/05	Actual 1/1/04 to 30/6/04	Actual 1/1/05 to 30/6/05	Actual 1/1/04 to 30/6/04
Balance as at beginning of period	2,221,342	2,202,267	3,133,732	2,317,144
Unrealised loss on revaluation of hedging instrument ^(c)	-	-	(11,902)	-
Unamortised negative goodwill taken to Unitholders' funds on adoption of FRS 103 ^(d)	-	-	134,410	-
Balance at beginning of period, as restated	-	2,202,267	122,508	2,317,144
Operations				
Net profit	70,579	74,575	215,690	76,147
Fair value changes in hedging instrument	-	-	11,902	-
Revaluation reserve	-	-	20,000	-
Increase in net assets resulting from operations	70,579	74,575	370,100	76,147
Unitholders' transactions				
Creation of units				
-proceeds from issuance of New Units	1,986,100	-	1,986,100	-
-management and acquisition fee paid/payable in units ^(b)	43,837	5,097	43,837	5,097
Public offering expenses	(85,687)	548	(85,687)	548
Distribution to Unitholders	(78,010)	(58,893)	(78,010)	(58,893)
Net Increase/(decrease) in net assets resulting from Unitholders' transactions	1,866,240	(53,248)	1,866,240	(53,248)
Unitholders' funds as at end of period	4,158,161	2,223,594	5,370,072	2,340,043

Footnotes:

(a) The Group financial information incorporates the financial statements of the Trust and the 11 property companies (30 June 2004: 5 property companies).

(b) This comprises Acquisition Fee component of HK\$34.4 million and the balance represents units issued and to be issued to the manager as payment of the Base Fee component.

- (c) On 1 January 2005, Fortune REIT adopted FRS 39. Please refer to Section 5 on the implications of changes in accounting policies.
- (d) On 1 January 2005, Fortune REIT adopted FRS 103. Please refer to Section 5 on the implications of changes in accounting policies.

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 31 March 2005	475,670,775	Total units since the end of previous financial period
6 April 2005	460,047	As payment of management fee for the period from 1 January 2005 to 31 March 2005
28 June 2005	318,796,148	Offer and Placement of New Units at an issue price of HK\$6.23 for each New Unit
As at 30 June 2005	<u>794,926,970</u>	

Footnote:

- (a) On 18 July 2005, there are additional 0.5 million units issued to the Manager as payment of management fee for the period from 1 April 2005 to 30 June 2005 and 5.5 million units issued to the Manager as Acquisition Fee.

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 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 were followed during the current financial period as compared with those contained in the audited financial statements for the year ended 31 December 2004 except for the areas stated in item (5).

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

The changes in accounting policies and methods of computation during the period as a result of accounting standards that became effective in 2005 are as follows:

- (a) FRS 39 - Financial Instruments: Recognition and Measurement, which became effective on or after 1 January 2005. Fortune REIT adopted hedge accounting for its outstanding interest rate swaps. Hedge accounting allows fair value changes relating to the portion of the interest rate swaps where there is hedge effectiveness to be taken to equity. Fair value changes relating to the portion of the interest rate swaps where there is no hedge effectiveness will be taken to the profit and loss statement. As a result of implementation of FRS 39 on 1 January 2005, the Unitholders funds has been reduced by the effective portion of the unrealised loss arising from revaluation of the hedging instrument of HK\$11.9 million. The non-effective portion was not material as at 1 January 2005, hence the opening balance of accumulated profits as at 1 January 2005 was not adjusted.

In addition, in order to address the accounting implication under FRS 39 with regards to interest-free loans extended by Fortune REIT to the newly acquired / incorporated property companies, the Manager is in the process of restructuring these loans into redeemable preference shares as equity instruments. The restructured preference shares will be classified as investment in property companies.

- (b) FRS 102 – Share Based Payment which became effective for the financial years beginning on or after 1 January 2005. Under FRS 102, Fortune REIT is required to account for the manager's base fee and Acquisition Fee, which is payable in Units and is disclosed in equity instead of in current liabilities.
- (c) FRS 103 – Business Combination which became effective for the financial years beginning on or after 1 July 2004. FRS 103 requires, among others, negative goodwill to be recognised as income in the financial year the negative goodwill arises. For Fortune REIT, upon implementation of FRS 103, the outstanding negative goodwill arising from the acquisition of the Property Companies as at 31 December 2004 of HK\$134.4 million has been taken to accumulated profits as at 1 January 2005 and the accounting profit of Fortune REIT for the financial period ended 31 March 2005 has been reduced by approximately HK\$0.8 million arising from non-amortisation of this negative goodwill. During the period, the negative goodwill of HK\$141.2 million arising from the acquisitions for the new properties companies has been recognized as income.

6. Earnings per unit and Distribution per unit for the financial period

Period from 1 April 2005 to 30 June 2005

	Actual 1/4/05 to 27/6/05 HK cents	Actual 28/6/05 to 30/6/05 HK cents	Actual 1/4/05 to 30/6/05 HK cents	Actual 1/4/04 to 30/6/04 ^(a) HK cents
Earnings per unit for the period based on the total number units in issue	6.96	18.19	25.15	7.79
Distribution per unit for the period based on the total number units in issue	7.76	0.49	8.25	8.37
Number of units used for computation (million)	476.1	795.4	NM	474.8

Period from 1 January 2005 to 30 June 2005

	Actual 1/1/05 to 27/6/05 HK cents	Actual 28/6/05 to 30/6/05 HK cents	Actual 1/1/05 to 30/6/05 HK cents	Actual 1/1/04 to 30/6/04 ^(a) HK cents
Earnings per unit for the period based on the total number units in issue	14.91	18.19	33.1	16.04
Distribution per unit for the period based on the total number units in issue	16.47	0.49	16.96	17.00
Number of units used for computation (million)	476.1	795.4	NM	474.8

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

	Actual 30/6/05 HK\$	Actual 31/12/04 HK\$
Net asset value per unit ^(a)	6.75	6.87

Footnotes:

(a) The decrease was due to increase in total number of units as a result of offer and placement of 318.8 million units on 28 June 2005 to partly finance the acquisitions.

8. Review of the performance

Income Statement	HK\$ '000		%	HK\$ '000		%
	Actual 1/4/05 to 30/6/05	Actual 1/4/04 to 30/6/04		Increase/ (Decrease)	Actual 1/1/05 to 30/6/05	
Total Revenue	78,713	76,493	2.9%	154,049	150,029	2.7%
Property Operating Expenses	(21,487)	(21,610)	(0.6%)	(39,038)	(38,942)	0.2%
Net Property Income (before manager's performance fee)	57,226	54,883	4.3%	115,011	111,087	3.5%
Manager's performance fee	(1,716)	(1,646)	4.3%	(3,450)	(3,333)	3.5%
Net Property Income	55,510	53,237	4.3%	111,561	107,754	3.5%
Borrowing costs	(5,651)	(4,421)	27.8%	(11,211)	(8,661)	29.4%
Profit Before Tax	49,859	48,816	2.1%	100,350	99,093	1.3%
Total Hong Kong Taxation	(8,752)	(8,547)	2.4%	(17,541)	(17,331)	1.2%
Net Profit of Property Companies	41,107	40,269	2.1%	82,809	81,762	1.3%
Tax deductible trust expenses	(312)	(547)	(43.0%)	(515)	(1,053)	(51.1%)
Income Available For Distribution	40,795	39,722	2.7%	82,294	80,709	2.0%

Review of performance

2Q 2005 versus 2Q 2004

Total revenue and the net property income for the second quarter ended 30 June 2005 were 2.9% and 4.3% respectively above the same quarter last year. This was mainly due to the rising occupancy and the improved passing rental of the overall existing portfolio. It was further improved by the contributions from the six newly acquired properties from which Fortune REIT was entitled to their income from 29 June 2005 after being acquired. Property operating expenses were comparable to the same quarter last year with a marginal decrease of 0.6%. Borrowing costs were HK\$1.2 million higher than the same quarter last year due to rising interest rates. The weighted average borrowing cost for the half year ended 30 June 2005 was 2.71% p.a compared to 1.79% p.a for the same period in 2004. All in, the income available for distribution for the second quarter was higher than the same quarter in 2004 by 2.7%.

1H 2005 versus 1H 2004

For the half year ended 30 June 2005, total revenue and net property income were 2.7% and 3.5% respectively above the corresponding period last year. Income available for distribution was 2.0% above the same period last year. The improvement was largely due to the increase in overall occupancy for the portfolio and a higher passing rental achieved during the period as compared to the same period last year. This improvement was partially offset by higher borrowing costs as a result of rising interest rates in Hong Kong.

9 (a) Income statements – actual versus forecast

	HK\$ '000		%
	Actual 1/1/05 to 30/6/05	Forecast ^(a) 1/1/05 to 30/6/05	Variance
Revenue	108,888	108,016	0.8%
Charge-out collections	38,688	37,655	2.7%
Sub-total	147,576	145,671	1.3%
Property income and licence fee top-up	6,473	10,563	(38.7%)
Property management fees	(3,012)	(2,997)	0.5%
Other property operating expenses	(36,026)	(39,239)	(8.2%)
Property Operating Expenses	(39,038)	(42,236)	(7.6%)
Net Property Income (before manager's performance fee)	115,011	113,998	0.9%
Manager's performance fee	(3,450)	(3,420)	0.9%
Net Property Income	111,561	110,578	0.9%
Borrowing costs	(11,211)	(13,642)	(17.8%)
Profit Before Tax	100,350	96,936	3.5%
Hong Kong Taxation :			
Current taxation	(8,075)	(7,582)	6.5%
Deferred taxation	(9,466)	(9,382)	0.9%
Total Hong Kong Taxation	(17,541)	(16,964)	3.4%
Net Profit of Property Companies	82,809	79,972	3.5%
Manager's base fee	(6,284)	(6,336)	(0.8%)
Negative goodwill	141,169	158,968	(11.2%)
Foreign exchange loss	(743)	-	NM
Non-tax deductible trust expenses	(1,146)	(1,171)	(2.1%)
Tax deductible trust expenses	(515)	(966)	(46.7%)
Non tax-exempt income	400	-	NM
Total Trust Income/(Expenses)	132,881	150,495	(11.7%)
Net Profit of Trust	215,690	230,467	(6.4%)
Add / (less) :			
Manager's base fee	6,284	6,336	(0.8%)
Negative goodwill	(141,169)	(158,968)	(11.2%)
Foreign exchange loss	743	-	NM
Non-tax deductible trust expenses	1,146	1,171	(2.1%)
Non tax-exempt income	(400)	-	NM
Income Available For Distribution	82,294	79,006	4.2%

Actual versus Forecast

Distribution Per Unit (HK cents)

Tax-exempt distribution yield (annualised)
 (based on closing price of HK\$6.35 as at 30/6/05)

	Actual 1/1/05 to 30/6/05	Forecast ^(a) 1/1/05 to 30/6/05
Distribution Per Unit (HK cents)	16.96	16.44
Tax-exempt distribution yield (annualised) (based on closing price of HK\$6.35 as at 30/6/05)	5.39%	5.22%

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.*

9 (b) Review of the performance

Actual versus Forecast

Revenue (excluding property income and licence fee top up) and net property income for the period ended 30 June 2005 were above forecast by 1.3% and 0.9% respectively. The property income and licence fee top-up for the Metropolis Mall was much lower than forecast due to the better overall performance of the mall compared to forecast.

Borrowing costs for the current period was HK\$2.4 million, or 17.8% lower than forecast. In particular, the weighted average borrowing cost for the half year ended 30 June 2005 was 2.71% p.a versus the forecast interest rate of 3.3% p.a.

All in, income available for distribution for the half year ended 30 June 2005 was 4.2% above forecast.

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

Business conditions for Fortune REIT continue to be underpinned by growing retail sales in Hong Kong. Though not as strong as the 10.8% growth in 2004, total retail sales in the first five months of 2005 still registered robust growth of 8.2% over the same period last year. This is being supported by the declining unemployment rate and continued growth in tourist arrivals from Mainland China. Aggregate tourist arrivals is also likely to be boosted by the scheduled opening of Disneyland in September this year.

Hong Kong remains in a low inflation climate with consumer prices only starting to rise again after 6 years of deflation. Interest rates, though, are now tracking US rates much more closely after the HKMA's fine-tuning of the HK dollar currency peg in May 2005.

On the basis of the information available at present, the manager does not expect the performance of Fortune REIT's malls to be materially different in the next reporting period ending 30 September 2005. Income from the six newly-acquired properties began contributing to Fortune REIT's results from 29 June 2005 on completion of the acquisitions.

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 meet the Forecast.

11. Distributions

(a) Current financial period

Any distribution declared for the current period?	Yes
Name of distribution	Rescheduled Distribution for the period from 1 January 2005 to 27 June 2005
Distribution Type	Tax-exempt income
Distribution Rate	16.47 Hong Kong cents per unit The Rescheduled Distribution of Fortune REIT's tax-exempt income for the period from 1 January 2005 to the day immediately prior to the date the New Units are issued.
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?	Yes
Name of distribution	Interim distribution for the 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.

(c) Date Payable 17 August 2005

(d) Book closure date 27 June 2005

Footnotes:

NM - Not meaningful

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

Not applicable.

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 2005

Attachment

ARA Asset Management (Singapore) Limited
(as Manager of Fortune REIT.)
9 Temasek Boulevard
09-01 Suntec City Tower 2
Singapore 038989

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 June 30, 2005 together with the related statements of income, changes in unitholders' funds and cash flows of the Group for the financial period from January 1, 2005 to June 30, 2005. 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 Review Engagements 2400. 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 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 statements 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 27, 2005