



**Fortune Real Estate Investment Trust
Financial Statements
for the financial year ended 31 December 2006**

These figures have not been audited but 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\$9.2 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 830 tenants as at 31 December 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 31 December 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 1/10/06 to 31/12/06	Actual 1/10/05 to 31/12/05		Increase/ (Decrease)	Actual 1/1/06 to 31/12/06 ^(k)	
Total revenue^(a)	150,114	151,007	(0.6%)	614,054	452,905	35.6%
Property management fees	(3,389)	(3,344)	1.4%	(13,751)	(9,866)	39.4%
Other property operating expenses ^(b)	(35,973)	(35,718)	0.7%	(149,188)	(109,811)	35.9%
Property Operating Expenses	(39,362)	(39,062)	0.8%	(162,939)	(119,677)	36.1%
Net Property Income (before manager's performance fee)	110,752	111,945	(1.1%)	451,115	333,228	35.4%
Manager's performance fee	(3,323)	(3,359)	(1.1%)	(13,533)	(9,998)	35.4%
Net Property Income	107,429	108,586	(1.1%)	437,582	323,230	35.4%
Changes in fair value of properties ^(c)	706,638	799,295	(11.6%)	706,638	799,295	(11.6%)
Net Property Income before finance costs	814,067	907,881	(10.3%)	1,144,220	1,122,525	1.9%
Borrowing costs	(27,317)	(25,467)	7.3%	(107,046)	(59,133)	81.0%
Profit Before Tax	786,750	882,414	(10.8%)	1,037,174	1,063,392	(2.5%)
Hong Kong Taxation :						
Current taxation	(10,907)	(9,480)	15.1%	(41,737)	(26,350)	58.4%
Deferred taxation	(3,359)	(5,096)	(34.1%)	(16,839)	(19,845)	(15.1%)
Total Hong Kong Taxation	(14,266)	(14,576)	(2.1%)	(58,576)	(46,195)	26.8%
Net Profit of Property Companies	772,484	867,838	(11.0%)	978,598	1,017,197	(3.8%)
Gain on disposal of investment property ^(d)	(57)	-	NM	2,940	-	NM
Manager's base fee	(6,982)	(6,497)	7.5%	(26,262)	(18,688)	40.5%
Foreign exchange (loss)/gain ^(e)	725	538	34.7%	2,120	(240)	(983.2%)
Non-tax deductible trust expenses ^(f)	(8,306)	(2,181)	280.8%	(23,211)	(7,155)	224.4%
Tax deductible trust expenses	(589)	(243)	142.4%	(1,821)	(1,171)	55.5%
Negative goodwill ^(g)	-	-	NM	-	141,169	(100.0%)
Non tax-exempt income ^(h)	1,733	521	232.5%	6,800	1,266	437.1%
Total Trust (Expenses)/Income	(13,476)	(7,862)	71.4%	(39,434)	115,181	(134.2%)
Net Profit of Group	759,008	859,976	(11.7%)	939,164	1,132,378	(17.1%)
Add / (less) :						
Manager's base fee	6,982	6,497	7.5%	26,262	18,688	40.5%
Negative goodwill ^(g)	-	-	NM	-	(141,169)	(100.0%)
Foreign exchange (loss)/gain ^(e)	(725)	(538)	34.7%	(2,120)	240	(983.2%)
Non-tax deductible trust expenses ^(f)	8,306	2,181	280.8%	23,211	7,155	224.4%
Non tax-exempt income ^(h)	(1,733)	(521)	232.5%	(6,800)	(1,266)	437.1%
Changes in fair value of properties	(706,638)	(799,295)	(11.6%)	(706,638)	(799,295)	(11.6%)
Change in fair value of sold carparks realised ⁽ⁱ⁾	3,542	-	NM	3,542	-	NM
Income Available For Distribution^(j)	68,742	68,300	0.6%	276,621	216,731	27.6%

Footnotes:

NM - Not meaningful

- (a) Revenue includes rental income, car park income, licence income, atrium income, charge-out collections and others. The property income and licence fee top up, which had lapsed on 12 August 2006, is payable by Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited to Vision Million Limited under the Rental Guarantee Deed dated 12 August 2003. 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.
- (b) The other property operating expenses include (write-back) / allowance for doubtful debts of (HK\$207) and HK\$200,886 for the period 1 October 2006 to 31 December 2006 and 1 January 2006 to 31 December 2006 (allowance for doubtful debts for the period 1 October 2005 to 31 December 2005 and 1 January 2005 to 31 December 2005 were HK\$41,001 and HK\$36,736) respectively.
- (c) On 31 December 2006, an independent valuation was undertaken by Savills Valuation and Professional Services Limited. The firm is an independent valuer having appropriate professional qualifications and recent experience in the location and category of the properties being valued. The valuations for the eleven properties were based on a combination of the Investment Method, Direct Comparison Method and Discounted Cash Flow Analysis. The valuations were arrived at by reference to market evidence of transaction prices for similar properties. The valuations adopted amounted to HK\$9,235,000,000 (2005: HK\$8,592,000,000).
- (d) Fortune REIT sold 326 car park lots in one of the investment properties, City One Shatin Property, during the year. As at 31 December 2006, a total of 322 sale transactions were completed.
- (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 from the conversion of SGD fixed deposits upon maturity at contracted rates fixed at the transaction dates. All exchange differences are included in the income statements.
- (f) Included in non-tax deductible trust expenses is a negative fair value of HK\$14.5 million (2005: Nil) arising from the structured swaps entered on 28 June 2006.
- (g) 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. During the prior financial year, the negative goodwill of HK\$141.2 million arising from the acquisition of the new Property Companies were recognized as income in accordance with FRS 103.
- (h) Non tax-exempt income refers mainly to bank interest income less deductible expenses.
- (i) This relates to the previous financial year's revaluation gain of car park lots in City One Shatin Property which were sold in 2006. The revaluation gain which was captured in retained earnings in the previous financial year has now been realized and shall be distributed to the Unitholders.
- (j) 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. Included in this amount is an amount of HK\$0.3 million that relates to interest income not remitted to Singapore. Accordingly, this amount is excluded in the actual distribution to unitholders for the period from 1 July 2006 to 31 December 2006.
- (k) The financial information for the current year incorporates the financial statements of the Trust and the 11 Property Companies for the period from 1 January 2006 to 31 December 2006. For the corresponding financial year, the financial information comprises of the Trust and 5 Property Companies for the period from 1 January 2005 to 28 June 2005 and it comprises of the Trust and 11 Property Companies for the period from 29 June 2005 to 31 December 2005. On 28 June 2005, Fortune REIT completed the Equity Fund Raising for the acquisition of the six properties.
- (l) 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		Group ^(a)	
	HK\$ '000		HK\$ '000	
	Actual 31/12/06	Actual 31/12/05	Actual 31/12/06	Actual 31/12/05
Current Assets				
Cash and bank balances	115,123	124,408	251,525	213,145
Investment properties held for resale ^(b)	-	-	904	73,000
Trade and other receivables	150,847	156,527	29,954	48,034
Total Current Assets	265,970	280,935	282,383	334,179
Non-Current Assets				
Investment in property companies	3,939,224	3,939,224	-	-
Investment properties ^(c)	-	-	9,235,000	8,519,000
Fixed assets	-	-	270	357
Derivative asset ^(d)	-	-	87	14,272
Total Non-Current Assets	3,939,224	3,939,224	9,235,357	8,533,629
Total Assets	4,205,194	4,220,159	9,517,740	8,867,808
Current Liabilities				
Trade and other payables	7,374	7,099	189,669	189,239
Borrowings	-	-	-	12,000
Derivative liability ^(d)	2,233	-	2,233	-
Provision for taxation	1,501	203	8,713	5,825
Total Current Liabilities	11,108	7,302	200,615	207,064
Non-Current Liabilities				
Borrowings	-	-	2,334,613	2,366,888
Deferred tax liabilities	-	-	95,546	78,707
Derivative liability ^(d)	-	-	21,213	-
Total Non-Current Liabilities	-	-	2,451,372	2,445,595
Total Liabilities	11,108	7,302	2,651,987	2,652,659
Net Assets	4,194,086	4,212,857	6,865,753	6,215,149
Unitholders' Equity				
Issued equity	4,314,164	4,287,901	4,314,164	4,287,901
Unit issue costs ^(e)	(173,097)	(173,097)	(173,097)	(173,097)
Hedging reserve ^(d)	-	-	(21,126)	14,272
Revenue reserve ^(f)	53,019	98,053	2,745,812	2,086,073
Total Unitholder's Equity	4,194,086	4,212,857	6,865,753	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 31 December 2006, the sale of 322 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 2006. During the year, 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 31 December 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 previous financial year 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 and an amount of HK\$706.6 million (31 December 2005: HK\$799.3 million) property fair value changes to the investment properties has been reflected in the Group's statement of return .

1 (b)(ii) Aggregate amount of borrowings

As at 31/12/06

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

Secured ^(a)	Unsecured
HK\$ '000	HK\$ '000
-	-
2,334,613	-
2,334,613	-

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\$2,613.7 million (2005: HK\$2,650 million) comprising a HK\$2,348.7 million (2005: HK\$2,385 million) term loan facility and a HK\$265 million (2005: 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 31 December 2006 amounted to HK\$2,348.7 million. Included in the amount payable after one year is a debt front end fee of HK\$14.1 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 1/10/06 to 31/12/06	Actual 1/10/05 to 31/12/05	Actual 1/1/06 to 31/12/06	Actual 1/1/05 to 31/12/05
Operating Activities				
Profit before taxation	773,274	874,552	997,739	1,178,573
Adjustments for:				
Changes in fair value of properties	(706,638)	(799,295)	(706,638)	(799,295)
Negative goodwill	-	-	-	(141,169)
Changes in fair value of derivative asset	6,094	-	14,523	-
Loss/(Gain) on disposal of investment properties	57	-	(2,940)	-
Depreciation	22	28	87	45
Base fee paid in units	6,982	6,497	26,262	18,688
Borrowing costs	27,317	25,467	107,046	59,133
Operating Profit before changes in working capital	107,108	107,249	436,079	315,975
Decrease/(Increase) in trade and other receivables	2,106	33,824	18,080	(5,437)
(Decrease)/Increase in trade and other payables	(678)	24,004	430	62,993
Cash generated from operating activities	108,536	165,077	454,589	373,531
Income taxes paid	(37,694)	(57,015)	(38,849)	(57,015)
Cash flows from operating activities	70,842	108,062	415,740	316,516
Investing Activities				
Disposal / (Acquisition) of investment properties	1,752	-	75,713	(371)
Upgrading of investment properties	(4,864)	-	(10,038)	(957)
Acquisition of property companies/properties, net of cash acquired	-	-	-	(3,377,926)
Cash flow from/(used in) investing activities	(3,112)	-	65,675	(3,379,254)
Financing Activities				
Purchase of structured swap	-	-	(12,290)	-
Proceeds from issue of new units (net of issue costs)	-	30	-	1,934,933
Distribution paid	-	2	(279,424)	(156,427)
(Repayment)/drawdown of borrowings, net	1,007	(35,105)	(44,275)	1,452,888
Borrowing costs paid	(27,317)	(25,467)	(107,046)	(59,133)
Cash flow from/(used in) financing activities	(26,310)	(60,540)	(443,035)	3,172,261
Net increase in cash and cash equivalents	41,420	47,522	38,380	109,523
Cash and cash equivalents at beginning of the period	210,105	165,623	213,145	103,622
Cash and cash equivalents at end of the period	251,525	213,145	251,525	213,145

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

Statement for the fourth quarter

Balance as at beginning of period

Operations

Effect on adoption of FRS 40^(c)

Net profit

Fair value changes in hedging instrument

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

Net increase in net assets resulting from

Unitholders' transactions

Unitholders' funds as at end of period

HK\$ '000			
Trust		Group	
Actual 1/10/06 to 31/12/06	Actual 1/10/05 to 31/12/05	Actual 1/10/06 to 31/12/06	Actual 1/10/05 to 31/12/05
4,065,028	4,075,875	6,107,840	5,365,654
-	-	-	(20,000)
122,076	130,453	759,008	859,976
-	-	(8,077)	-
122,076	130,453	750,931	839,976
-	-	-	2,990
6,982	6,499	6,982	6,499
-	30	-	30
6,982	6,529	6,982	6,529
4,194,086	4,212,857	6,865,753	6,215,149

Statement for the year-to-date

Balance as at beginning of year

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

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 31/12/06	Actual 1/1/05 to 31/12/05	Actual 1/1/06 to 31/12/06	Actual 1/1/05 to 31/12/05
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
234,391	191,158	939,164	1,132,378
-	-	(14,272)	11,902
-	-	(21,126)	14,272
234,391	191,158	903,766	1,158,552
-	1,986,100	-	1,986,100
26,262	56,241	26,262	56,241
-	(85,557)	-	(85,557)
(279,424)	(156,427)	(279,424)	(156,427)
(253,162)	1,800,357	(253,162)	1,800,357
4,194,086	4,212,857	6,865,753	6,215,149

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 31 December 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 October 2006	805,129,908	Total units since the end of previous financial period
3 October 2006	1,087,740	As payment of management fee for the period from 1 July 2006 to 30 September 2006
As at 31 December 2006	<u>806,217,648</u>	
16 January 2007	1,168,830	As payment of management fee for the period from 1 October 2006 to 31 December 2006
Deemed units as at 31 December 2006	<u>807,386,478</u>	

Footnotes:

- (a) On 16 January 2007, there was an additional 1,168,830 units issued to the Manager as payment of management fee for the period from 1 October 2006 to 31 December 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 reviewed by the auditors.

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

Please refer to 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 31 December 2006

	Actual 1/10/06 to 31/12/06 HK cents	Actual 1/10/05 to 31/12/05 HK cents	Actual 1/1/06 to 31/12/06 HK cents	Actual 1/1/05 to 31/12/05 HK cents
Earnings per unit (inclusive of negative goodwill) for the period based on the total number units in issue	94.01	107.09	116.37	147.26
Earnings per unit (without negative goodwill) for the period based on the total number of units in issue	94.01	107.09	116.37	123.43
Distribution per unit for the period based on the total number of units in issue	8.51	8.51	34.26	33.69
Number of units used for computation (million)	807.4	803.0	807.4	803.0

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

	Actual 31/12/06 HK\$	Actual 31/12/05 HK\$
Net asset value per unit ^(a)	8.53	7.72

Footnotes:

(a) Net asset value is calculated based on net assets of the Group excluding hedging reserves. The increase in net asset value was due to the appreciation on revaluation of investment properties. The total number of units used for the computation of net asset value per unit is 807.4 million (31 December 2005: 803.0 million). The increase in units was due to units issued to Manager as management fee.

8. Review of performance

Income Statement	HK\$ '000		%	HK\$ '000		%
	Actual 1/10/06 to 31/12/06	Actual 1/10/05 to 31/12/05		Increase/ (Decrease)	Actual 1/1/06 to 31/12/06	
Total Revenue	150,114	151,007	(0.6%)	614,054	452,905	35.6%
Property Operating Expenses	(39,362)	(39,062)	0.8%	(162,939)	(119,677)	36.1%
Net Property Income (before manager's performance fee)	110,752	111,945	(1.1%)	451,115	333,228	35.4%
Manager's performance fee	(3,323)	(3,359)	(1.1%)	(13,533)	(9,998)	35.4%
Net Property Income	107,429	108,586	(1.1%)	437,582	323,230	35.4%
Changes in fair value of properties	706,638	799,295	(11.6%)	706,638	799,295	(11.6%)
Borrowing costs	(27,317)	(25,467)	7.3%	(107,046)	(59,133)	81.0%
Profit Before Tax	786,750	882,414	(10.8%)	1,037,174	1,063,392	(2.5%)
Total Hong Kong Taxation	(14,266)	(14,576)	(2.1%)	(58,576)	(46,195)	26.8%
Net Profit of Property Companies	772,484	867,838	(11.0%)	978,598	1,017,197	(3.8%)
(Loss)/Gain on disposal of investment property	(57)	-	NM	2,940	-	NM
Tax deductible trust expenses	(589)	(243)	142.4%	(1,821)	(1,171)	55.5%
Changes in fair value of properties	(706,638)	(799,295)	(11.6%)	(706,638)	(799,295)	(11.6%)
Change in fair value of sold carparks realised	3,542	-	NM	3,542	-	NM
Income Available For Distribution	68,742	68,300	0.6%	276,621	216,731	27.6%

4Q 2006 versus 4Q 2005

On a portfolio basis, the rental reversions for the fourth quarter remained strong at around 21.9% and the portfolio passing rental also improved to HK\$23.7 psf per month as at 31 December 2006. However, the total revenue and the net property income for the fourth quarter ended 31 December 2006 were marginally lower than the same quarter last year by approximately 0.6% and 1.1% respectively. This was mainly due to frictional vacancy from repositioning initiatives in The Metropolis Mall, The Household Center and Smartland. In addition, property operating expenses for the fourth quarter were marginally higher than the same quarter last year by 0.8% mainly due to higher advertising and promotion expenses incurred to increase the visibility of The Metropolis Mall. Certain asset enhancement costs were also expensed off during the quarter as these costs did not qualify for the capitalization policy.

Borrowing costs for 4Q2006 were HK\$27.3 million, which represented an increase of 7.3% over the same quarter last year. The increase was mainly due to higher interest rates. The weighted average borrowing cost for the year ended 31 December 2006 was 4.42% p.a as compared to 3.27% p.a for the previous financial 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.

All in, the income available for distribution for the fourth quarter was marginally higher than the same quarter in 2005 by 0.6%.

Notes:

(1) Before Manager's performance fees

N.M. - Not meaningful

FY 2006 versus FY 2005

For the financial year ended 31 December 2006, total revenue and the net property income were 35.6% and 35.4% respectively above the previous financial year. This was mainly due to the increase in the contributions by the six properties which were 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 from HK\$22.9 psf per month to HK\$23.7 psf per month in December 2006. Property operating expenses for the financial year ended 31 December 2006 was 36.1% higher than the previous financial year mainly due to property operating expenses from the six acquired properties.

Borrowing costs were HK\$107.0 million, which represented an increase of 81.0% over the previous financial 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. Hong Kong Interbank Offer Rates ("HIBOR") ranged from 3.9% to 4.6% in FY2006 while HIBOR ranged from 0.8% to 4.3% in the previous financial year.

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 financial year 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, income available for distribution was 27.6% higher than the previous financial year.

9. Variance between actual and the forecast results for the period from 1 January 2006 to 31 December 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 6.8% in the third quarter over the same period a year ago. Unemployment rate reached a 6-year low of 4.4% in the period from October to December 2006 as the economy continues to expand. The low unemployment rate fuelled wage growth and consumer spending. Domestic demand, as indicated by the private consumption expenditure, rose notably further by 4.4% in the third quarter and continued to play an important role in the current economic upturn. Retail sales saw an increase of 6.8% and tourist arrivals jumped 8.0% in the first eleven months of 2006 over the same period a year ago. Improving employment conditions, sustained rise in household income, a buoyant stock market 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 24.7% 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 March 2007.

Source: Census and Statistics Department, Bloomberg

Outlook for the financial year ending 31 December 2007

Based on the performance of the portfolio and the financials prepared for the financial year ended 31 December 2006, the Manager of Fortune REIT expects the performance of the portfolio for 2007 to be comparable with the 2006 performance, barring any unforeseen circumstances.

11. Distributions

(a) Current financial period

Any distribution declared for the current period?	Yes
Name of distribution	Final distribution for the period from 1 July 2006 to 31 December 2006
Distribution Type	Tax-exempt income
Distribution Rate	16.73 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	Final distribution for the period from 28 June 2005 to 31 December 2005
Distribution Type	Tax-exempt income
Distribution Rate	17.22 Hong Kong cents per unit
Par value of units	N.M.
Tax Rate	These distributions are made out of Fortune REIT's tax exempt income. Unitholders receiving distributions will not be assessable to Singapore income tax on the distributions received.

(c) Date Payable 28 February 2007

(d) Book Closure Date 6 February 2007

Footnotes:

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

30 January 2007

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 December 31, 2006 and the related statements of return, changes in unitholders' funds and cash flows of the Group for the financial year from January 1, 2006 to December 31, 2006, and other explanatory notes. ARA Asset Management (Singapore) Limited (The "Manager" of Fortune REIT) and HSBC Institutional Trust Services (Singapore) Limited (The "Trustee" of Fortune REIT) are responsible for the preparation and fair presentation of the financial information in accordance with the recognition and measurement requirements of Singapore Financial Reporting Standards. Our responsibility is to issue a report on these financial information 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 company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Deloitte.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information is not presented fairly, in all material respects, in accordance with the recognition and measurement requirements of Singapore Financial Reporting Standards.

Yours faithfully

Deloitte & Touche
Certified Public Accountants
Singapore

January 30, 2007