



**Fortune Real Estate Investment Trust
Financial Statements
for the financial year ended 31 December 2008**

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.

Fortune REIT 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, Ma On Shan Plaza, The Metropolis Mall, Waldorf Garden Property, Smartland, Tsing Yi Square Property, Jubilee Court Shopping Centre, The Household Center, Centre de Laguna Property, Lido Garden Property and Rhine Garden Property. Together they house a total of 840 tenants as at 31 December 2008 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, Mannings, Modern Beauty Salon, Fortress, McDonald's, Kentucky Fried Chicken, Watami Japanese Restaurant, Centaline Property Agency, Midland Realty, DBS Bank, Standard Chartered Bank, HSBC, Japan Home Centre, Jumpin Gym U.S.A., International Christian School the Hong Kong Jockey Club.

Financial Statements Announcement
For the period from 1 January 2008 to 31 December 2008

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 1/10/08 to 31/12/08 ^(a) | Actual 1/10/07 to 31/12/07 ^(a) | | Increase/ (Decrease) | Actual 1/1/08 to 31/12/08 ^(a) | |
| Revenue ^(b) | 134,766 | 125,876 | 7.1% | 515,200 | 493,853 | 4.3% |
| Charge-out collections ^(c) | 31,414 | 32,260 | (2.6%) | 121,838 | 120,904 | 0.8% |
| Total revenue | 166,180 | 158,136 | 5.1% | 637,038 | 614,757 | 3.6% |
| Property management fees | (3,840) | (3,578) | 7.3% | (14,641) | (14,039) | 4.3% |
| Other property operating expenses | (37,248) | (37,478) | (0.6%) | (144,929) | (136,752) | 6.0% |
| Property Operating Expenses | (41,088) | (41,056) | 0.1% | (159,570) | (150,791) | 5.8% |
| Net Property Income (before manager's performance fee) | 125,092 | 117,080 | 6.8% | 477,468 | 463,966 | 2.9% |
| Manager's performance fee | (3,753) | (3,512) | 6.8% | (14,324) | (13,911) | 3.0% |
| Net Property Income | 121,339 | 113,568 | 6.8% | 463,144 | 450,055 | 2.9% |
| Changes in fair value of properties ^(d) | (1,130,590) | 460,507 | (345.5%) | (1,130,590) | 460,507 | (345.5%) |
| Net Property Income before finance costs | (1,009,251) | 574,075 | (275.8%) | (667,446) | 910,562 | (173.3%) |
| Borrowing costs | (23,640) | (30,016) | (21.2%) | (100,711) | (112,682) | (10.6%) |
| (Loss)/Profit Before Tax | (1,032,891) | 544,059 | (289.8%) | (768,157) | 797,880 | (196.3%) |
| Hong Kong Taxation : | | | | | | |
| Current taxation | (12,601) | (10,984) | 14.7% | (47,133) | (44,346) | 6.3% |
| Deferred Taxation ^(e) | (3,104) | (3,461) | (10.3%) | (5,351) | (13,880) | (61.4%) |
| Total Hong Kong Taxation | (15,705) | (14,445) | 8.7% | (52,484) | (58,226) | (9.9%) |
| Net (Loss)/Profit of Property Companies | (1,048,596) | 529,614 | (298.0%) | (820,641) | 739,654 | (210.9%) |
| Loss on disposal of investment property ^(f) | - | - | - | (225) | - | NM |
| Manager's base fee | (6,505) | (7,346) | (11.5%) | (28,299) | (28,069) | 0.8% |
| Foreign exchange gain/(loss) ^(g) | (271) | 656 | (141.3%) | (172) | 1,243 | (113.9%) |
| Non-tax deductible trust expenses | (2,484) | (7,509) | (66.9%) | (10,107) | (13,171) | (23.3%) |
| Tax deductible trust expenses ^(h) | (1,803) | (577) | 212.4% | (7,517) | (2,038) | 268.8% |
| Non tax-exempt income ⁽ⁱ⁾ | 732 | 1,624 | (54.9%) | 13,441 | 7,671 | 75.2% |
| Singapore current taxation | (144) | (293) | (51.0%) | (1,355) | (1,588) | (14.7%) |
| Total Trust Expenses | (10,475) | (13,445) | (22.1%) | (34,234) | (35,952) | (4.8%) |
| Net (Loss)/Profit of Group | (1,059,071) | 516,169 | (305.2%) | (854,875) | 703,702 | (221.5%) |
| Add / (less) : | | | | | | |
| Manager's base fee | 6,505 | 7,346 | (11.5%) | 28,299 | 28,069 | 0.8% |
| Foreign exchange loss/(gain) ^(g) | 271 | (656) | (141.3%) | 172 | (1,243) | (113.9%) |
| Non-tax deductible trust expenses | 2,484 | 7,509 | (66.9%) | 10,107 | 13,171 | (23.3%) |
| Non tax-exempt income ⁽ⁱ⁾ | - | 2,473 | (100.0%) | (11,438) | (3,574) | 220.0% |
| Changes in fair value of properties ^(d) | 1,130,590 | (460,507) | (345.5%) | 1,130,590 | (460,507) | (345.5%) |
| Non-tax exempt income of prior years | - | 5,258 | (100.0%) | - | 5,258 | (100.0%) |
| Total cumulative income available for distribution | 80,779 | 77,592 | 4.1% | 302,855 | 284,876 | 6.3% |

Footnotes:

- (a) *The Group's 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.*
- (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) *On 31 December 2008, an independent valuation was undertaken by Knight Frank Petty Limited. The firm is an independent valuer having appropriate professional qualifications and experiences 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 of similar properties. The valuations adopted amounted to HK\$8,602,000,000 (2007: HK\$9,713,000,000)*
- (e) *There was a one-off write-back of deferred tax due to the change in Hong Kong tax rate from 17.5% to 16.5% with effect from April 2008.*
- (f) *Fortune REIT sold 5 car park lots in one of the investment properties, City One Shatin Property, in the 2nd quarter 2008 and 1 car park lot in the 3rd quarter 2008. These are the balance lots which were approved for disposal in 2006, in which a total of 322 sale transactions were completed out of 334 lots.*
- (g) *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.*
- (h) *Included therein in the tax-deductible trust expenses is an interest cost of HK\$1.0 million in the 1st and 2nd quarter for the MINT structured swap, as well as HK\$3.0 million for the unwinding of the MINT structured swap in the 3rd quarter.*
- (i) *Non tax-exempt income refers mainly to interest income from fixed deposits and structured swaps entered on 28 June 2006. Included therein for the period 1 January 2008 to 31 December 2008 is a positive fair value of HK\$5.7 million on the structured swap (1 January 2007 to 31 December 2007 is a negative fair value: HK\$3.5 million).*
- (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.*
- (k) *There is no investment income, write-off for stock obsolescence, impairment in the value of investments, 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 31/12/08 | Actual 31/12/07 | Actual 31/12/08 | Actual 31/12/07 |
| Current Assets | | | | |
| Cash and bank balances | 105,675 | 119,229 | 243,361 | 242,118 |
| Investment properties held for resale ^(b) | - | - | - | 904 |
| Trade and other receivables | 162,156 | 142,867 | 36,914 | 35,808 |
| Total Current Assets | 267,831 | 262,096 | 280,275 | 278,830 |
| Non-Current Assets | | | | |
| Investment in property companies | 3,939,224 | 3,939,224 | - | - |
| Investment properties ^(c) | - | - | 8,602,000 | 9,713,000 |
| Fixed assets | - | - | 117 | 191 |
| Total Non-Current Assets | 3,939,224 | 3,939,224 | 8,602,117 | 9,713,191 |
| Total Assets | 4,207,055 | 4,201,320 | 8,882,392 | 9,992,021 |
| Current Liabilities | | | | |
| Trade and other payables | 5,671 | 6,448 | 194,461 | 191,966 |
| Derivative liability ^(d) | - | - | 11,472 | 1,022 |
| Provision for taxation | 2,726 | 1,371 | 9,209 | 5,994 |
| Total Current Liabilities | 8,397 | 7,819 | 215,142 | 198,982 |
| Non-Current Liabilities | | | | |
| Borrowings | - | - | 2,342,663 | 2,338,638 |
| Deferred tax liabilities | - | - | 114,777 | 109,426 |
| Derivative liability ^(d) | - | 5,729 | 53,446 | 38,726 |
| Total Non-Current Liabilities | - | 5,729 | 2,510,886 | 2,486,790 |
| Total Liabilities | 8,397 | 13,548 | 2,726,028 | 2,685,772 |
| Net Assets | 4,198,658 | 4,187,772 | 6,156,364 | 7,306,249 |
| Unitholders' Equity | | | | |
| Issued equity | 4,370,531 | 4,342,232 | 4,370,531 | 4,342,232 |
| Unit issue costs ^(e) | (173,097) | (173,097) | (173,097) | (173,097) |
| Hedging reserve ^(d) | - | - | (64,918) | (34,019) |
| Revenue reserve | 1,224 | 18,637 | 2,023,848 | 3,171,133 |
| Total Unitholder's Equity | 4,198,658 | 4,187,772 | 6,156,364 | 7,306,249 |

Footnotes:

- (a) The Group's financial information incorporates the financial statements of the Trust and the 11 Property Companies.
- (b) One car park lot in City One Shatin Property which was not sold as at 31 December 2008, has been reclassified to investment properties.
- (c) Investment properties are stated at valuation based on an independent professional valuation carried out by Knight Frank Petty Limited, the independent valuer, on 31 December 2008. During the period, minor capital costs were incurred and included in the investment properties value.
- (d) The derivative liability relates to the fair value of the plain vanilla interest rate swaps transacted to hedge the interest rate risk on 100% of the 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\$169.7 million paid as of 31 December 2008 (31 December 2007: HK\$169.7 million) as well as accruals of approximately HK\$3.4 million (31 December 2007: HK\$3.4 million).

1 (b)(ii) Aggregate amount of borrowings

As at 31/12/08

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

| Secured ^(a) | Unsecured |
|------------------------|-----------|
| HK\$ '000 | HK\$ '000 |
| - | - |
| 2,342,663 | - |
| 2,342,663 | - |

As at 31/12/07

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

| Secured ^(a) | Unsecured |
|------------------------|-----------|
| HK\$ '000 | HK\$ '000 |
| - | - |
| 2,338,638 | - |
| 2,338,638 | - |

Footnote:

- (a) Fortune REIT has in place an omnibus facility ("the Facility") of HK\$2,613.7 million (2007: HK\$2,613.7 million) comprising a HK\$2,348.7 million (2007: HK\$2,348.7 million) term loan facility and a HK\$265 million (2007: HK\$265 million) revolving credit facility. The term loan facility and revolving credit facility will be due for refinancing in June 2010.

Included in the amount payable after one year is a debt front end fee of HK\$6.0 million (31 December 2007: HK\$10.1 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

| | Group | | Group | |
|---|----------------------------------|----------------------------------|---------------------------------|---------------------------------|
| | HK\$ '000 | HK\$ '000 | HK\$ '000 | HK\$ '000 |
| | Actual 1/10/08 to 31/12/08 | Actual 1/10/07 to 31/12/07 | Actual 1/1/08 to 31/12/08 | Actual 1/1/07 to 31/12/07 |
| Operating Activities | | | | |
| (Loss)/Profit before taxation | (1,043,222) | 530,907 | (801,036) | 763,516 |
| Adjustments for: | | | | |
| Changes in fair value of properties | 1,130,590 | (460,507) | 1,130,590 | (460,507) |
| Changes in fair value of derivative asset | 0 | 4,975 | (5,729) | 3,496 |
| Amortisation of debt front end fee | 1,006 | 1,007 | 4,025 | 4,025 |
| Loss on disposal of investment properties | - | - | 225 | - |
| Depreciation | 19 | 20 | 74 | 79 |
| Allowance for doubtful debts | 1,557 | 88 | 2,078 | 121 |
| Base fee paid in units | 6,505 | 7,345 | 28,299 | 28,069 |
| Interest income | (732) | (1,624) | (7,712) | (7,671) |
| Borrowing costs | 23,640 | 30,016 | 100,711 | 112,682 |
| Operating Profit before changes in working capital | 119,363 | 112,227 | 451,525 | 443,810 |
| Decrease/(Increase) in trade and other receivables | 157 | 2,438 | (3,569) | (5,974) |
| (Decrease)/Increase in trade and other payables | (1,377) | (2,180) | 2,495 | 2,297 |
| Cash generated from operating activities | 118,143 | 112,485 | 450,451 | 440,133 |
| Income taxes paid | (44,889) | (42,682) | (44,889) | (48,653) |
| Cash flows from operating activities | 73,254 | 69,803 | 405,562 | 391,480 |
| Investing Activities | | | | |
| Disposal of investment properties | - | - | 1,143 | - |
| Upgrading of investment properties | (10,219) | (3,756) | (20,054) | (17,493) |
| Interest received | 732 | 1,623 | 7,712 | 7,671 |
| Cash flow used in investing activities | (9,487) | (2,133) | (11,199) | (9,822) |
| Financing Activities | | | | |
| Distribution paid | - | - | (292,409) | (278,382) |
| Borrowing costs paid | (23,640) | (30,016) | (100,711) | (112,682) |
| Cash flow used in financing activities | (23,640) | (30,016) | (393,120) | (391,064) |
| Net increase/(decrease) in cash and cash equivalents | 40,127 | 37,654 | 1,243 | (9,406) |
| Cash and cash equivalents at beginning of the period | 203,234 | 204,464 | 242,118 | 251,524 |
| Cash and cash equivalents at end of the period | 243,361 | 242,118 | 243,361 | 242,118 |

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

| Statement for the fourth quarter | HK\$ '000 | | | |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | Trust | | Group | |
| | Actual 1/10/08 to 31/12/08 | Actual 1/10/07 to 31/12/07 | Actual 1/10/08 to 31/12/08 | Actual 1/10/07 to 31/12/07 |
| Balance as at beginning of period | 4,046,766 | 4,061,078 | 7,256,027 | 6,808,525 |
| Operations | | | | |
| Net (loss)/profit | 145,387 | 119,348 | (1,059,071) | 516,169 |
| Fair value changes in hedging instrument | - | - | (47,097) | (25,791) |
| (Decrease)/Increase in net assets resulting from operations | 145,387 | 119,348 | (1,106,168) | 490,378 |
| Unitholders' transactions | | | | |
| Creation of units | | | | |
| -management fee paid/payable in units | 6,505 | 7,346 | 6,505 | 7,346 |
| Net increase in net assets resulting from Unitholders' transactions | 6,505 | 7,346 | 6,505 | 7,346 |
| Unitholders' funds as at end of period | 4,198,658 | 4,187,772 | 6,156,364 | 7,306,249 |

| Statement for the year-to-date | HK\$ '000 | | | |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | Trust | | Group | |
| | Actual 1/1/08 to 31/12/08 | Actual 1/1/07 to 31/12/07 | Actual 1/1/08 to 31/12/08 | Actual 1/1/07 to 31/12/07 |
| Balance as at beginning of year | 4,187,772 | 4,194,086 | 7,306,249 | 6,865,753 |
| Operations | | | | |
| Net (loss)/profit | 274,996 | 243,999 | (854,875) | 703,702 |
| Fair value changes in hedging instrument | - | - | (30,900) | (12,893) |
| (Decrease)/Increase in net assets resulting from operations | 274,996 | 243,999 | (885,775) | 690,809 |
| Unitholders' transactions | | | | |
| Creation of units | | | | |
| -management and acquisition fee paid/payable in units | 28,299 | 28,069 | 28,299 | 28,069 |
| Distribution to Unitholders | (292,409) | (278,382) | (292,409) | (278,382) |
| Net decrease in net assets resulting from Unitholders' transactions | (264,110) | (250,313) | (264,110) | (250,313) |
| Unitholders' funds as at end of year | 4,198,658 | 4,187,772 | 6,156,364 | 7,306,249 |

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 2008 | 815,301,841 | Total units since the end of previous financial period |
| 8 October 2008 | 2,441,418 | As payment of management fee for the period from 1 July 2008 to 30 September 2008 |
| As at 31 December 2008 | <u>817,743,259</u> | |
| 9 January 2009 ^(a) | 3,075,716 | As payment of management fee for the period from 1 October 2008 to 31 December 2008 |
| Deemed units as at 31 December 2008 | <u>820,818,975</u> | |

Footnote:

(a) On 9 January 2009, there was an additional 3,075,716 Units issued to the Manager as payment of management fee for the period from 1 October 2008 to 31 December 2008.

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 in accordance with Singapore Standard on Review Engagement 2400.

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 2007 except for the area stated in item (5).

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

Fortune REIT has opted to early adopt Amendments to FRS 27 Consolidated and Separate Financial Statements (the "Amendments to FRS 27") for the current financial year ended 31 December 2008.

The Amendments to FRS 27 will be prospectively applied for annual periods beginning on or after January 1, 2009 but Fortune REIT has early adopted the Amendments to FRS 27 for the current financial year. Previously, Fortune REIT was required to recognize dividends as income only if they came from post-acquisition retained earnings. Dividends received in excess of such profits were regarded as a recovery of investment and were recognized as a reduction in the cost of the investment.

Following the adoption of the Amendments to FRS 27, the distinction between pre and post acquisition retained earnings is removed, and all the dividends are recognized as income in Fortune REIT's separate financial statements. The impact of the early adoption is that in 2008, dividends from one of the subsidiaries of Fortune REIT amounting to HK\$30.2 million had been included as part of the dividend instead of as a reduction in the cost of the investment in the subsidiary.

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

Period from 1 January 2008 to 31 December 2008

(Loss)/Earning per unit for the period based on the weighted average number of units in issue

Weighted average number of units in issued (million)

Distribution per unit for the period based on the total number of units in issue

Total number of units in issued (million)

| Actual 1/10/08 to 31/12/08 HK cents | Actual 1/10/07 to 31/12/07 HK cents | Actual 1/1/08 to 31/12/08 HK cents | Actual 1/1/07 to 31/12/07 HK cents |
|--|--|---|---|
| (129.76) | 63.72 | (104.74) | 86.88 |
| 816.2 | 809.9 | 816.2 | 809.9 |
| 9.86 | 9.56 | 37.02 | 35.12 |
| 820.8 | 812.3 | 820.8 | 812.3 |

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

Net asset value per unit^(a)

| Actual 31/12/08 HK\$ | Actual 31/12/07 HK\$ |
|----------------------------|----------------------------|
| 7.58 | 9.04 |

Footnote:

(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 820.8 million (31 December 2007: 812.3 million). The decrease in net asset value was mainly due to a decrease in the fair value of the investment properties as at 31 December 2008.

8. Review of performance

Income Statement

| | HK\$ '000 | | % | HK\$ '000 | | % |
|-----------------------------------|----------------------------------|----------------------------------|----------|---------------------------------|---------------------------------|----------|
| | Actual 1/10/08 to 31/12/08 | Actual 1/10/07 to 31/12/07 | Increase | Actual 1/1/08 to 31/12/08 | Actual 1/1/07 to 31/12/07 | Increase |
| Total Revenue | 166,180 | 158,136 | 5.1% | 637,038 | 614,757 | 3.6% |
| Net Property Income | 121,339 | 113,568 | 6.8% | 463,144 | 450,055 | 2.9% |
| Income Available for Distribution | 80,779 | 77,592 | 4.1% | 302,855 | 284,876 | 6.3% |

4Q 2008 ("Reporting Period") versus 4Q 2007

Total Revenue for the Reporting Period was HK\$166.2 million, which was about 5.1% higher as compared to the same quarter last year. The higher revenue was mainly contributed by City One Shatin Property, Waldorf Garden Property as well as Ma On Shan Plaza, which benefited from the continuous asset enhancement works.

Portfolio occupancy rate rose to 96.0% from 92.1% as at 31 December 2008 compared to last year with portfolio passing rent improved by 7.1% to HK\$27.03 psf. For the period, rental reversion was at 14.9% and the retention rate was 87.5%.

Net Property Income was HK\$121.3 million, a 6.8% increase over the same period last year on the back of higher revenues while Property Operating Expenses remained in line with the same period last year. Borrowing costs was HK\$23.6 million for the period, with a weighted average borrowing cost of 4.22%. This was about 21.2% lower than the corresponding quarter last year, mainly due to the current low interest rate environment.

Net Profit of the Property Companies was negative HK\$1.0 billion which was due to the decrease in the property valuation for the 11 malls from HK\$9,713 million to HK\$8,602 million as at 31 December 2008.

Income Available for Distribution for the Reporting Period was HK\$80.8 million or 4.1% higher than the corresponding period last year.

FY 2008 versus FY 2007

For the year ended 31 December 2008 ("YTD08"), total revenue rose 3.6% Y-o-Y to HK\$637.0 million. Property operating expenses were HK\$159.6 million, a 5.8% increase over last year mainly due to higher expenditure on leasing commissions, advertising and promotional expenses as well as high repair and maintenance expenses. Cost-to-revenue ratio was well managed at 25.0% despite the higher expenses. Overall tenant retention was maintained at a healthy 83.6% in 2008. In addition, a strong rental reversion of 18.8% was achieved for renewals in 2008.

Net property income for FY2008 was HK\$463.1 million, which was 2.9% higher than FY2007. Borrowing costs for FY2008 was HK\$100.7 million, which represented a decrease of 10.6% over the same period last year due to the lower interest rate environment in FY2008. Negative Profit of the Property Companies was again due to the fall in property valuation; however, it would not have any impact on income available for distribution.

Income available for distribution for FY2008 was HK\$302.9 million. It was higher than the same period in 2007 by 6.3% mainly due to higher revenues, lower borrowing costs as well as a one-off write-back of deferred tax due to the change in Hong Kong tax rate from 17.5% to 16.5% with effect from April 2008.

9. Variance between actual and the forecast results for the period from 1 January 2008 to 31 December 2008

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

The Hong Kong retail property market enjoyed satisfactory growth in the first half of 2008 following the economic upswing of 2007 and backed by higher salaries and bonus payments in the beginning of the year. Private consumption expenditure went up in spite of strong inflationary pressure and on the back of a volatile stock market.

However, the negative impact of the weakened economy and market turbulence triggered by the global financial tsunami started to affect the Hong Kong economy with GDP growth decelerating to 1.7% in the third quarter of 2008 according to the Census and Statistics Department, HK. The retail property market also showed signs of consolidation. Some retailers have slowed the pace of their expansion and they were increasingly cautious towards new lease commitments and were posing downward pressure on rentals. Overall rental for high street shops and prime shopping centres declined by 11.9% and 10.6% respectively in the second half of 2008 according to Jones Lang LaSalle.

We expect that the current financial turmoil will restrain economic growth for Hong Kong and weaken its labour market in 2009. This will translate into diminished domestic consumption growth. Hong Kong's retail sales may contract in the year ahead. The retail rental market could possibly find support from local retailers instead of high-end international brands in the near future.

Nevertheless, Fortune REIT which invests in Hong Kong decentralized retail properties tends to maintain a more resilient performance when compared to the overall market and economic conditions in general.

Outlook for the financial year ending 31 December 2009

Notwithstanding adverse macroeconomic conditions, based on the performance of the portfolio for the financial year ended 31 December 2008, the Manager of Fortune REIT expects the performance of the portfolio for the year ending 31 December 2009 to be comparable with the 2008 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 2008 to 31 December 2008 |
| Distribution Type | Tax-exempt income |
| Distribution Rate | 18.51 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 and net taxable interest income. Unitholders receiving distributions will not be assessable to Singapore income tax on the distributions received. |

(b) Corresponding period of the immediate preceding financial year

| | |
|---|---|
| Any distribution declared for the current period? | Yes |
| Name of distribution | Final distribution for the period from 1 July 2007 to 31 December 2007 |
| Distribution Type | Tax-exempt income |
| Distribution Rate | 17.42 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** 27 February 2009

(d) **Book Closure Date** 3 February 2009

Footnotes:

N.M. - Not meaningful

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

Not applicable.

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other developments or companies, shifts in expected levels of occupancy rate, property rental income, charge out collections, changes in operating expenses, including employee wages, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward looking statements, which are based on current view of management on future events.

BY ORDER OF THE BOARD
ARA ASSET MANAGEMENT (SINGAPORE) LIMITED
AS MANAGER OF FORTUNE REAL ESTATE INVESTMENT TRUST

Lim Hwee Chiang
Director

21 January 2009

ARA Asset Management (Singapore) Limited

(as Manager of Fortune REIT)
6 Temasek Boulevard
#16-02 Suntec City Tower 4
Singapore 038986

HSBC Institutional Trust Services (Singapore) Limited

(as Trustee of Fortune REIT)
21 Collyer Quay
#10-01, HSBC Building
Singapore 049320

Attention: Mr Stephen Chu

Dear Sirs

We have reviewed the accompanying financial information of Fortune Real Estate Investment Trust ("Fortune REIT") and its subsidiaries (the "Group") which comprise the balance sheets of the Group and Fortune REIT as of December 31, 2008, and the statements of return, statements of movements in unitholders' funds of the Group and of Fortune REIT and cash flow statement of the Group for the financial year from January 1, 2008 to December 31, 2008 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 criteria of the Singapore Financial Reporting Standards. Our responsibility is to express a conclusion on the financial information based on our review.

We conducted our review in accordance with Singapore Standard on Review Engagements 2400 *Engagement to Review Financial Statements*. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial information 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 are not presented fairly, in all material respects, in accordance with the recognition and measurement criteria of the Singapore Financial Reporting Standards.

Yours faithfully

Deloitte & Touche LLP

Public Accountants and
Certified Public Accountants
Singapore

January 21, 2009