

Miscellaneous

* Asterisks denote mandatory information


Name of Announcer *	FORTUNE REAL ESTATE INV TRUST
Company Registration No.	N/A
Announcement submitted on behalf of	FORTUNE REAL ESTATE INV TRUST
Announcement is submitted with respect to *	FORTUNE REAL ESTATE INV TRUST
Announcement is submitted by *	Lim Hwee Chiang
Designation *	Director
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>> Announcement Details

The details of the announcement start here ...

Announcement Title * RESULTS ANNOUNCEMENT - FORTUNE REIT 1Q07 FINANCIAL RESULTS

Description PLEASE SEE ATTACHED

Attachments: 1Q07_Results.pdf
Total size = **75K**
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**Fortune Real Estate Investment Trust
Financial Statements
for the financial period from 1 January 2007 to 31 March 2007**

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\$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 house a total of 831 tenants as at 31 March 2007 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, Modern Beauty Salon, 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.

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		%
	Actual 1/1/07 to 31/3/07 ^(a)	Actual 1/1/06 to 31/3/06 ^(a)	Increase/ (Decrease)
Revenue ^(b)	124,837	124,362	0.4%
Charge-out collections ^(c)	31,114	29,767	4.5%
Total revenue	155,951	154,129	1.2%
Property management fees	(3,563)	(3,435)	3.7%
Other property operating expenses ^(d)	(32,666)	(33,462)	(2.4%)
Property Operating Expenses	(36,229)	(36,897)	(1.8%)
Net Property Income (before manager's performance fee)	119,722	117,232	2.1%
Manager's performance fee	(3,592)	(3,517)	2.1%
Net Property Income	116,130	113,715	2.1%
Borrowing costs	(26,385)	(25,457)	3.6%
Profit Before Tax	89,745	88,258	1.7%
Hong Kong Taxation :			
Current taxation	(12,508)	(10,604)	18.0%
Deferred taxation	(3,272)	(4,779)	(31.5%)
Total Hong Kong Taxation	(15,780)	(15,383)	2.6%
Net Profit of Property Companies	73,965	72,875	1.5%
Manager's base fee	(6,831)	(6,356)	7.5%
Foreign exchange gain ^(e)	235	828	(71.6%)
Non-tax deductible trust expenses	(2,245)	(2,128)	5.5%
Tax deductible trust expenses	(590)	(401)	47.2%
Non tax-exempt income ^(f)	5,582	1,020	447.2%
Total Trust Expenses	(3,849)	(7,037)	(45.3%)
Net Profit of Group	70,116	65,838	6.5%
Add / (less) :			
Manager's base fee	6,831	6,356	7.5%
Foreign exchange gain ^(e)	(235)	(828)	(71.6%)
Non-tax deductible trust expenses	2,245	2,128	5.5%
Non tax-exempt income ^(f)	(5,582)	(1,020)	447.2%
Income Available For Distribution ^(g)	73,375	72,474	1.2%

Footnotes:

- (a) *The Group financial information incorporates the financial statements of the Trust and the 11 Property Companies.*
- (b) *Revenue includes rental income, car park income, licence income, atrium income and others. The property income and licence fee top up, paid by Cheung Kong (Holdings) Limited and Hutchison Whampoa Limited to Vision Million Limited under the Rental Guarantee Deed dated 12 August 2003, had lapsed on 12 August 2006.*
- (c) *Charge-out collections consist of expenses related to the operation of the properties that are payable by tenants and licensees and these expenses include air conditioning charges, management fees, promotional charges, government rents, utility charges, cleaning charges and government rates.*
- (d) *The other property operating expenses include allowance of doubtful debts of HK\$NIL and HK\$70,282 for the period 1 January 2007 to 31 March 2007 and 1 January 2006 to 31 March 2006 respectively.*
- (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) *Non tax-exempt income refers mainly to bank interest income less deductible expenses and included therein is a positive fair value of HK\$3.08 million (2006: Nil) arising from the structured swaps entered on 28 June 2006.*
- (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) *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 31/3/07	Actual 31/12/06	Actual 31/3/07	Actual 31/12/06
Current Assets				
Cash and bank balances	117,387	115,123	196,872	251,525
Investment properties held for resale ^(b)	-	-	904	904
Trade and other receivables	13,119	150,847	32,103	29,954
Total Current Assets	130,506	265,970	229,879	282,383
Non-Current Assets				
Investment in property companies	3,939,224	3,939,224	-	-
Investment properties ^(c)	-	-	9,236,745	9,235,000
Fixed assets	-	-	248	270
Derivative asset ^(d)	843	-	1,229	87
Total Non-Current Assets	3,940,067	3,939,224	9,238,222	9,235,357
Total Assets	4,070,573	4,205,194	9,468,101	9,517,740
Current Liabilities				
Trade and other payables	7,080	7,374	187,469	189,669
Derivative liability ^(d)	-	2,233	-	2,233
Provision for taxation	1,810	1,501	17,058	8,713
Total Current Liabilities	8,890	11,108	204,527	200,615
Non-Current Liabilities				
Borrowings	-	-	2,335,619	2,334,613
Deferred tax liabilities	-	-	98,818	95,546
Derivative liability ^(d)	-	-	13,199	21,213
Total Non-Current Liabilities	-	-	2,447,636	2,451,372
Total Liabilities	8,890	11,108	2,652,163	2,651,987
Net Assets	4,061,683	4,194,086	6,815,938	6,865,753
Unitholders' Equity				
Issued equity	4,320,995	4,314,164	4,320,995	4,314,164
Unit issue costs ^(e)	(173,097)	(173,097)	(173,097)	(173,097)
Hedging reserve ^(d)	-	-	(12,813)	(21,126)
Revenue reserve	(86,215)	53,019	2,680,853	2,745,812
Total Unitholder's Equity	4,061,683	4,194,086	6,815,938	6,865,753

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 March 2007, the sale of 322 car park lots was completed. The remaining car park lots are expected to be sold 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 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 and the structured swaps entered on 28 June 2006.
- (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\$168.9 million paid as of 31 March 2007 (31 December 2006: HK\$168.7 million) as well as accruals of approximately HK\$4.2 million (31 December 2006: HK\$4.4 million).

1 (b)(ii) Aggregate amount of borrowings

As at 31/3/07

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

Secured ^(a)	Unsecured
HK\$ '000	HK\$ '000
-	-
2,335,619	-
2,335,619	-

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	-

Footnote:

- (a) Fortune REIT has in place an omnibus facility ("the Facility") of HK\$2,613.7 million (2006: HK\$2,613.7 million) comprising a HK\$2,348.7 million (2006: HK\$2,348.7 million) term loan facility and a HK\$265 million (2006: HK\$265 million) revolving credit facility, each for a term of five years from 28 June 2005.

Included in the amount payable after one year is a debt front end fee of HK\$13.1 million (31 December 2006: HK\$14.1 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
	Actual 1/1/07 to 31/3/07	Actual 1/1/06 to 31/3/06
Operating Activities		
Profit before taxation	85,896	81,221
Adjustments for:		
Changes in fair value of derivative asset	(3,076)	-
Depreciation	22	22
Base fee paid in units	6,831	6,356
Interest income	(2,506)	-
Borrowing costs	26,385	25,457
Operating Profit before changes in working capital	113,552	113,056
Decrease/(Increase) in trade and other receivables	(2,148)	3,552
(Decrease)/Increase in trade and other payables	(2,200)	5,499
Cash generated from operating activities	109,204	122,107
Income taxes paid	(4,164)	(760)
Cash flows from operating activities	105,040	121,347
Investing Activities		
Upgrading of investment properties	(1,745)	(730)
Interest received	2,506	-
Cash flow from/(used in) investing activities	761	(730)
Financing Activities		
Distribution paid	(135,075)	(138,286)
(Repayment)/drawdown of borrowings, net	1,006	56,006
Borrowing costs paid	(26,385)	(25,457)
Cash flow used in financing activities	(160,454)	(107,737)
Net increase/(decrease) in cash and cash equivalents	(54,653)	12,880
Cash and cash equivalents at beginning of the period	251,525	213,145
Cash and cash equivalents at end of the period	196,872	226,025

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

Statement for the first quarter	HK\$ '000			
	Trust		Group	
	Actual 1/1/07 to 31/3/07	Actual 1/1/06 to 31/3/06	Actual 1/1/07 to 31/3/07	Actual 1/1/06 to 31/3/06
Balance as at beginning of period	4,194,086	4,212,857	6,865,753	6,215,149
Operations				
Net profit/(loss)	(4,159)	(5,775)	70,116	65,838
Fair value changes in hedging instrument	-	-	8,313	3,158
Increase/(Decrease) in net assets resulting from operations	(4,159)	(5,775)	78,429	68,996
Unitholders' transactions				
Creation of units				
-management fee paid/payable in units	6,831	6,356	6,831	6,356
Distribution to Unitholders	(135,075)	(138,286)	(135,075)	(138,286)
Net decrease in net assets resulting from Unitholders' transactions	(128,244)	(131,930)	(128,244)	(131,930)
Unitholders' funds as at end of period	4,061,683	4,075,152	6,815,938	6,152,215

1 (d)(ii) Details of any changes in the units since the end of the previous period reported on

As at 1 January 2007	806,217,648	Total units since the end of previous financial period
16 January 2007	1,168,830	As payment of management fee for the period from 1 October 2006 to 31 December 2006
As at 31 March 2007	<u>807,386,478</u>	
9 April 2007	1,173,532	As payment of management fee for the period from 1 January 2007 to 31 March 2007
Deemed units as at 31 March 2007	<u>808,560,010</u>	

Footnotes:

(a) On 9 April 2007, there was an additional 1,173,532 units issued to the Manager as payment of management fee for the period from 1 January 2007 to 31 March 2007.

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 2006.

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 2007 to 31 March 2007

	Actual 1/1/07 to 31/3/07 HK cents	Actual 1/1/06 to 31/3/06 HK cents
Earnings per unit for the period based on the total number units in issue	8.67	8.19
Distribution per unit for the period based on the total number of units in issue	9.07	9.01
Number of units used for computation (million)	808.6	804.0

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

	Actual 31/3/07 HK\$	Actual 31/12/06 HK\$
Net asset value per unit ^(a)	8.45	8.53

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 808.6 million (31 March 2006: 804.0 million). The decrease in net asset value was due to:-

- (i) the distribution for the period from 1 July 2006 to 31 December 2006 which was paid in February 2007;
- (ii) an increase in the number of units issued to Manager as management fee.

8. Review of performance

Income Statement	HK\$ '000		%
	Actual 1/1/07 to 31/3/07	Actual 1/1/06 to 31/3/06	Increase/ (Decrease)
Total Revenue	155,951	154,129	1.2%
Property Operating Expenses	(36,229)	(36,897)	-1.8%
Net Property Income (before manager's performance fee)	119,722	117,232	2.1%
Manager's performance fee	(3,592)	(3,517)	2.1%
Net Property Income	116,130	113,715	2.1%
Borrowing costs	(26,385)	(25,457)	3.6%
Profit Before Tax	89,745	88,258	1.7%
Total Hong Kong Taxation	(15,780)	(15,383)	2.6%
Net Profit of Property Companies	73,965	72,875	1.5%
Tax deductible trust expenses	(590)	(401)	47.2%
Income Available For Distribution	73,375	72,474	1.2%

1Q 2007 versus 1Q 2006

Total Revenue and Net Property Income for the quarter ended 31 March 2007 were marginally higher than the same quarter last year by approximately 1.2% and 2.1% respectively. This was because of healthy rental reversions of around 11.7% for the first quarter of this year. The portfolio passing rental and occupancy rate as at 31 March 2007 improved to HK\$23.8 psf per month and 95.9% respectively. Ma On Shan Plaza and City One Shatin Property continue to perform strongly with rental reversion of 28.5% and 15.4% respectively for the first quarter of 2007. The occupancy rate for The Metropolis Mall also improved from 89.9% at end December 2006 to 93.8% at end March 2007. In addition, property operating expenses for the first quarter was marginally lower than the same quarter last year by 1.8% mainly due to more efficient cost controls. Certain assets enhancement costs were capitalized in the first quarter of the year.

Borrowing cost for the first quarter of 2007 was HK\$26.4 million, which represented an increase of 3.6% over the same quarter last year. The weighted average borrowing cost for the quarter ended 31 March 2007 was 4.5%. 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 first quarter was marginally higher than the same quarter in 2006 by 1.2%.

9. Variance between actual and the forecast results for the period from 1 January 2007 to 31 March 2007

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

Generally, Hong Kong's retail sales and tourism have been buoyed by its strong economic growth and fueled by its proximity to China. Hong Kong's economy grew 7.0% in the fourth quarter of 2006 and 6.8% overall in 2006 as household spending and exports accelerated. Personal consumption expenditure for the whole of 2006 was at 5.1%. Unemployment rate of 4.3% in the first quarter of

2007 was at its lowest in more than eight years, spurring increases in personal wealth and consumption. Retail sales grew 7.3% overall for 2006, and for January and February 2007 combined, retail sales grew 11.4% year-on-year, the fastest pace in more than 15 years.

Interest rates in Hong Kong had been relatively stable with no reported interest rates increase by the US Federal Reserve. Fortune REIT's gearing is low at 24.8% 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 30 June 2007.

Source: Facts and figures from Bloomberg

Outlook for the financial year ending 31 December 2007

Based on the performance of the portfolio and the financials prepared for the financial period from 1 January 2007 to 31 March 2007, the Manager of Fortune REIT expects the performance of the portfolio for the year ending 31 December 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? Nil

(b) Corresponding period of the immediately preceding financial year

Any distribution declared for the current period?	Nil
Name of distribution	N.A.
Distribution Type	N.A.
Distribution Rate	N.A.
Par value of units	N.M.
Tax Rate	N.A.

(c) Date Payable N.A.

(d) Book closure date N.A.

Footnotes:

N.M. - Not meaningful

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 January 2007 to 31 March 2007.

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 31 March 2007 and the results of the business, changes in unitholders’ funds and cash flows of the Group for the 3 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

8 May 2007