



**Fortune Real Estate Investment Trust
Financial Statements
for the financial period from 1 January 2006 to 30 June 2006**

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 a Trust Deed entered into on 4 July 2003 (as amended by the Amending and Restating Deed dated 29 June 2005 and a 2nd Supplemental Deed dated 20 April 2006) made between ARA Asset Management (Singapore) Limited, as the Manager of Fortune REIT, and HSBC Institutional Trust Services (Singapore) Limited, as the Trustee of Fortune REIT. Fortune REIT was listed on the Singapore Exchange Securities Trading Limited on 12 August 2003. On 28 June 2005, Fortune REIT successfully closed an equity fund raising exercise by the placement of 318.8 million new units in Fortune REIT to partly finance the acquisition of 6 properties located in Hong Kong.

Fortune REIT now holds a portfolio of eleven retail malls in Hong Kong, spread across Kowloon and the New Territories, through the ownership of property companies ("the Property Companies"), worth approximately HK\$8.6 billion. The retail malls 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 822 tenants as at 30 June 2006 from diverse trade sectors such as supermarkets, food and beverage outlets, banks, real estate agencies, and education providers. Notable tenants include Park'N Shop, Maxim's Chinese Restaurant, Watson's, Fortress, McDonald's, Kentucky Fried Chicken, GOME, Bank of China (Hong Kong), DBS Bank, The Hongkong & Shanghai Banking Corporation Limited, Baleno, Bluestar Exchange, International Christian School Limited and the Hong Kong Jockey Club.

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

Financial Statements Announcement
For period from 1 January 2006 to 30 June 2006

| | 2Q | | | 1H | | |
|---|---|---|-------------------------|---|---|-------------------------|
| | HK\$ '000 | | % | HK\$ '000 | | % |
| | Actual 1/4/06 to 30/6/06 ^(h) | Actual 1/4/05 to 30/6/05 ^(h) | Increase/ (Decrease) | Actual 1/1/06 to 30/6/06 ^(h) | Actual 1/1/05 to 30/6/05 ^(h) | Increase/ (Decrease) |
| Revenue (including property income and licence fee top-up) ^(a) | 127,064 | 59,084 | 115.1% | 251,426 | 115,361 | 117.9% |
| Charge-out collections ^(b) | 29,534 | 19,629 | 50.5% | 59,301 | 38,688 | 53.3% |
| Total revenue | 156,598 | 78,713 | 98.9% | 310,727 | 154,049 | 101.7% |
| Property management fees | (3,400) | (1,531) | 122.1% | (6,835) | (3,012) | 126.9% |
| Other property operating expenses ^(c) | (40,351) | (19,956) | 102.2% | (73,813) | (36,026) | 104.9% |
| Property Operating Expenses | (43,751) | (21,487) | 103.6% | (80,648) | (39,038) | 106.6% |
| Net Property Income (before manager's performance fee) | 112,847 | 57,226 | 97.2% | 230,079 | 115,011 | 100.0% |
| Manager's performance fee | (3,386) | (1,716) | 97.3% | (6,903) | (3,450) | 100.1% |
| Net Property Income | 109,461 | 55,510 | 97.2% | 223,176 | 111,561 | 100.0% |
| Borrowing costs | (25,590) | (5,651) | 352.8% | (51,047) | (11,211) | 355.3% |
| Profit Before Tax | 83,871 | 49,859 | 68.2% | 172,129 | 100,350 | 71.5% |
| Hong Kong Taxation : | | | | | | |
| Current taxation | (9,857) | (3,959) | 149.0% | (20,461) | (8,075) | 153.4% |
| Deferred taxation | (4,876) | (4,793) | 1.7% | (9,655) | (9,466) | 2.0% |
| Total Hong Kong Taxation | (14,733) | (8,752) | 68.3% | (30,116) | (17,541) | 71.7% |
| Net Profit of Property Companies | 69,138 | 41,107 | 68.2% | 142,013 | 82,809 | 71.5% |
| Manager's base fee | (6,426) | (3,189) | 101.5% | (12,782) | (6,284) | 103.4% |
| Foreign exchange (loss)/gain ^(d) | 533 | (602) | (188.5%) | 1,361 | (743) | (283.2%) |
| Non-tax deductible trust expenses | (2,170) | (581) | 273.5% | (4,298) | (1,146) | 275.0% |
| Tax deductible trust expenses | (475) | (312) | 52.2% | (876) | (515) | 70.1% |
| Negative goodwill ^(f) | - | 141,169 | NM | - | 141,169 | NM |
| Non tax-exempt income ^(e) | 1,015 | 275 | 269.1% | 2,035 | 400 | 408.8% |
| Total Trust (Expenses)/Income | (7,523) | 136,760 | (105.5%) | (14,560) | 132,881 | (111.0%) |
| Net Profit of Group | 61,615 | 177,867 | (65.4%) | 127,453 | 215,690 | (40.9%) |
| Add / (less) : | | | | | | |
| Manager's base fee | 6,426 | 3,189 | 101.5% | 12,782 | 6,284 | 103.4% |
| Negative goodwill ^(f) | - | (141,169) | NM | - | (141,169) | NM |
| Foreign exchange (loss)/gain ^(d) | (533) | 602 | (188.5%) | (1,361) | 743 | (283.2%) |
| Non-tax deductible trust expenses | 2,170 | 581 | 273.5% | 4,298 | 1,146 | 275.0% |
| Non tax-exempt income ^(e) | (1,015) | (275) | 269.1% | (2,035) | (400) | 408.8% |
| Income Available For Distribution^(g) | 68,663 | 40,795 | 68.3% | 141,137 | 82,294 | 71.5% |

Footnotes:

NM - Not meaningful

- (a) Revenue includes rental income, car park income, licence income, atrium income and others. 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.
- (b) Charge-out collections consist of expenses related to the operation of the properties that are payable by tenants and licensees and these expenses include air conditioning charges, management fees, promotional charges, government rents, utility charges, cleaning charges and government rates.
- (c) The other property operating expenses include allowance for doubtful debts of HK\$95,295 and HK\$165,577 for the period 1 April 2006 to 30 June 2006 and 1 January 2006 to 30 June 2006 (allowance for doubtful debts written back for the period 1 April 2005 to 30 June 2005 and 1 January 2005 to 30 June 2005 were HK\$1,572 and HK\$4,265) respectively.
- (d) Foreign exchange loss/gain represents realised and unrealised foreign exchange differences. The unrealised exchange difference arose from translation of monetary assets and liabilities denominated in foreign currencies into Hong Kong dollars at rates of exchange ruling at the balance sheet date. The realised exchange difference arose mainly from the conversion of the foreign currency initial public offering proceeds into Hong Kong dollars at rates closely approximating those ruling at the transaction dates. All exchange differences are included in the income statements.
- (e) Non tax-exempt income refers mainly to bank interest income less deductible expenses.
- (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 recognized 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.
- (g) Fortune REIT is required to distribute 100.0% of its Tax-Exempt Income (except dividends paid out of interest income and gains, if any, which are distributable at the discretion of the Manager) after deduction of applicable expenses (“net Tax-Exempt Income”). Fortune REIT’s distribution policy is to distribute its net Tax-Exempt Income to Unitholders on a semi-annual basis.
- (h) The financial information for the current period incorporates the financial statements of the Trust and the 11 Property Companies for the period from 1 April 2006 to 30 June 2006. For the corresponding financial period, the financial information comprises of the Trust and 5 Property Companies for the period from 1 April 2005 to 30 June 2005 and includes the results of the 6 newly-acquired Property Companies for the period from 29 June 2005 to 30 June 2005. On 28 June 2005, Fortune REIT completed the Equity Fund Raising for the acquisition of the six properties.
- (i) There is no investment income, write-off for stock obsolescence, impairment in the 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 30/6/06 | Actual 31/12/05 | Actual 30/6/06 | Actual 31/12/05 |
| Current Assets | | | | |
| Cash and bank balances | 125,235 | 124,408 | 241,315 | 213,145 |
| Investment properties held for resale ^(b) | - | - | 73,000 | 73,000 |
| Trade and other receivables | 156,918 | 156,527 | 56,069 | 48,034 |
| Total Current Assets | 282,153 | 280,935 | 370,384 | 334,179 |
| Non-Current Assets | | | | |
| Investment in property companies | 3,939,224 | 3,939,224 | - | - |
| Investment properties ^(d) | - | - | 8,521,219 | 8,519,000 |
| Fixed assets | - | - | 313 | 357 |
| Derivative asset ^(c) | - | - | 18,310 | 14,272 |
| Total Non-Current Assets | 3,939,224 | 3,939,224 | 8,539,842 | 8,533,629 |
| Total Assets | 4,221,377 | 4,220,159 | 8,910,226 | 8,867,808 |
| Current Liabilities | | | | |
| Trade and other payables | 6,142 | 7,099 | 206,543 | 189,239 |
| Borrowings | - | - | - | 12,000 |
| Provision for taxation | 582 | 203 | 25,282 | 5,825 |
| Total Current Liabilities | 6,724 | 7,302 | 231,825 | 207,064 |
| Non-Current Liabilities | | | | |
| Borrowings | - | - | 2,368,900 | 2,366,888 |
| Deferred tax liabilities | - | - | 88,363 | 78,707 |
| Derivative liability ^(c) | - | - | 85 | - |
| Total Non-Current Liabilities | - | - | 2,457,348 | 2,445,595 |
| Total Liabilities | 6,724 | 7,302 | 2,689,173 | 2,652,659 |
| Net Assets | 4,214,653 | 4,212,857 | 6,221,053 | 6,215,149 |
| Unitholders' Equity | | | | |
| Issued equity | 4,300,684 | 4,287,901 | 4,300,684 | 4,287,901 |
| Unit issue costs ^(e) | (173,097) | (173,097) | (173,097) | (173,097) |
| Hedging reserve ^(c) | - | - | 18,225 | 14,272 |
| Revenue reserve ^(f) | 87,066 | 98,053 | 2,075,241 | 2,086,073 |
| Total Unitholder's Equity | 4,214,653 | 4,212,857 | 6,221,053 | 6,215,149 |

Footnotes:

- (a) The Group financial information incorporates the financial statements of the Trust and the 11 Property Companies.
- (b) This relates to the divestment of car park lots for one of the investment properties and the sale of these car park lots is expected to be completed during 2006.
- (c) The derivative asset/liability relates to the fair value of the interest rate swaps transacted to hedge the interest rate risk on the HK\$1,843.5 million term loan.
- (d) Investment properties are stated at valuation based on an independent professional valuation carried out by Savills Valuation and Professional Services Ltd, the independent valuer, on 31 December 2005. During the period, minor capital costs were incurred and included in the investment properties value.
- (e) Unit issue costs comprise listing and perusal fee, professional and other fees, underwriting and selling commission and miscellaneous expenses. It includes an amount of approximately HK\$168.7 million paid as of 30 June 2006 (31 December 2005: HK\$168.0 million) as well as accruals of approximately HK\$4.4 million (31 December 2005: HK\$5.1 million).
- (f) The Group early adopted FRS 40 during the financial year ended 31 December 2005. Following the adoption of this accounting standard, the revaluation reserves from the revaluation of investment properties of HK\$908.2 million as at 1 January 2005 was taken to Revenue Reserve.

1 (b)(ii) Aggregate amount of borrowings

As at 30/06/06

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

| Secured ^(a) | Unsecured |
|------------------------|-----------|
| HK\$ '000 | HK\$ '000 |
| - | - |
| 2,368,900 | - |
| 2,368,900 | - |

As at 31/12/05

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

| Secured | Unsecured |
|-----------|-----------|
| HK\$ '000 | HK\$ '000 |
| 12,000 | - |
| 2,366,888 | - |
| 2,378,888 | - |

Footnote:

- (a) Fortune REIT has in place an omnibus facility ("the Facility") 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 has been drawn down to partly finance the acquisition of the six properties and to refinance the existing facility. The term loan facility has been fully drawn as at 31 December 2005. Included in the amount payable after one year is a debt front end fee of HK\$16.1 million (31 December 2005: HK\$18.1 million). The facilities are secured by, inter alia, a mortgage over all Fortune REIT's properties (except for Jubilee Court Shopping Centre and Waldorf Garden Property).

1 (c) Cash flow statement

| | HK\$ '000 | HK\$ '000 | HK\$ '000 | HK\$ '000 |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | Actual 1/4/06 to 30/6/06 | Actual 1/4/05 to 30/6/05 | Actual 1/1/06 to 30/6/06 | Actual 1/1/05 to 30/6/05 |
| Operating Activities | | | | |
| Profit before taxation | 76,348 | 186,619 | 157,569 | 233,231 |
| Adjustments for: | | | | |
| Negative goodwill | - | (141,169) | - | (141,169) |
| Depreciation | 22 | 3 | 44 | 7 |
| Base fee paid in units | 6,427 | 3,189 | 12,783 | 6,284 |
| Borrowing costs | 25,590 | 5,651 | 51,047 | 11,211 |
| Operating Profit before changes in working capital | 108,387 | 54,293 | 221,443 | 109,564 |
| (Increase)/decrease in trade and other receivables | (11,587) | (40,563) | (8,035) | (23,124) |
| Increase/(decrease) in trade and other payables | 11,805 | 35,724 | 17,304 | 43,600 |
| Cash generated from operating activities | 108,605 | 49,454 | 230,712 | 130,040 |
| Income taxes paid | (242) | - | (1,002) | - |
| Cash flows from operating activities | 108,363 | 49,454 | 229,710 | 130,040 |
| Investing Activities | | | | |
| Upgrading of investment properties | (1,489) | (161) | (2,219) | (297) |
| Acquisition of property companies/properties, net of cash acquired | - | (3,377,926) | - | (3,377,926) |
| Cash flow used in investing activities | (1,489) | (3,378,087) | (2,219) | (3,378,223) |
| Financing Activities | | | | |
| Proceeds from issue of new units (net of issue costs) | - | 1,934,803 | - | 1,934,803 |
| Distribution paid | - | - | (138,286) | (78,010) |
| (Repayment)/drawdown of borrowings, net | (65,994) | 1,496,875 | (9,988) | 1,511,875 |
| Borrowing costs paid | (25,590) | (5,651) | (51,047) | (11,211) |
| Cash flow used in financing activities | (91,584) | 3,426,027 | (199,321) | 3,357,457 |
| Net increase in cash and cash equivalents | 15,290 | 97,394 | 28,170 | 109,274 |
| Cash and cash equivalents at beginning of the period | 226,025 | 115,502 | 213,145 | 103,622 |
| Cash and cash equivalents at end of the period | 241,315 | 212,896 | 241,315 | 212,896 |

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

Statement for the second quarter

Balance as at beginning of period

Operations

Net profit

Fair value changes in hedging instrument

Revaluation reserve

Appreciation on revaluation of investment properties

Increase in net assets resulting from operations

Unitholders' transactions

Creation of units

-proceeds from issuance of New Units

-management fee paid/payable in units

Establishment and initial public offering expenses

Net increase in net assets resulting from

Unitholders' transactions

Unitholders' funds as at end of period

| HK\$ '000 | | | |
|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Trust | | Group | |
| Actual 1/4/06 to 30/6/06 | Actual 1/4/05 to 30/6/05 | Actual 1/4/06 to 30/6/06 | Actual 1/4/05 to 30/6/05 |
| 4,075,152 | 2,145,699 | 6,152,215 | 3,236,696 |
| 133,074 | 74,470 | 61,615 | 177,867 |
| - | - | 796 | (2,483) |
| - | - | - | 20,000 |
| 133,074 | 74,470 | 62,411 | 195,384 |
| - | 1,986,100 | - | 1,986,100 |
| 6,427 | 37,579 | 6,427 | 37,579 |
| - | (85,687) | - | (85,687) |
| 6,427 | 1,937,992 | 6,427 | 1,937,992 |
| 4,214,653 | 4,158,161 | 6,221,053 | 5,370,072 |

Statement for the half-year

Balance as at beginning of period

Unrealised loss on revaluation of hedging instrument^(a)

Unamortised negative goodwill taken to Unitholders' funds on adoption of FRS 103^(b)

Balance at beginning of year, as restated

Operations

Net profit

Transfer to income statement in cash flow hedge

Fair value changes in hedging instrument

Revaluation reserve^(c)

Increase in net assets resulting from operations

Unitholders' transactions

Creation of units

-proceeds from issuance of New Units

-management and acquisition fee paid/payable in units^(d)

Establishment and initial public offering expenses

Distribution to Unitholders

Net increase/(decrease) in net assets resulting from

Unitholders' transactions

Unitholders' funds as at end of year

| HK\$ '000 | | | |
|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Trust | | Group | |
| Actual 1/1/06 to 30/6/06 | Actual 1/1/05 to 30/6/05 | Actual 1/1/06 to 30/6/06 | Actual 1/1/05 to 30/6/05 |
| 4,212,857 | 2,221,342 | 6,215,149 | 3,133,732 |
| - | - | - | (11,902) |
| - | - | - | 134,410 |
| 4,212,857 | 2,221,342 | 6,215,149 | 3,256,240 |
| 127,299 | 70,579 | 127,453 | 215,690 |
| - | - | 3,954 | 11,902 |
| - | - | - | 20,000 |
| 127,299 | 70,579 | 131,407 | 247,592 |
| - | 1,986,100 | - | 1,986,100 |
| 12,783 | 43,837 | 12,783 | 43,837 |
| - | (85,687) | - | (85,687) |
| (138,286) | (78,010) | (138,286) | (78,010) |
| (125,503) | 1,866,240 | (125,503) | 1,866,240 |
| 4,214,653 | 4,158,161 | 6,221,053 | 5,370,072 |

Footnotes:

- (a) On 1 January 2005, Fortune REIT adopted FRS 39 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 will be taken to the profit and loss statement. As a result of the implementation of FRS 39 on 1 January 2005, the opening balance of 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.
- (b) On 1 January 2005, Fortune REIT adopted FRS 103. 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 5 Property Companies made as at 1 January 2005 of HK\$134.4 million was taken to accumulated profits as at 1 January 2005.
- (c) Fortune REIT early adopted FRS 40 in December 2005. Following the decision to early adopt FRS 40, the Group adopted the fair value model. Previously, the Group adopted the revaluation method. Under the revaluation method, increases in carrying amounts were recognized as a revaluation surplus in a revaluation reserve and only deficit in revaluation not offset by a previous revaluation surplus is taken to the statement of return.
- (d) On 1 January 2005, Fortune REIT adopted FRS 102. 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. For the period from 1 April 2005 to 30 June 2005, it included the acquisition fee component of HK\$34.4 million.

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 2006 | 803,045,878 | Total units since the end of previous financial period |
| 6 April 2006 | 995,742 | As payment of management fee for the period from 1 January 2006 to 31 March 2006 |
| As at 30 June 2006 | <u>804,041,620</u> | |
| 5 July 2006 | 1,088,288 | As payment of management fee for the period from 1 April 2006 to 30 June 2006 |
| Deemed units as at 30 June 2006 | <u>805,129,908</u> | |

Footnotes:

- (a) On 5 July 2006, there was an additional 1,088,288 units issued to the Manager as payment of management fee for the period from 1 April 2006 to 30 June 2006.

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 2005.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Not applicable.

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

Period from 1 January 2006 to 30 June 2006

| | Actual 1/4/06 to 30/6/06 HK cents | Actual 1/4/05 to 30/6/05 HK cents | Actual 1/1/06 to 30/6/06 HK cents | Actual 1/1/05 to 30/6/05 HK cents |
|--|--|--|--|--|
| Earnings per unit (inclusive of negative goodwill) for the period based on the total number units in issue | 7.64 | 25.15 | 15.83 | 33.10 |
| Earnings per unit (without negative goodwill) for the period based on the total number units in issue | 7.64 | 7.41 | 15.83 | 15.35 |
| Distribution per unit for the period based on the total number units in issue | 8.53 | 8.25 | 17.53 | 16.96 |
| Number of units used for computation (million) | 805.1 | NM | 805.1 | NM |

As a result of the implementation of FRS 103, the negative goodwill of HK\$141.2 million arising from the acquisition for the new property companies had been recognised as income for the period from 1 April 2005 to 30 June 2005.

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

| | Actual 30/6/06 HK\$ | Actual 31/12/05 HK\$ |
|---|---------------------------|----------------------------|
| Net asset value per unit ^(a) | 7.70 | 7.72 |

Footnotes:

(a) Net asset value is calculated based on net assets of the Group excluding hedging reserves. The total number of units used for the computation of net asset value per unit is 805.1 million (31 December 2005: 803.0 million). The decrease in net asset value was due to the increase in the number of units issued to Manager as management fee.

8. Review of performance

| Income Statement | HK\$ '000 | | | HK\$ '000 | | |
|--|--------------------------------|--------------------------------|------------------------------|--------------------------------|--------------------------------|------------------------------|
| | Actual 1/4/06 to 30/6/06 | Actual 1/4/05 to 30/6/05 | Increase/ (Decrease) % | Actual 1/1/06 to 30/6/06 | Actual 1/1/05 to 30/6/05 | Increase/ (Decrease) % |
| Total Revenue | 156,598 | 78,713 | 98.9% | 310,727 | 154,049 | 101.7% |
| Property Operating Expenses | (43,751) | (21,487) | 103.6% | (80,648) | (39,038) | 106.6% |
| Net Property Income (before manager's performance fee) | 112,847 | 57,226 | 97.2% | 230,079 | 115,011 | 100.0% |
| Manager's performance fee | (3,386) | (1,716) | 97.3% | (6,903) | (3,450) | 100.1% |
| Net Property Income | 109,461 | 55,510 | 97.2% | 223,176 | 111,561 | 100.0% |
| Borrowing costs | (25,590) | (5,651) | 352.8% | (51,047) | (11,211) | 355.3% |
| Profit Before Tax | 83,871 | 49,859 | 68.2% | 172,129 | 100,350 | 71.5% |
| Total Hong Kong Taxation | (14,733) | (8,752) | 68.3% | (30,116) | (17,541) | 71.7% |
| Net Profit of Property Companies | 69,138 | 41,107 | 68.2% | 142,013 | 82,809 | 71.5% |
| Tax deductible trust expenses | (475) | (312) | 52.2% | (876) | (515) | 70.1% |
| Income Available For Distribution | 68,663 | 40,795 | 68.3% | 141,137 | 82,294 | 71.5% |

2Q 2006 versus 2Q 2005

Total revenue and the net property income for the 2nd quarter ended 30 June 2006 were 98.9% and 97.2% respectively above the same quarter last year. This was mainly due to contributions by the six properties newly acquired by Fortune REIT on 28 June 2005 and a better performance by the existing 5 malls, in particular for Ma On Shan Plaza with total revenue and net property income increases of 22.2% and 24.3% respectively above the same quarter last year. The higher total revenue was also due to higher passing rental achieved. The portfolio passing rental was HK\$23.4⁽¹⁾ psf per month as at 30 June 2006. Property operating expenses for the 2nd quarter was 103.6% higher than the same quarter last year mainly due to property operating expenses from the six newly acquired properties.

Borrowing costs for 2Q2006 were HK\$25.6 million. This was due to additional loans of HK\$1.5 billion taken up to partly finance the acquisition of the six properties and also partly due to higher interest rates. The weighted average borrowing cost for the half year ended 30 June 2006 was 4.2% p.a as compared to 2.71% p.a for the same period last year. Out of the total borrowings of HK\$2.4 billion, about 75% of the debt had been fixed for various maturities to mitigate the impact of rises in interest rates.

All in, the income available for distribution for the second quarter was higher than the same quarter in 2005 by 68.3%.

(1) Include 6 new properties

1H 2006 versus 1H 2005

For the half year ended 30 June 2006, total revenue and the net property income were 101.7% and 100.0% respectively above the corresponding period last year. Income available for distribution was 71.5% higher than the same period last year. This was mainly due to the increase in the contributions by the six properties acquired by Fortune REIT on 28 June 2005 and an improved performance by the existing 5 malls, in particular for Ma On Shan Plaza with total revenue and net property income increases of 19.1% and 20.1% respectively above the same period last year. The higher total revenue was also due to higher passing rental achieved. The portfolio passing rental was HK\$23.4⁽¹⁾ psf per month as at 30 June 2006. Property operating expenses for the half year was 106.6% higher than the same period last year mainly due to property operating expenses from the six acquired properties.

9. Variance between actual and the forecast results for the period from 1 January 2006 to 30 June 2006

Not applicable.

10. Commentary on the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Hong Kong's economy continues to improve, with unemployment rate reaching a 57-month low of 4.9% in May 2006. In addition, retail sales saw an increase of 6.6% in the first five months of 2006 over the same period a year ago. This was the result of higher income and stronger consumer confidence, coupled with improved labour market conditions and increase in tourist arrivals.

Interest rates in Hong Kong continued to rise during the period. Fortune REIT's distributable income will be affected by the rise in interest rates, but it is mitigated by the fact that Fortune REIT's gearing is low and about 75% of its debt has been fixed.

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 2006.

Source: Census and Statistics Department, Bloomberg

Outlook for the financial year ending 31 December 2006

Based on the performance of the portfolio and the financials prepared for the financial period from 1 January 2006 to 30 June 2006, the Manager of Fortune REIT expects the performance of the portfolio to be comparable with the 2005 performance, 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 period from 1 January 2006 to 30 June 2006 |
| Distribution Type | Tax-exempt income |
| Distribution Rate | 17.53 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 year

| | |
|---|---|
| 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 |
| 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 August 2006

(d) Book Closure Date 3 August 2006

Footnotes:

N.M. - Not meaningful

N.A. - Not applicable

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

25 July 2006

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 of the Group as at June 30, 2006 and the related statements of income, changes in unitholders' funds and cash flows of the Group for the financial period from January 1, 2006 to June 30, 2006. These financial statements are the responsibility of the 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 except, that the properties have not been revalued as at June 30, 2006 and will be revalued at the end of the financial year pursuant to the policy as enacted in the Trust Deed, which is in accordance with the Property Funds Guidelines.

Yours faithfully


Certified Public Accountants
Singapore

July 25, 2006