



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

These figures have not been audited nor 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.

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 821 tenants as at 30 September 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, 7-Eleven, Aji Ichiban, Maxim's Chinese Restaurant, Watson's, Fortress, McDonald's, Kentucky Fried Chicken, GOME, Bank of China (Hong Kong), DBS Bank, Standard Chartered Bank, Citibank, The Hongkong & Shanghai Banking Corporation Limited, Bluestar Exchange, Japan Home Centre, Jumpin Gym U.S.A., International Christian School Limited and the Hong Kong Jockey Club.

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

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 1/7/06 to 30/9/06	Actual 1/7/05 to 30/9/05		Increase/ (Decrease)	Actual 1/1/06 to 30/9/06 ⁽ⁱ⁾	
Revenue (including property income and licence fee top-up) ^(a)	122,945	118,046	4.2%	374,371	233,407	60.4%
Charge-out collections ^(b)	30,268	29,803	1.6%	89,569	68,491	30.8%
Total revenue	153,213	147,849	3.6%	463,940	301,898	53.7%
Property management fees	(3,527)	(3,510)	0.5%	(10,362)	(6,522)	58.9%
Other property operating expenses ^(c)	(39,401)	(38,067)	3.5%	(113,214)	(74,093)	52.8%
Property Operating Expenses	(42,928)	(41,577)	3.2%	(123,576)	(80,615)	53.3%
Net Property Income (before manager's performance fee)	110,285	106,272	3.8%	340,364	221,283	53.8%
Manager's performance fee	(3,308)	(3,189)	3.7%	(10,211)	(6,639)	53.8%
Net Property Income	106,977	103,083	3.8%	330,153	214,644	53.8%
Borrowing costs	(28,682)	(22,455)	27.7%	(79,729)	(33,666)	136.8%
Profit Before Tax	78,295	80,628	(2.9%)	250,424	180,978	38.4%
Hong Kong Taxation :						
Current taxation	(10,369)	(8,795)	17.9%	(30,830)	(16,870)	82.8%
Deferred taxation	(3,825)	(5,283)	(27.6%)	(13,480)	(14,749)	(8.6%)
Total Hong Kong Taxation	(14,194)	(14,078)	0.8%	(44,310)	(31,619)	40.1%
Net Profit of Property Companies	64,101	66,550	(3.7%)	206,114	149,359	38.0%
Gain on disposal of investment property ^(d)	2,997	-	NM	2,997	-	NM
Manager's base fee	(6,498)	(5,907)	10.0%	(19,280)	(12,191)	58.1%
Foreign exchange (loss)/gain ^(e)	34	(35)	(196.5%)	1,395	(778)	(279.3%)
Non-tax deductible trust expenses	(10,608)	(3,828)	177.1%	(14,906)	(4,974)	199.7%
Tax deductible trust expenses	(356)	(413)	(13.8%)	(1,232)	(928)	32.8%
Negative goodwill ^(f)	-	-	NM	-	141,169	NM
Non tax-exempt income ^(g)	3,032	345	778.8%	5,067	745	580.1%
Total Trust (Expenses)/Income	(11,399)	(9,838)	15.9%	(25,959)	123,043	(121.1%)
Net Profit of Group	52,702	56,712	(7.1%)	180,155	272,402	(33.9%)
Add / (less) :						
Manager's base fee	6,498	5,907	10.0%	19,280	12,191	58.1%
Negative goodwill ^(f)	-	-	NM	-	(141,169)	NM
Foreign exchange (loss)/gain ^(e)	(34)	35	(196.5%)	(1,395)	778	(279.3%)
Non-tax deductible trust expenses	10,608	3,828	177.1%	14,906	4,974	199.7%
Non tax-exempt income ^(g)	(3,032)	(345)	778.8%	(5,067)	(745)	580.1%
Income Available For Distribution^(h)	66,742	66,137	0.9%	207,879	148,431	40.1%

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\$35,516 and HK\$201,093 for the period 1 July 2006 to 30 September 2006 and 1 January 2006 to 30 September 2006 (allowance for doubtful debts written back for the period 1 July 2005 to 30 September 2005 and 1 January 2005 to 30 September 2005 were HK\$Nil and HK\$4,265) respectively.*
- (d) *Fortune REIT sold 326 car park lots in one of the investment properties, City One Shatin Property, during the year. As at 30 September 2006, a total of 314 sale transactions were completed. The fair value of derivative asset includes the fair value of the 2 structured interest rate swaps entered during the quarter.*
- (e) *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.*
- (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) *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) *The financial information for the current period incorporates the financial statements of the Trust and the 11 Property Companies for the period from 1 January 2006 to 30 September 2006. For the corresponding financial period, the financial information comprises of the Trust and 5 Property Companies for the period from 1 January 2005 to 28 September 2005 and it comprises of the Trust and 11 Property Companies for the period from 29 June 2005 to 30 September 2005. On 28 June 2005, Fortune REIT completed the Equity Fund Raising for the acquisition of the six properties.*
- (j) *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.*

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

1 (b)(i) Balance sheet, together with a comparative statement as at the end of the immediately preceding financial year

	Trust		Group ^(a)	
	HK\$ '000		HK\$ '000	
	Actual 30/9/06	Actual 31/12/05	Actual 30/9/06	Actual 31/12/05
Current Assets				
Cash and bank balances	112,783	124,408	210,105	213,145
Investment properties held for resale ^(b)	-	-	2,712	73,000
Trade and other receivables	17,200	156,527	32,060	48,034
Total Current Assets	129,983	280,935	244,877	334,179
Non-Current Assets				
Investment in property companies	3,939,224	3,939,224	-	-
Investment properties ^(c)	-	-	8,523,498	8,519,000
Fixed assets	-	-	292	357
Derivative asset ^(d)	3,861	-	4,655	14,272
Total Non-Current Assets	3,943,085	3,939,224	8,528,445	8,533,629
Total Assets	4,073,068	4,220,159	8,773,322	8,867,808
Current Liabilities				
Trade and other payables	6,872	7,099	190,347	189,239
Borrowings	-	-	-	12,000
Provision for taxation	1,169	203	35,500	5,825
Total Current Liabilities	8,041	7,302	225,847	207,064
Non-Current Liabilities				
Borrowings	-	-	2,333,606	2,366,888
Deferred tax liabilities	-	-	92,187	78,707
Derivative liability ^(d)	-	-	13,843	-
Total Non-Current Liabilities	-	-	2,439,636	2,445,595
Total Liabilities	8,041	7,302	2,665,483	2,652,659
Net Assets	4,065,027	4,212,857	6,107,839	6,215,149
Unitholders' Equity				
Issued equity	4,307,180	4,287,901	4,307,180	4,287,901
Unit issue costs ^(e)	(173,097)	(173,097)	(173,097)	(173,097)
Hedging reserve ^(d)	-	-	(13,048)	14,272
Revenue reserve ^(f)	(69,056)	98,053	1,986,804	2,086,073
Total Unitholder's Equity	4,065,027	4,212,857	6,107,839	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 326 car park lots in one of the investment properties, City One Shatin Property. As at 30 September 2006, the sale of 314 car park lots was completed. The sale of the remaining car park lots are expected to be completed after the balance sheet date.
- (c) 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.
- (d) 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.
- (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 September 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 30/09/06

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

Secured ^(a)	Unsecured
HK\$ '000	HK\$ '000
-	-
2,333,606	-
2,333,606	-

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.

On 28 September 2006, there was a repayment of term loan amounting to HK\$36.3 million. With this repayment, the term loan outstanding as at 30 September 2006 amounted to HK\$2,348.7 million. Included in the amount payable after one year is a debt front end fee of HK\$15.1 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 1/7/06 to 30/9/06	Actual 1/7/05 to 30/9/05	Actual 1/1/06 to 30/9/06	Actual 1/1/05 to 30/9/05
Operating Activities				
Profit before taxation	66,896	70,790	224,465	304,021
Adjustments for:				
Negative goodwill	-	-	-	(141,169)
Changes in fair value of derivative asset	8,429	-	8,429	-
Gain on disposal of investment properties	(2,997)	-	(2,997)	-
Depreciation	21	10	65	17
Base fee paid in units	6,498	5,907	19,280	12,191
Borrowing costs	28,682	22,455	79,729	33,666
Operating Profit before changes in working capital	107,529	99,162	328,971	208,726
Decrease/(Increase) in trade and other receivables	24,009	1,975	15,974	(21,149)
(Decrease)/Increase in trade and other payables	(16,196)	(4,611)	1,108	38,989
Cash generated from operating activities	115,342	96,526	346,053	226,566
Income taxes paid	(154)	-	(1,155)	-
Cash flows from operating activities	115,188	96,526	344,898	226,566
Investing Activities				
Disposal / (Acquisition) of investment properties	73,961	(371)	73,961	(371)
Upgrading of investment properties	(2,955)	(660)	(5,174)	(957)
Acquisition of property companies/properties, net of cash acquired	-	-	-	(3,377,926)
Cash flow from/(used in) investing activities	71,006	(1,031)	68,787	(3,379,254)
Financing Activities				
Purchase of structured swap	(12,290)	-	(12,290)	-
Proceeds from issue of new units (net of issue costs)	-	100	-	1,934,903
Distribution paid	(141,138)	(78,419)	(279,424)	(156,429)
(Repayment)/drawdown of borrowings, net	(35,294)	(41,994)	(45,282)	1,469,881
Borrowing costs paid	(28,682)	(22,455)	(79,729)	(33,666)
Cash flow from/(used in) financing activities	(217,404)	(142,768)	(416,725)	3,214,689
Net increase/(decrease) in cash and cash equivalents	(31,210)	(47,273)	(3,040)	62,001
Cash and cash equivalents at beginning of the period	241,315	212,896	213,145	103,622
Cash and cash equivalents at end of the period	210,105	165,623	210,105	165,623

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

Statement for the third quarter

Balance as at beginning of period

Operations

Net (loss)/profit

Fair value changes in hedging instrument

(Decrease)/Increase in net assets resulting from operations

Hedging Reserves

Unitholders' transactions

Creation of units

-management fee paid/payable in units

Establishment and initial public offering expenses

Distribution to Unitholders

Net decrease in net assets resulting from

Unitholders' transactions

Unitholders' funds as at end of period

HK\$ '000			
Trust		Group	
Actual 1/7/06 to 30/9/06	Actual 1/7/05 to 30/9/05	Actual 1/7/06 to 30/9/06	Actual 1/7/05 to 30/9/05
4,214,653	4,158,161	6,221,053	5,370,072
(14,984)	(9,874)	52,702	56,712
-	-	(31,274)	-
(14,984)	(9,874)	21,428	56,712
-	-	-	11,282
6,498	5,907	6,498	5,907
-	100	-	100
(141,139)	(78,419)	(141,139)	(78,419)
(134,641)	(72,412)	(134,641)	(72,412)
4,065,028	4,075,875	6,107,840	5,365,654

Statement for the year-to-date

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 (decrease)/increase in net assets resulting from

Unitholders' transactions

Unitholders' funds as at end of year

HK\$ '000			
Trust		Group	
Actual 1/1/06 to 30/9/06	Actual 1/1/05 to 30/9/05	Actual 1/1/06 to 30/9/06	Actual 1/1/05 to 30/9/05
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
112,314	60,705	180,155	272,402
-	-	-	11,902
-	-	(27,321)	11,282
-	-	-	20,000
112,314	60,705	152,834	315,586
-	1,986,100	-	1,986,100
19,280	49,744	19,280	49,744
-	(85,587)	-	(85,587)
(279,424)	(156,429)	(279,424)	(156,429)
(260,144)	1,793,828	(260,144)	1,793,828
4,065,027	4,075,875	6,107,839	5,365,654

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 July 2005 to 30 September 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

As at 1 July 2006	804,041,620	Total units since the end of previous financial period
5 July 2006	1,088,288	As payment of management fee for the period from 1 April 2006 to 30 June 2006
As at 30 September 2006	<u>805,129,908</u>	
3 October 2006	1,087,740	As payment of management fee for the period from 1 July 2006 to 30 September 2006
Deemed units as at 30 September 2006	<u>806,217,648</u>	

Footnotes:

- (a) On 3 October 2006, there was an additional 1,087,740 units issued to the Manager as payment of management fee for the period from 1 July 2006 to 30 September 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 nor reviewed by the auditors.

3. Where the figures have been audited, or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

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 September 2006

	Actual 1/7/06 to 30/9/06 HK cents	Actual 1/7/05 to 30/9/05 HK cents	Actual 1/1/06 to 30/9/06 HK cents	Actual 1/1/05 to 30/9/05 HK cents
Earnings per unit (inclusive of negative goodwill) for the period based on the total number units in issue	6.53	7.07	22.35	40.17
Earnings per unit (without negative goodwill) for the period based on the total number of units in issue	6.53	7.07	22.35	16.36
Distribution per unit for the period based on the total number of units in issue	8.28	8.25	25.78	25.21
Number of units used for computation (million)	806.2	801.9	806.2	801.9

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

	Actual 30/9/06 HK\$	Actual 31/12/05 HK\$
Net asset value per unit ^(a)	7.59	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 806.2 million (31 December 2005: 803.0 million). The decrease in net asset value was due to:-

- (i) the distribution for the period from 1 January 2006 to 30 June 2006 which was paid in August 2006;
- (ii) an increase in the number of units issued to Manager as management fee.

8. Review of performance

Income Statement	HK\$ '000		%	HK\$ '000		%
	Actual 1/7/06 to 30/9/06	Actual 1/7/05 to 30/9/05		Increase/ (Decrease)	Actual 1/1/06 to 30/9/06	
Total Revenue	153,213	147,849	3.6%	463,940	301,898	53.7%
Property Operating Expenses	(42,928)	(41,577)	3.2%	(123,576)	(80,615)	53.3%
Net Property Income (before manager's performance fee)	110,285	106,272	3.8%	340,364	221,283	53.8%
Manager's performance fee	(3,308)	(3,189)	3.7%	(10,211)	(6,639)	53.8%
Net Property Income	106,977	103,083	3.8%	330,153	214,644	53.8%
Borrowing costs	(28,682)	(22,455)	27.7%	(79,729)	(33,666)	136.8%
Profit Before Tax	78,295	80,628	(2.9%)	250,424	180,978	38.4%
Total Hong Kong Taxation	(14,194)	(14,078)	0.8%	(44,310)	(31,619)	40.1%
Net Profit of Property Companies	64,101	66,550	(3.7%)	206,114	149,359	38.0%
Gain on disposal of investment property	2,997	-	NM	2,997	-	NM
Tax deductible trust expenses	(356)	(413)	(13.8%)	(1,232)	(928)	32.8%
Income Available For Distribution	66,742	66,137	0.9%	207,879	148,431	40.1%

3Q 2006 versus 3Q 2005

Total revenue and the net property income for the third quarter ended 30 September 2006 were 3.6% and 3.8% respectively above the same quarter last year. This was mainly due to the better performance of the malls, in particular for Ma On Shan Plaza, City One Shatin Property and The Waldorf Garden Property. The higher total revenue was also due to higher passing rental achieved. The portfolio passing rental was HK\$23.4 psf per month as at 30 September 2006. Property operating expenses for the third quarter was 3.2% higher than the same quarter last year mainly due to higher utilities which resulted from the longer and hotter months in summer period. However, the cost-to-revenue⁽¹⁾ ratio for the third quarter ended 30 September 2006 improved by 0.4% as compared to the same quarter last year.

Borrowing costs for 3Q2006 were HK\$28.7 million, which represented an increase of 27.7% over the same quarter last year. The increase was mainly due to higher interest rates. The weighted average borrowing cost for the three quarters ended 30 September 2006 was 4.38% p.a as compared to 3.16% p.a for the same period last year. Out of the total borrowings, about 78% of the debt had been fixed for various maturities to mitigate the impact of rises in interest rates.

In September 2006, there was a divestment of car park lots in one of the investment properties, City One Shatin Property. A total of 326 car park lots were sold during the current quarter and a gain on disposal of investment property of approximately HK\$3.0 million was recognized for those that had been completed during the current period. A repayment of term loan amounting to HK\$36.3 million was made out of the proceeds from the sale of car park lots in City One Shatin Property.

All in, the income available for distribution for the third quarter was marginally higher than the same quarter in 2005 by 0.9%.

Notes:

(1) Before Manager's performance fees

N.M. - Not meaningful

YTD SEPTEMBER 2006 versus YTD SEPTEMBER 2005

For the three quarters ended 30 September 2006, total revenue and the net property income were 53.7% and 53.8% respectively above the corresponding 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 malls, in particular for Ma On Shan Plaza. The higher total revenue was also due to higher passing rental achieved. The portfolio passing rental was HK\$23.4 psf per month as at 30 September 2006 as compared to HK\$22.3 psf per month in the same period in 2005. Property operating expenses for the three quarters was 53.3% higher than the same period last year mainly due to property operating expenses from the six acquired properties.

Borrowing costs were HK\$79.7 million, which represented an increase of 53.8% over the same period last year. 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.

All in, income available for distribution was 40.1% higher than the same period last year.

9. Variance between actual and the forecast results for the period from 1 January 2006 to 30 September 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 registered a growth of 5.2% in the second quarter over the same period a year ago. Unemployment rate reached a 5-year low of 4.7% in September 2006 as the economy continues to expand. In addition, retail sales saw an increase of 6.7% and tourist arrivals jumped 10.4% in the first eight months of 2006 over the same period a year ago. Improving employment conditions, sustained rise in household income and the pause in US interest rate hikes all served to boost consumer confidence.

Interest rates in Hong Kong had stabilized with the pause in interest rates increase by the US Federal Reserve. Fortune REIT's distributable income will be affected by fluctuations in the interest rates, but it is mitigated by the fact that Fortune REIT's gearing is low at 26.8% and about 78% 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 31 December 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 September 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? Nil

(b) Corresponding period of the immediately preceding financial year

Any distribution declared for the corresponding period of the immediately preceding financial year? Nil

(c) Date Payable N.A.

(d) Book Closure Date N.A.

Footnotes:

N.A. – Not applicable

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

No distribution has been declared or recommended for the current financial period from 1 July 2006 to 30 September 2006.

13. Confirmation pursuant to Rule 705(4) of the Listing Manual

To the best of our knowledge, nothing has come to the attention of the Board of Directors of the manager of Fortune Real Estate Investment Trust (the “Manager”) which may render the unaudited interim financial results of the Group and the Trust (comprising the balance sheets, consolidated statement of total return, statement of changes in unitholders’ funds and consolidated cash flow statement, together with their accompanying notes) as at 30 September 2006 and the results of the business, changes in unitholders’ funds and cash flows of the Group for the 9 months ended on that date, to be false or misleading in any material respect.

On behalf of the Board of the Manager,

Chiu Kwok Hung, Justin
Director

Lim Hwee Chiang
Director

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

6 November 2006