



| FORTUNE REAL ESTATE INVESTMENT TRUST |
| 2004 Annual Report |



KEY DATES IN 2005

Results announcement, 2004 final
27 January 2005

Distribution ex-date, 2004 final
2 February 2005

Distribution paid, 2004 final
28 February 2005

Report published, 2004 annual
Early March 2005

Results announcement, first quarter 2005
Early May 2005

Results announcement, first half 2005
Late July 2005

Distribution ex-date, 2005 interim
Early August 2005

Distribution paid, 2005 interim
Late August 2005

Results announcement, third quarter 2005
Early November 2005

Results announcement, 2005 final
Late January 2006

Distribution ex-date, 2005 final
Early February 2006

Distribution paid, 2005 final
Late February 2006

Report published, 2005 annual
Early March 2006

Fortune Real Estate Investment Trust (“Fortune REIT”) was listed on the Main Board of Singapore Exchange Securities Trading Limited (the “SGX-ST”) on 12 August 2003. It holds a portfolio of five retail malls in Hong Kong, through the ownership of special purpose companies, which is worth more than HK\$4.2 billion as of 31 December 2004.

Fortune REIT is managed by
ARA Asset Management (Singapore) Limited
 (“ARASL”).

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The year in brief

HIGHLIGHTS

Fortune REIT ended 2004, its first full financial year as a listed entity, in strong form with its malls showing improved occupancies and rentals.



The strong performance was reflected in Fortune REIT's unit price - over 2004, investors enjoyed a total return of 35.4%¹.

FINANCIAL SUMMARY

		Actual	Forecast ²	Var (%)
For the financial year ended 31 December 2004				
Income available for distribution	(HK\$m)	158.76	150.05	5.8
Earnings per unit ³	(HK cents)	31.58	29.86	5.8
Distribution per unit ³	(HK cents)	33.40	31.52	6.0
Tax-exempt distribution yield ⁴	(%)	5.30	5.00	6.0
		31 Dec 2004	31 Dec 2003	
Total assets	(HK\$m)	4,187	3,379	23.9
Total liabilities	(HK\$m)	1,053	1,062	(0.8)
Unitholders' equity	(HK\$m)	3,134	2,317	35.3
Net asset value per unit	(HK\$)	6.87	5.18	32.6
Gearing (debt-to-asset)	(%)	22	28	(21.4)
Units in issue ³	(m)	475.2	473.3	0.4

Notes

- Calculated by dividing the sum of (i) Unit price increase of HK\$1.40 (based on closing price of HK\$4.90 on 31 December 2003 and closing price of HK\$6.30 on 31 December 2004) and (ii) the two distributions for the financial year ended 31 December 2004 of HK\$0.1700 per Unit and HK\$0.1640 per Unit (paid in August 2004 and February 2005 respectively), by the Unit price of HK\$4.90 (closing price on 31 December 2003).
- Based on the forecast, together with the accompanying assumptions, in the prospectus of Fortune REIT dated 28 July 2003 (the "Prospectus").
- Based on a total number of 475.7 million units of Fortune REIT ("Units") in issue, comprising:
 - 475.2 million Units in issue as at 31 December 2004 (number of Units in issue as at 31 December 2003 is 473.3 million); and
 - 0.5 million Units issued to ARASL, the manager of Fortune REIT (the "Manager") on 12 January 2005 as payment of the base fee for the period from 1 October 2004 to 31 December 2004 (number of Units issued to the Manager for the corresponding period in 2003 is 0.5 million).
- Based on the closing price of HK\$6.30 per Unit on 31 December 2004 (the closing price per Unit on 31 December 2003 is HK\$4.90).

Chairman's Report



“ It is with great pleasure that I present to you Fortune REIT’s annual report for 2004, on behalf of the Board of its Manager, ARA Asset Management (Singapore) Limited.

Since its listing on the Main Board of the SGX-ST on 12 August 2003, Fortune REIT has achieved a total return of 42.3%¹. The year 2004 proved to be a very good one for investors of Fortune REIT - a total return of 35.4% was achieved, of which 6.8% came from the two income distributions totalling HK\$0.3340 per Unit and 28.6% was due to Unit price appreciation. ”

Note

1. Calculated by dividing the sum of (i) Unit price increase of HK\$1.55 (based on initial public offering (“IPO”) price of HK\$4.75 per Unit and closing price of HK\$6.30 per Unit as at 31 December 2004), (ii) one distribution for the year ended 31 December 2003 of HK\$0.1243 per Unit (paid in February 2004) and (iii) two distributions for the year ended 31 December 2004 of HK\$0.1700 per Unit and HK\$0.1640 per Unit (paid in August 2004 and February 2005 respectively), divided by the IPO Unit price of HK\$4.75.

This good performance is a reflection of the buoyant trading conditions of the malls in Fortune REIT's portfolio during the year, which resulted in the distribution per unit coming in at 6.0% above the Prospectus forecast.

Both occupancies and rentals at the malls rose, a reflection of the ability of management to capitalize on Hong Kong's economic strength, which permeated the retail sector and manifested in retail sales growth of 10.8% over the year in nominal terms.

Retail landlords in general benefited, as the demand for space rose, and rentals experienced upward pressure. No doubt the increased number of tourists from Mainland China and their increased spending power played a part in the increased spending at the retail malls, but 2004 was also the year when domestic demand returned. This can be seen in the rising spending on motor vehicles and consumer durables. It was also the year when Hong Kong saw the end of more than five years of deflation.

Looking ahead, whilst economic growth in Hong Kong is expected to moderate from the strong 7.5% in 2004, we expect the improved pricing power of retail landlords and, in general, favourable conditions for Hong Kong real estate, to continue in 2005, barring any unforeseen circumstances.

The solid economic underpinnings are still in place, with continued impetus from the Chinese economic force. Various measures being implemented by the Chinese government in 2004 to cool investment in the economy are most likely to result in a soft landing, according to the consensus view. Already, we are seeing signs of this happening, and importantly with little negative effect on consumer spending.

Fortune REIT continues to offer investors an attractive tax-exempt yield. The Manager also intends to grow the vehicle by acquiring more retail properties in Hong Kong in 2005, and this is expected to further improve its income diversification in addition to its yield.

In conclusion, we expect 2005 to be another good year for our investors. I would like to thank my fellow directors and management at all levels for continuing to strive for excellence, and also thank investors for their continued support of Fortune REIT.



Chiu Kwok Hung, Justin
Chairman

ARA Asset Management (Singapore) Limited
Manager of Fortune REIT

14 February 2005

Trust Review

Fortune REIT ended the year 2004 on a bright note with distribution per Unit (“DPU”) exceeding the forecast made in the Prospectus by 6.0%.

Based on the closing price of HK\$4.90 per Unit on 31 December 2003, the full year DPU of HK\$0.3340 per Unit was equivalent to a tax-exempt yield of 6.8%.

Fig. 1 Distribution and yield for the financial year ended 31 December 2004

	Actual	Forecast ¹	Variance
Distribution per Unit ² (HK\$)	0.3340	0.3152	6.0%
Distribution yield (tax-exempt)			
-based on IPO price (HK\$4.75)	7.03%	6.63%	6.0%
-based on closing price on 31 December 2003 (HK\$4.90)	6.82%	6.43%	6.0%
-based on closing price on 31 December 2004 (HK\$6.30)	5.30%	5.00%	6.0%

Source: ARASL

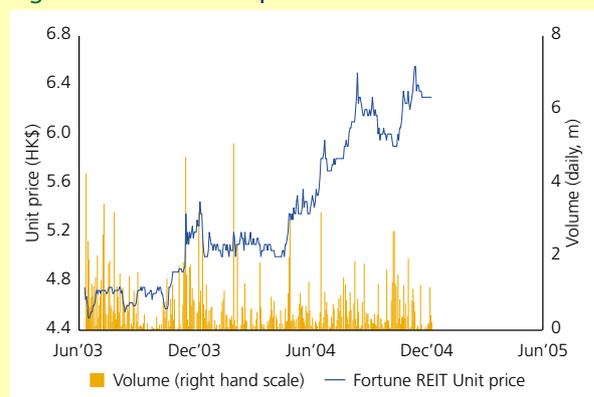
Notes

1. Based on the forecast, together with the accompanying assumptions, in the Prospectus.
2. Based on a total number of 475.7 million Units in issue.

Together with the Unit price gain of HK\$1.40 for the year 2004 (which brought the closing price on 31 December 2004 to HK\$6.30), investors enjoyed a total return of 35.4% in the year 2004.

Since IPO in August 2003, investors have enjoyed a total return of 42.3%. This strong performance comes on the back of management’s efforts in improving the malls’ performance by taking advantage of the strength of Hong Kong’s economy.

Fig. 2 Fortune REIT price and volume since IPO



Source: Bloomberg

During the financial year ended 31 December 2004, the highest price per Unit was HK\$6.550 and the lowest price per Unit was HK\$4.825. The total volume of Units traded during the financial year ended 31 December 2004 was 136.0 million Units.

NET ASSET VALUE

Fortune REIT’s portfolio consists of five retail malls located in Kowloon and the New Territories. Chesterton Petty Limited, an independent valuer, appraised the portfolio at the end of December 2004 and valued it at a total of HK\$4,184 million. This represents an increase of 23.5% over the valuation a year ago and reflects the improved prospects for retail properties in Hong Kong.

Fig. 3 Property valuation

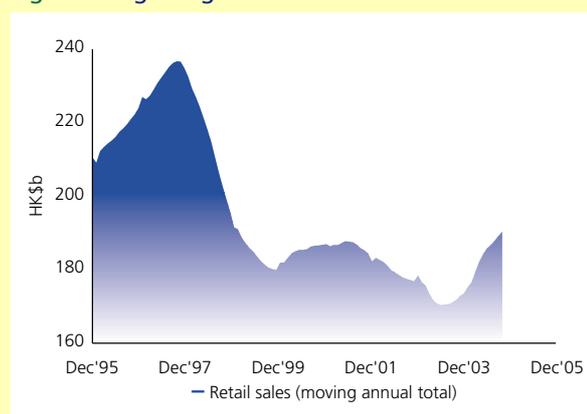
	Appraised value (HK\$m)		
	Dec 2003	Dec 2004	% change
Metropolis Mall	1,593	1,959	23.0
Ma On Shan Plaza	1,023	1,282	25.3
Smartland	276	346	25.4
Household Center	252	302	19.8
Jubilee Court	245	295	20.4
Total	3,389	4,184	23.5

Source: Chesterton Petty Limited and ARASL

HONG KONG ECONOMY IN REVIEW

In 2004, Fortune REIT’s first full financial year, Hong Kong’s economy continued with its recovery. Gross Domestic Product growth is likely to have exceeded 7% according to preliminary estimates, and retail sales grew by 10.8%.

Fig. 4 Hong Kong retail sales



Source: Bloomberg

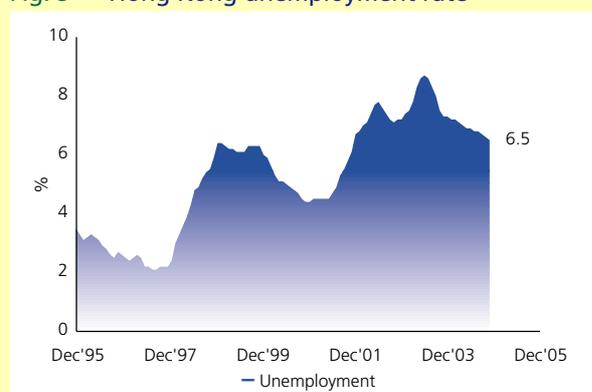
With improving demand, Hong Kong’s economy also saw an end to deflation in 2004, after more than 5 years of price declines.

Looking ahead to 2005, the consensus view is that Hong Kong’s economy is expected to continue growing steadily, although at a more moderate rate

of around 4.5% and inflation to around 1.0%. Retail sales is also likely to continue its robust pace, although it is expected to grow at a lower rate compared to the 10.8% in 2004.

The strength in retail spending is being driven by the resurgence in local demand and booming tourist spending (most notably spending by tourists from Mainland China). Local demand benefited as consumers took comfort in the decline in Hong Kong's unemployment rate from more than 8.0% in late 2003 to just 6.5% at the end of December 2004.

Fig. 5 Hong Kong unemployment rate



Source: Bloomberg

Tourist arrivals in Hong Kong reached a record of more than 20 million in 2004. This is expected to rise further in 2005, aided by the planned opening of Hong Kong Disneyland in September 2005. The dominant source of tourists in Hong Kong now is Mainland China, which contributes to more than half of all tourist arrivals. Tourists from Mainland China are also the biggest spenders, a reflection of the rising incomes across the border.

ASSET PERFORMANCE

Fortune REIT's retail malls performed well in 2004 with a total of 41 million shoppers visiting during the year. In the last quarter of the year, there was an increase of 30% in shopper traffic compared to the same quarter in the previous year for the whole portfolio.

Ma On Shan Plaza drew in the most number of shoppers during the year 2004, while Metropolis Mall's shopper traffic continues to rise with the mall's occupancy (which stood at 87.8% at the end of December 2004).

Income available for distribution for the financial year ended 31 December 2004 came in at HK\$158.8 million, which was 5.8% above the forecast stated in the Prospectus.

Fig. 6 Income available for distribution for the financial year ended 31 December 2004

	Actual (HK\$m)	Forecast (HK\$m)	Variance (%)
Gross property income	308.2	304.8	1.1
Expenses	(94.5)	(93.6)	1.0
Net property income	213.7	211.2	1.2
Borrowing costs	(19.5)	(26.9)	-27.5
Net profit before tax	194.2	184.3	5.4
Taxation (Hong Kong)	(34.0)	(32.2)	5.6
Trust expenses	(10.1)	(10.0)	1.0
Net profit of Trust	150.1	142.1	5.6
Income available for distribution	158.8	150.0	5.8
Distribution per unit (HK\$)	0.3340	0.3152	6.0

Source: ARASL

Net property income of the portfolio for the financial year ended 31 December 2004 was HK\$213.7 million, which exceeded forecast by 1.2%, due to a combination of better than expected occupancies and rentals.

Fig. 7 Net property income of the malls for the financial year ended 31 December 2004

	Net property income (HK\$m)	
	2003 ¹	2004
Metropolis Mall	94.3	94.3
Ma On Shan Plaza	61.9	65.9
Smartland	17.6	19.5
Household Center	17.3	17.8
Jubilee Court	15.3	16.2
Total	206.4	213.7

Source: ARASL

Note

1. Annualisation of the actual 141-day period from 12 August 2003, the date Fortune REIT was listed on the SGX-ST, to 31 December 2003.

Occupancy of the whole portfolio rose to 94.9% at the end of December 2004 from 83.8% a year ago. The strongest increase was seen at The Metropolis Mall, whilst Ma On Shan Plaza and Smartland were almost 99.0% occupied at year end, which could, going forward, improve our ability to raise rentals at these malls.

Trust Review

Fig. 8 Actual mall occupancy

	Dec-03	Jun-04	Dec-04
Metropolis Mall	58.6%	80.4%	87.8%
Ma On Shan Plaza	94.6%	95.4%	98.9%
Smartland	95.6%	96.4%	98.8%
Household Center	97.2%	97.8%	98.2%
Jubilee Court	97.7%	92.2%	96.7%
Portfolio	83.8%	90.4%	94.9%

Source: ARASL

At Ma On Shan Plaza, shopper traffic is being boosted by the opening of the Ma On Shan Railway line of the Kowloon-Canton Railway Corporation (“KCRC”), with Ma On Shan Station located adjacent and linked to Ma On Shan Plaza by a pedestrian walkway.



Ma On Shan Plaza is linked to the new KCRC station

The Metropolis Mall is similarly enjoying better public transportation access with the opening of the KCRC East Rail’s East Tsim Sha Tsui Station pedestrian link to the Mass Transit Railway Corporation (“MTRC”) Tsuen Wan Line’s Tsim Sha Tsui Station.

KCRC East Rail link to MTRC Tsuen Wan Line



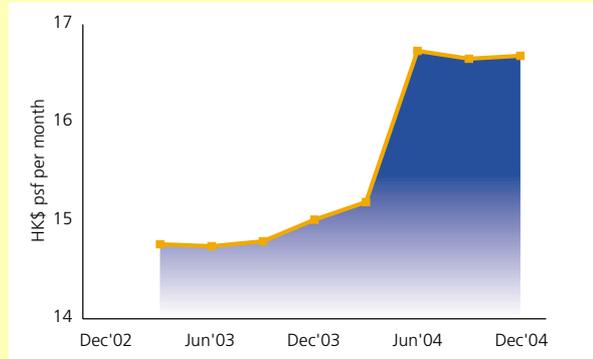
Source: ARASL

Note

- 1. TST means Tsim Sha Tsui.

The portfolio’s passing rental rose 11% over 2004, due partly to the increase in occupancy of The Metropolis Mall to 87.8% as at 31 December 2004.

Fig. 9 Portfolio passing rental



The weighted average rental on lease renewals negotiated in 2004 was 3.7% higher than their expiring rentals.

Looking ahead, we expect the portfolio’s passing rental to increase further, driven by rising market rentals expected in 2005.

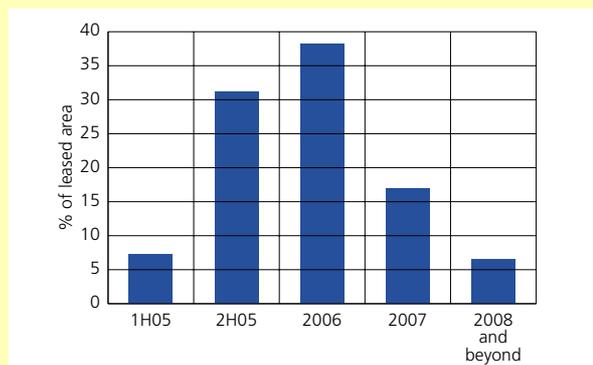
Fig.10 Expiry profile by leased area of the malls, as at 31 December 2004

	Metropolis Mall	MOSP	Smartland	Household Center	Jubilee Court	Portfolio
1H05	4.2%	10.0%	6.2%	3.2%	10.2%	7.2%
2H05	14.6%	37.1%	50.5%	73.2%	12.2%	31.2%
2006	56.4%	18.2%	40.5%	2.7%	60.5%	38.2%
2007	9.1%	34.2%	2.8%	5.9%	15.3%	17.0%
2008 and beyond	15.7%	0.5%	0.0%	15.0%	1.8%	6.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: ARASL

As at the end of December 2004, some 38.4% of the leased area of the portfolio will expire in 2005, mostly in the second half of the year. This bodes well as the leases are expiring in a retail market that is experiencing rising rents.

Fig.11 Expiry profile by leased area of the Portfolio as at 31 December 2004



Source: ARASL

There is also potential for higher total revenue from the reconfiguring of space to accommodate more but smaller tenants, which are generally higher yielding. At the end of December 2004, the total number of tenants in the portfolio stood at 438.

Improving the tenant mix could also lead to higher revenue as lower yielding trades are replaced with higher yielding ones when they expire. Currently, a quarter of the portfolio is leased to food & beverage or food court tenants, which we understand is the norm across shopping malls in Hong Kong. Together with the supermarkets trade, and the services & education trade, they form the bulk of the tenant base of Fortune REIT's malls and give the portfolio its defensive characteristic.

Space leased to the other trades, such as those in the specialties, tend to command higher rentals and present an opportunity which an active leasing strategy can take advantage of.

There are also opportunities to generate additional revenue through increased usage of atrium and other space at the malls. This was achieved at Smartland and Jubilee Court in 2004 and we expect to improve on such usage in 2005.

Mall performance was also helped by the series of promotional events across the portfolio during the year. Such events continue to be planned for the year ahead.



Metropolis Mall, Model Contest June 2004

Fig.12 Tenant mix by leased area as at 31 December 2004

	Metropolis Mall	Ma On Shan Plaza	Smartland	Household Center	Jubilee Court	Portfolio
Banking & Real Estate Services	22.4%	8.0%	1.3%	0.5%	2.6%	10.3%
Community Services	5.3%	0.0%	10.5%	0.0%	18.8%	6.1%
Electronics / IT	0.6%	4.2%	0.7%	0.4%	0.3%	1.7%
Fashion & Shoes	3.8%	4.9%	3.8%	0.7%	0.0%	3.2%
Food & Beverage / Food Court	26.9%	26.7%	28.3%	21.8%	16.2%	24.7%
Gifts & Speciality / Books / Hobbies / Toys / Jewellery	4.0%	5.9%	3.3%	2.8%	4.0%	4.4%
Homeware & Home Furnishings	13.8%	5.4%	0.5%	0.3%	0.0%	6.2%
Leisure & Entertainment / Sports & Fitness	0.9%	5.4%	8.4%	0.0%	0.0%	2.9%
Others	2.7%	1.8%	1.4%	0.9%	4.7%	2.5%
Services / Education	5.5%	18.4%	14.6%	25.9%	44.1%	18.7%
Supermarket	1.9%	18.2%	26.0%	44.9%	4.8%	14.0%
Wet Markets	0.0%	0.0%	0.0%	0.0%	1.2%	0.2%
Vacant	12.2%	1.1%	1.2%	1.8%	3.3%	5.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: ARASL



Use of atrium space at Smartland



Use of atrium space at Jubilee Court

Trust Review

COST MANAGEMENT

Total cost-to-revenue in 2004 was 28.0%, a decline from 30.0% in 2003 and takes us closer to our long term target of 25.0%. Total costs comprise of tenant costs and landlord costs, of which the former forms the bulk.

Continuing measures to reduce tenant costs include the replacement of equipment to improve energy efficiency, though utility savings could be limited by the rise in occupancy rates and the possibility that utility rates could rise in 2005. Other major costs (staff costs, service contracts, government rents and rates, and advertising and promotions) are expected to rise moderately in 2005.

We expect the total cost-to-revenue ratio to remain at around 28.0% or show a marginal improvement in 2005 through continued cost discipline.

DEBT MANAGEMENT

Fortune REIT is conservatively geared with total outstanding debt of HK\$926.0 million and a debt-to-asset ratio of 22.0% at the end of December 2004, well below the regulatory limit of 35.0% set by the Monetary Authority of Singapore (the "MAS") and the sector average of around 30.0%.

In 2004, total borrowing costs amounted to HK\$19.5 million, which equated to an actual average interest rate of 2.0%. The average interest rate is made up of a floating component (based on 3-month Hong Kong Inter-Bank Offer Rate ("HIBOR")) and a fixed rate component achieved through entering into swap contracts.

Fig. 13 Fortune REIT borrowing costs in the financial year ended 31 December 2004

	Actual	Forecast ¹	Variance
Borrowing costs (HK\$m)	19.5	26.9	(7.4)
Average interest rate ²	2.02%	3.00%	(0.98%)

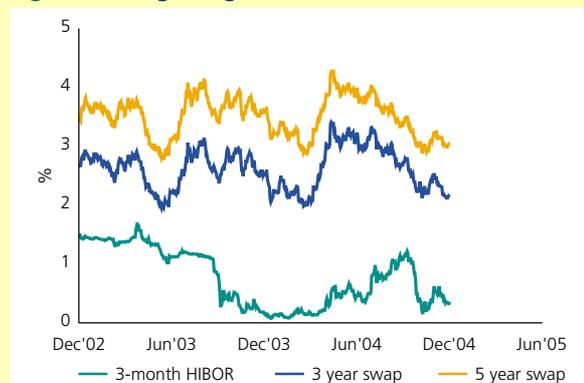
Source: ARASL

Notes

1. Based on the assumptions in the Prospectus.
2. Weighted by the relative amounts of fixed and floating debt.

The 3-month HIBOR is at a current low due partly to abundant liquidity in the Hong Kong banking sector. There is a risk that it could rise in 2005 resulting in increased total borrowing costs.

Fig. 14 Hong Kong interest rates



Source: Bloomberg

However, half of Fortune REIT's debt is currently fixed through the use of swap contracts. This mitigates the risk of higher floating interest costs should interest rates rise over the year.

Fig. 15 Fortune REIT debt structure

	Term	Dec 2003 (HK\$m)	Dec 2004 (HK\$m)	% of total
Revolving	1 month	57	26	3
Floating	3 months	550	430	46
Fixed	2 years - 3 years	350	470	51
Total		957	926	100

Source: ARASL

OUTLOOK

The outlook for Fortune REIT in 2005 is good as Hong Kong's economy continues to grow steadily and is broad based. This is expected to lower the unemployment rate further and continue to lift retail sales. Given there is further room for occupancy at Fortune REIT's malls to rise and against the backdrop of a retail property market that is continuing to strengthen and a strong economy, we expect rental revenue and net property income to increase in 2005. Some of these gains, however, could be offset by higher debt servicing costs with the expected rise in interest rates.

We also remain confident of achieving our target of growing Fortune REIT through plans to acquire retail properties in Hong Kong in 2005.

Lim Hwee Chiang, John
Chief Executive Officer

Yung Yu-Ming, CFA
Fund Manager



	LOCATION	GROSS RENTABLE AREA ¹ (SQUARE FEET)	VALUATION AT PURCHASE ² (HK\$M)	LATEST VALUATION ³ (HK\$M)	NET PROPERTY INCOME ⁴ (HK\$M)	NET PROPERTY YIELD ⁴ (%)	GOVT LEASE EXPIRY
The Metropolis Mall	Kowloon	332,168	1,560	1,959	94.3	4.8	2047
Ma On Shan Plaza	New Territories	310,084	970	1,282	65.9	5.1	2047
Smartland	New Territories	123,544	265	346	19.5	5.6	2047
The Household Center	New Territories	91,779	243	302	17.8	5.9	2048
Jubilee Court Shopping Centre	New Territories	170,616	237	295	16.2	5.5	2047
Total		1,028,191	3,275	4,184	213.7	5.1	

Notes
 1. As at 31 December 2004. Also abbreviated as "GRA"
 2. As at 31 May 2003
 3. As at 31 December 2004
 4. For the financial year ended 31 December 2004

FORTUNE REIT'S PORTFOLIO

The Metropolis Mall

Location	No 6-10, Metropolis Drive, The Metropolis Kowloon, Hong Kong
Title	Government leasehold expiring on 30 June 2047
Date Completed	31 March 2001
Gross Floor Area (square feet)¹	344,055
Gross Rentable Area (square feet)¹	332,168
Car Park (lots)	179
Acquisition Date	12 August 2003
Acquisition Value² (HK\$m)	1,464
Valuation at Purchase³ (HK\$m)	1,560
Latest Valuation (HK\$m)	1,959
Latest Valuation Date	31 December 2004
Valuer	Chesterton Petty Limited
Occupancy (%)¹	87.8
Number of Tenants¹	93
Gross Rental, FY2004⁴ (HK\$m)	112.0
Net Property Income, FY2004 (HK\$m)	94.3

Notes

- As at 31 December 2004
- As defined in the Prospectus
- As at 31 May 2003
- Includes licence income and rental guarantee from Cheung Kong (Holdings) Limited ("Cheung Kong") and Hutchison Whampoa Limited but excludes charge-out collections; FY2004 means financial year ended 31 December 2004



The Metropolis Mall is located in the established residential and commercial area of Hung Hom in south Kowloon. It is part of The Metropolis, a 1.4 million square feet integrated retail, office, hotel and service apartment development. The mall is also connected to the Hung Hom KCRC station (a mass transportation centre which links Kowloon, the New Territories and Mainland China) on its East Rail, and is served by the Hung Hom bus terminal and a taxi station. The new KCRC East Rail's East Tsim Sha Tsui Station which commenced operations in 2004, is linked to the MTRC Tsuen Wan line's Tsim Sha Tsui station via an underground walkway has also helped improve the public's access to The Metropolis Mall.

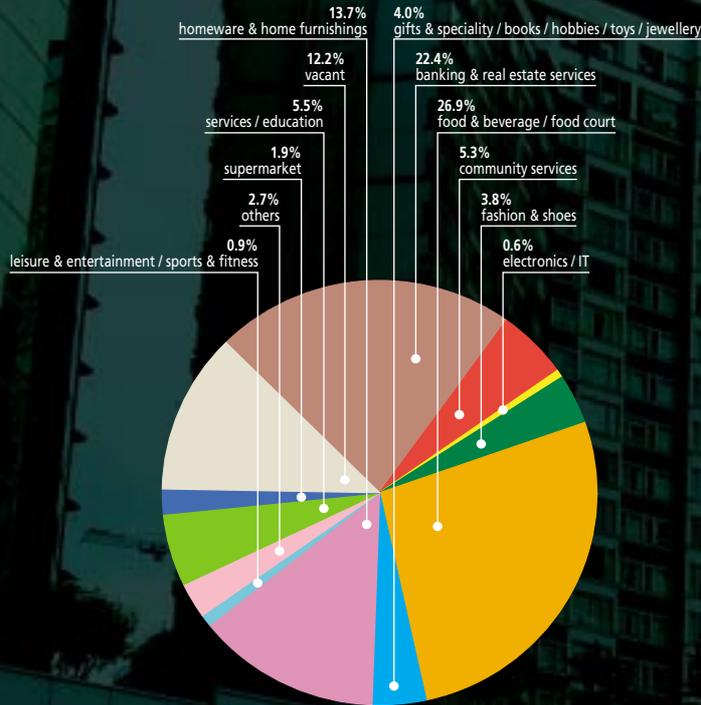
The Metropolis Mall is positioned as a retail and entertainment centre for the surrounding developments of over 16,000 apartment units, including The Metropolis Residences, The Royal Peninsula, Whampoa Garden, Whampoa Estate and Hung Hom Bay Centre. It is also close to the Kowloon side of the Cross Harbour Tunnel entrance (the busiest undersea vehicular tunnel in Hong Kong that links Kowloon with Hong Kong Island); the 12,500-seat Hong Kong Coliseum, a major venue for concerts and events; and the Hong Kong Polytechnic University.

The Manager's current objective for The Metropolis Mall is to improve its income by increasing the mall's occupancy rate and optimising its tenant mix to take advantage of the growing tourist flow from Mainland China arriving by rail at the adjacent Hung Hom KCRC terminal, as well as the growing catchment of residents, hotel guests, students and concert-goers.

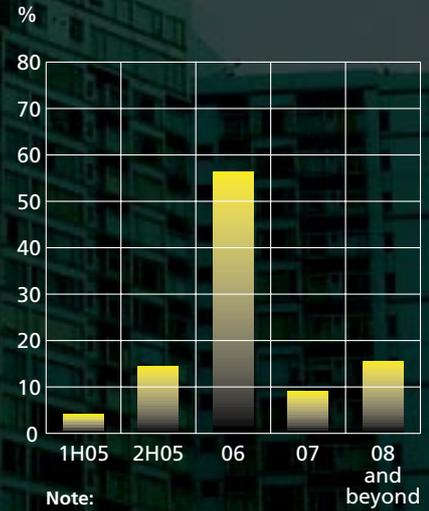
The Metropolis Mall – Top 5 Tenants by Base Rental Income

TENANT	TRADE	OCCUPIED SPACE (square feet)	% OF GRA	% OF BASE RENTAL INCOME
Clayton Power Enterprises Limited	banking & real estate services	32,189	9.7	16.6
Lifestyle Concept Store	homeware & home furnishings	33,854	10.2	14.7
Marketon Investment Limited	banking & real estate services	31,383	9.4	13.6
The Metropolis Express	food & beverage / food court	32,622	9.8	12.5
Choi Fook Seafood Restaurant	food & beverage / food court	16,971	5.1	5.4

TRADE MIX¹ AS AT 31 DECEMBER 2004



LEASE EXPIRY PROFILE¹
AS AT 31 DECEMBER 2004



FORTUNE REIT'S PORTFOLIO

Ma On Shan Plaza

Location	No. 608, Sai Sha Road, Ma On Shan, Shatin, New Territories, Hong Kong
Title	Government leasehold expiring on 30 June 2047
Date Completed	24 December 1994
Gross Floor Area (square feet)¹	319,560
Gross Rentable Area (square feet)¹	310,084
Car Park (lots)	290
Acquisition Date	12 August 2003
Acquisition Value² (HK\$m)	935
Valuation at Purchase³ (HK\$m)	970
Latest Valuation (HK\$m)	1,282
Latest Valuation Date	31 December 2004
Valuer	Chesterton Petty Limited
Occupancy (%)¹	98.9
Number of Tenants¹	147
Gross Rental, FY2004⁴ (HK\$m)	68.1
Net Property Income, FY2004 (HK\$m)	65.9
Notes	1. As at 31 December 2004 2. As defined in the Prospectus 3. As at 31 May 2003 4. Includes licence income but excludes charge-out collections; FY2004 means financial year ended 31 December 2004



Ma On Shan Plaza is located strategically at Ma On Shan, Shatin, New Territories. The mall is easily accessible by public transportation, taxis and franchised buses with the public light bus terminal, taxi waiting area and bus station on its ground floor. It is directly connected to the Ma On Shan station of the Ma On Shan KCRC railway via a footbridge link which opened in December 2004.

The residential catchment includes Ma On Shan, a new town with approximately 194,000 residents. It is part of the 1,102-unit Bayshore Towers residential complex and is linked to the adjacent 4,760-unit Sunshine City residential development via two covered footbridges as well as connected to the 5.5-hectare Ma On Shan Park via a covered footbridge.

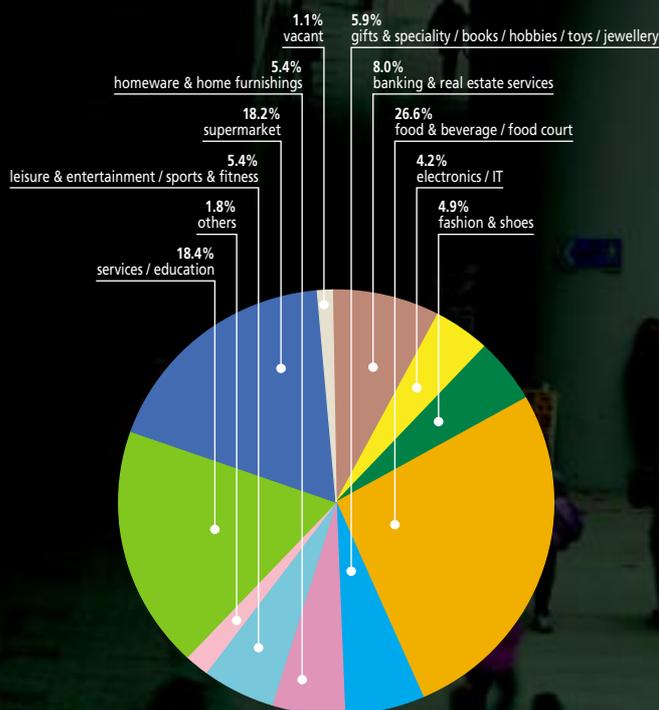
The Manager's current objective for Ma On Shan Plaza is to enhance its income by leveraging off the increased shopper traffic due to the presence of the new KCRC railway station. On a long term basis, the objective is to increase its income in tandem with the rapid growth of the Ma On Shan population.

Ma On Shan Plaza – Top 5 Tenants by Base Rental Income

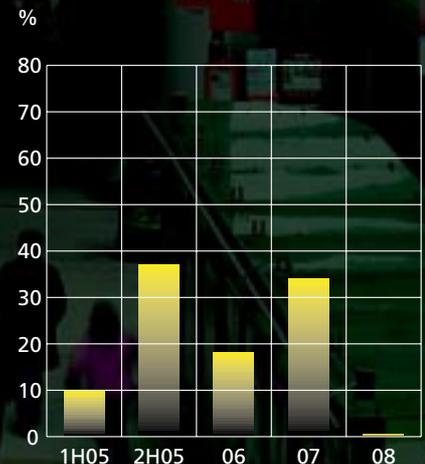
TENANT	TRADE	OCCUPIED SPACE (square feet)	% OF GRA	% OF BASE RENTAL INCOME
Park'N Shop	supermarket	56,348	18.2	11.5
Maxim's Chinese Restaurant	food & beverage / food court	49,014	15.8	10.9
Shanghai Commercial Bank Limited	banking & real estate services	5,863	1.9	4.0
The Hong Kong Jockey Club	leisure & entertainment / sports & fitness	7,908	2.6	3.6
Chiyu Banking Corporation Limited	banking & real estate services	3,229	1.0	3.2



TRADE MIX¹ AS AT 31 DECEMBER 2004



LEASE EXPIRY PROFILE¹ AS AT 31 DECEMBER 2004



Note:
1. In terms of GRA

FORTUNE REIT'S PORTFOLIO

Smartland

Location	No 16, Tsuen Wah Street, Tsuen Wan, New Territories, Hong Kong
Title	Government leasehold expiring on 30 June 2047
Date Completed	11 June 1981
Gross Floor Area (square feet)¹	125,446
Gross Rentable Area (square feet)¹	123,544
Car Park (lots)	67
Acquisition Date	12 August 2003
Acquisition Value² (HK\$m)	258
Valuation at Purchase³ (HK\$m)	265
Latest Valuation (HK\$m)	346
Latest Valuation Date	31 December 2004
Valuer	Chesterton Petty Limited
Occupancy (%)¹	98.8
Number of Tenants¹	102
Gross Rental, FY2004⁴ (HK\$m)	20.6
Net Property Income, FY2004 (HK\$m)	19.5

Notes

- As at 31 December 2004
- As defined in the Prospectus
- As at 31 May 2003
- Includes licence income but excludes charge-out collections; FY2004 means financial year ended 31 December 2004



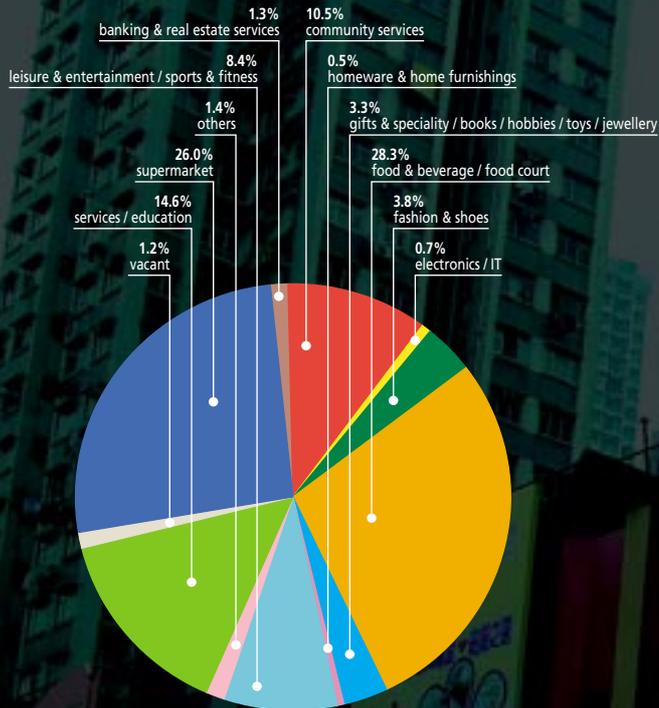
Smartland is located in the densely populated district of Tsuen Wan, New Territories, opposite the 1,026-room Panda Hotel. Situated near the Tai Wo Hau MTRC station (a station along the MTRC line serving a number of districts in Kowloon and Hong Kong Island), it is easily accessible to shoppers, residents and tourists by public and private transport. The mall features a 32,000 sf supermarket and an identity card issuing Immigration Office intended to serve the whole of the Tsuen Wan district, which has approximately 275,500 residents.

The Manager's current objective for Smartland, a leading shopping mall within the Tsuen Wan area, is to capitalise on the increasing shopper traffic due to the presence of the Immigration Office and to improve its income.

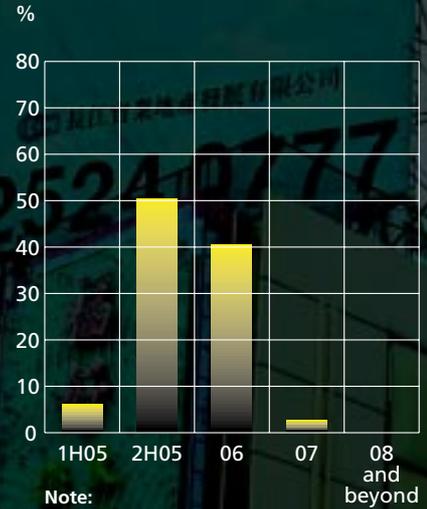
Smartland – Top 5 Tenants by Base Rental Income

TENANT	TRADE	OCCUPIED SPACE (square feet)	% OF GRA	% OF BASE RENTAL INCOME
Fook Ho Seafood Hotpot Restaurant	food & beverage / food court	22,920	18.6	21.0
Park'N Shop	supermarket	32,142	26.0	12.3
Tung Ying Fraternity Association Ltd	leisure & entertainment / sports & fitness	10,341	8.4	7.2
Hong Kong Immigration Department	community services	12,969	10.5	6.6
Maxim's Fast Food	food & beverage / food court	4,206	3.4	6.2

TRADE MIX¹ AS AT 31 DECEMBER 2004



LEASE EXPIRY PROFILE¹ AS AT 31 DECEMBER 2004



FORTUNE REIT'S PORTFOLIO

The Household Center

Location	No 8, King Lai Path, Kwai Chung, New Territories, Hong Kong
Title	Government leasehold expiring on 16 July 2048
Date Completed	28 June 2002
Gross Floor Area (square feet)¹	100,599
Gross Rentable Area (square feet)¹	91,779
Car Park (lots)	43
Acquisition Date	12 August 2003
Acquisition Value² (HK\$m)	233
Valuation at Purchase³ (HK\$m)	243
Latest Valuation (HK\$m)	302
Latest Valuation Date	31 December 2004
Valuer	Chesterton Petty Limited
Occupancy (%)¹	98.2
Number of Tenants¹	44
Gross Rental, FY2004⁴ (HK\$m)	18.1
Net Property Income, FY2004 (HK\$m)	17.8
Notes	<p>1. As at 31 December 2004</p> <p>2. As defined in the Prospectus</p> <p>3. As at 31 May 2003</p> <p>4. Includes licence income but excludes charge-out collections; FY2004 means financial year ended 31 December 2004</p>



The Household Center is located in a developed urban centre in Kwai Chung, New Territories. The mall caters for the daily needs of residents living in the developments nearby, including those of Nob Hill (a 696-unit residential development which the mall is part of) and the 13,110 residential units in Mei Foo Sun Chuen, Lai Yan Court, Wah Lai Estate, Lai King Estate, Regency Park, Wonderland Villas and Ching Lai Court.

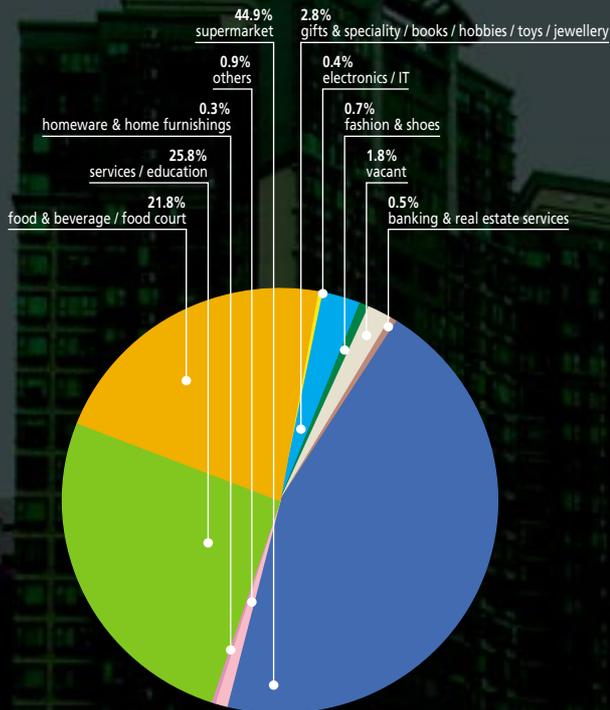
The mall is conveniently located within walking distance of public transportation such as the Mei Foo MTRC station, and is also strategically located near the new West Rail Mei Foo interchange station, which was designed to cater for a peak hourly traffic of 25,000 passengers.

The Manager's current objective for The Household Center is to secure long term income growth by virtue of its location within the established and densely populated Mei Foo area by offering grocery shopping and educational facilities.

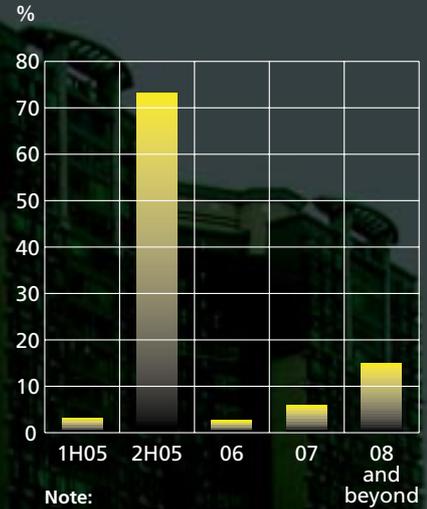
The Household Center– Top 5 Tenants by Base Rental Income

TENANT	TRADE	OCCUPIED SPACE (square feet)	% OF GRA	% OF BASE RENTAL INCOME
Park'N Shop	supermarket	41,178	44.9	33.5
Glorious Seafood Restaurant	food & beverage / food court	13,515	14.7	15.9
Think International Kindergarten	services / education	11,941	13.0	6.0
Circle K Convenience Store	others	1,475	1.6	4.4
Individual Tenant	food & beverage / food court	2,528	2.8	3.9

TRADE MIX¹ AS AT 31 DECEMBER 2004



LEASE EXPIRY PROFILE¹
AS AT 31 DECEMBER 2004



FORTUNE REIT'S PORTFOLIO

Jubilee Court

Location
No 2-18, Lok King Street, Fo Tan, Shatin, New Territories, Hong Kong
Title
Government leasehold expiring on 30 June 2047
Date Completed
8 May 1986
Gross Floor Area (square feet)¹
172,179
Gross Rentable Area (square feet)¹
170,616
Car Park (lots)
97
Acquisition Date
12 August 2003
Acquisition Value² (HK\$m)
218
Valuation of Purchase³ (HK\$m)
237
Latest Valuation (HK\$m)
295
Latest Valuation Date
31 December 2004
Valuer
Chesterton Petty Limited
Occupancy (%)¹
96.7
Number of Tenants¹
52
Gross Rental, FY2004⁴ (HK\$m)
18.9
Net Property Income, FY2004 (HK\$m)
16.2

Notes

1. As at 31 December 2004
2. As defined in the Prospectus
3. As at 31 May 2003
4. Includes licence income but excludes charge-out collections; FY2004 means financial year ended 31 December 2004



Jubilee Court Shopping Centre is located opposite Fo Tan KCRC station, near Shatin Racecourse and is one KCRC station away from The Chinese University of Hong Kong as well as Shatin town centre. It is part of the established 2,260-unit Jubilee Garden residential development. The mall is characterised by a number of tenants providing service and educational facilities including an elementary school, a kindergarten, a play group, a Christian centre and an immigration office.

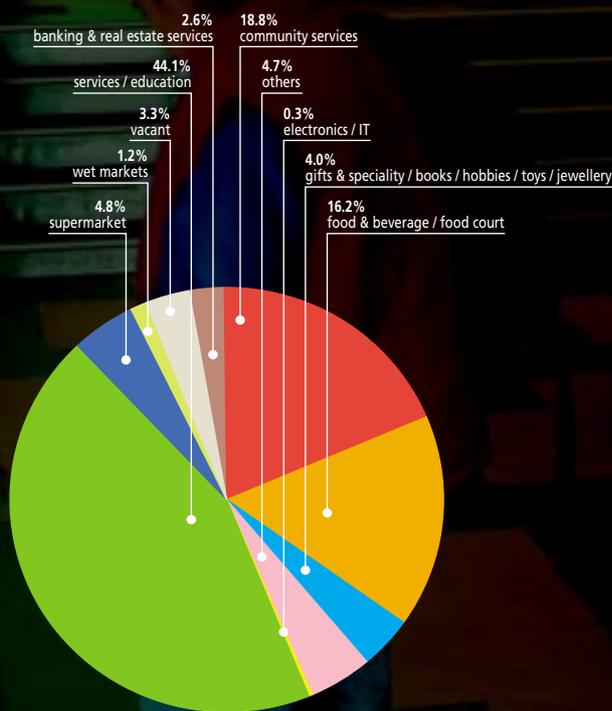
The Manager's current objective for Jubilee Court Shopping Centre is to improve on its positioning as a leading community-based shopping centre, including capitalising on the presence of a new Immigration Office, in the growing Shatin area to derive income growth.

Jubilee Court – Top 5 Tenants by Base Rental Income

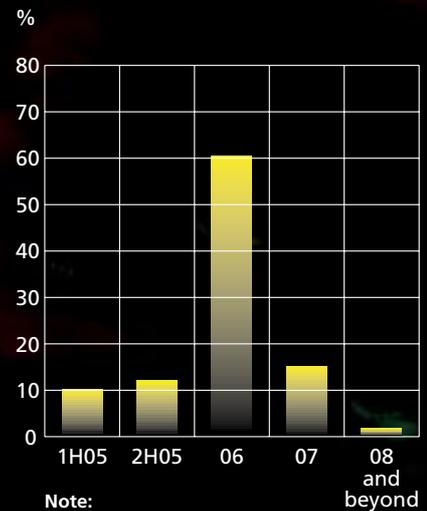
TENANT	TRADE	OCCUPIED SPACE (square feet)	% OF GRA	% OF BASE RENTAL INCOME
International Christian Schools Ltd	services / education	57,906	33.9	31.3
Sha Tin Peace Evangelical Centre Ltd	community services	15,717	9.2	10.1
Posh Cuisine	food & beverage / food court	20,205	11.8	8.5
Park'N Shop	supermarket	8,229	4.8	8.1
Hong Kong Immigration Department	community services	12,645	7.4	5.9



TRADE MIX¹ AS AT 31 DECEMBER 2004



LEASE EXPIRY PROFILE¹ AS AT 31 DECEMBER 2004



Note:
1. In terms of GRA

Board of Directors

LIM HWEE CHIANG, JOHN
Director and Chief Executive Officer

CHIU KWOK HUNG, JUSTIN
Chairman

IP TAK CHUEN, EDMOND
Director



YEUNG, EIRENE
Director

LIM LEE MENG
Independent Director

CHENG MO-CHI, MOSES
Independent Director

SNG SOW-MEI
(PHOON SUI MOY,
ALIAS POON SOW MEI)
Independent Director



Board of Directors

CHIU KWOK HUNG, JUSTIN

Chairman

Mr. Chiu is the Chairman of the Manager. He is also the Chairman of ARA Trust Management (Suntec) Limited, the manager of Suntec Real Estate Investment Trust ("Suntec REIT") which is publicly listed on the SGX-ST. Mr. Chiu is also an executive director of Cheung Kong. He joined Cheung Kong in 1997 and has been an executive director since 2000, heading the real estate sales, marketing and property management team.

Mr. Chiu has more than 26 years of international experience in real estate in Hong Kong as well as other countries and is one of the most respected professionals in the retail property sector in Hong Kong. He is also a financial columnist for two major newspapers in Hong Kong.

Prior to joining Cheung Kong, Mr. Chiu was with Hang Lung Development Company Limited for 15 years from 1979 to 1994 and Sino Land Company Limited for three years from 1994 to 1997. He was responsible for retail and commercial leasing as well as property management in those companies.

He holds a Bachelor of Sociology degree and a Bachelor of Economics degree from Trent University in Toronto and is a fellow of the Hong Kong Institute of Real Estate Administration. Mr Chiu is also a member of the Shanghai Committee of The Chinese People's Political Consultative Conference.

LIM HWEE CHIANG, JOHN

Director and Chief Executive Officer

Mr. Lim is a Director of the Manager. He is also the Director and Chief Executive Officer of the ARA group of companies, and is a Director of ARA Trust Management (Suntec) Limited, which is the manager of Suntec REIT. From 1997 to 2002, Mr Lim was an Executive Director of GRA (Singapore) Private Limited ("GRA"), which is a wholly-owned subsidiary of Prudential (US) Real Estate investors, where he was instrumental in setting up a US\$200,000,000 programme for investing in Asia's retail malls. His responsibilities included overseeing some of its developments and key clients' accounts. He also had overall responsibility for GRA's investment and asset management activities in Southeast Asia.

Mr. Lim has over 20 years of experience in real estate and prior to joining GRA, he was the Founder and Managing Director of The Land Managers, a Singapore-based property and consulting firm specializing in feasibility studies, marketing and leasing management in Singapore, Hong Kong, and China, from 1996 to 1997. He was also the General Manager of Singapore Labour Foundation Management Services Pte Ltd for five years from 1991 to 1995. Prior to this, he worked for DBS Land Limited (now known as CapitaLand Limited after its merger with Pidemco Land Pte Ltd), a public listed Singapore-based real estate development and investment company for 10 years from 1981 to 1990. He was involved in many retail projects during that period, including the pre-opening and marketing, leasing and property management of the Raffles City shopping complex from 1986 to 1989.

Mr. Lim holds an Engineering degree (First Class Honours), a Master of Science degree as well as a Diploma in Business Administration from the National University of Singapore. He also sits on the board of Teckwah Industrial Corporation Ltd (as an independent director and a member of the audit committee) and Inter-Roller Engineering Limited, both of which are publicly listed companies.

IP TAK CHUEN, EDMOND

Director

Mr. Ip is a Director of the Manager. He is also a director of ARA Trust Management (Suntec) Limited, the manager of Suntec REIT. Since 1993, Mr. Ip has been an Executive Director of Cheung Kong and is responsible for its finance department overseeing all financial and treasury functions of Cheung Kong and its subsidiaries, particularly in the field of corporate and project finance. He has been an Executive Director of Cheung Kong Infrastructure Holdings Limited ("CK Infrastructure") since its incorporation in May 1996 and Deputy Chairman since February 2003, and the Senior Vice President and Chief Investment Officer of CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences") since June 2002, overseeing the corporate finance, strategic acquisition and investment of both companies. He is also a Non-Executive Director of Tom Group Limited.

He holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration from the University of British Columbia.

Prior to joining Cheung Kong, he has held a number of senior financial positions in major financial institutions and has over 16 years of experience in the Hong Kong financial market covering diverse activities such as banking, capital market, corporate finance, securities brokerage and portfolio investments.

YEUNG, EIRENE

Director

Ms. Yeung is a Director of the Manager. Ms Yeung is also the Corporate Business Counsel and Company Secretary of Cheung Kong. Ms Yeung joined Cheung Kong in 1994 and currently supervises the corporate and commercial legal work of Cheung Kong and its subsidiaries. She heads the corporate secretarial team which oversees the listing and regulatory compliance of Cheung Kong, CK Infrastructure and CK Life Sciences. She is also the Company Secretary of CK Infrastructure and CK Life Sciences.

Ms. Yeung has extensive legal and corporate secretarial experience. Her experience covers many areas of law including corporate finance, general commercial, property development, finance, securities, tax and trust, joint ventures, intellectual property and employment. She has provided professional advice and support to the legal and regulatory aspects of significant exercises of Cheung Kong and its subsidiaries, such as the listing of CK Infrastructure in 1996, the restructuring of the Cheung Kong group of companies in 1997 which involved a total of four listed companies and the listing of CK Life Sciences in 2002.

Prior to joining Cheung Kong, she was in private practice at the law firms of Messrs. Robert W.H. Wang & Co. (now known as Robert Wang Solicitors) and Deacons for a total of 10 years from 1984 to 1994 where she handled a wide spectrum of corporate and commercial legal work. Ms. Yeung has been a solicitor of the High Court of the Hong Kong Special Administration Region from 1986 and of the Supreme Court of Judicature in England and Wales from 1990.

She holds a Bachelor of Laws degree from the University of Hong Kong and a Master's degree in Business Administration from The Chinese University of Hong Kong and is a panel member of the Hong Kong Institute of Company Secretaries.

LIM LEE MENG**Independent Director**

Mr. Lim is currently a senior partner of Chio Lim & Associates, a member firm of Horwath International.

Mr. Lim is also an Independent Director of Teckwah, Datapulse Technology Limited ("Datapulse"), Tye Soon Ltd, Europtronic Group Ltd ("Europtronic") and ARA Trust Management (Suntec) Limited (the manager of Suntec REIT). He also serves as the Chairman of the audit committees of Teckwah, Datapulse and Europtronic.

Mr. Lim is also a practising member of the Institute of Certified Public Accountants of Singapore, an associate member of the Institute of Chartered Secretaries and Administrators and a member of the Singapore Institute of Directors.

Mr. Lim graduated from the Nanyang University of Singapore with a Bachelor of Commerce (Accountancy) in May 1980. He also has a Master of Business Administration degree from the University of Hull (1992), a Diploma in Business Law from the National University of Singapore (1989) and an ICSA qualification from the Institute of Chartered Secretaries and Administrators.

CHENG MO-CHI, MOSES, GBS, OBE, JP**Independent Director**

Mr. Cheng is the Senior Partner of the law firm of Messrs. P.C. Woo & Co. and also serves as an Independent Non-Executive Director of a number of companies which are listed on the Stock Exchange of Hong Kong. Between 1991 and 1995, he was appointed and served as a member of the Legislative Council of Hong Kong. In recognition of his public services, he was awarded OBE by Her Majesty the Queen of the United Kingdom and appointed a Justice of Peace by the Hong Kong Government in 1997. He was also awarded the Gold Bauhinia Star medal by the Hong Kong Special Administrative Region Government in 2003.

Mr. Cheng has been actively participating in community services. At the moment, he is the Chairman of the Council and the Court of the Hong Kong Baptist University, the Football Betting and Lotteries Commission, the Opera Hong Kong and the Citizens Advisory Committee on Community Relations of the ICAC. He is also the Deputy Chairman of the Main Board and GEM Listing Committee and a Member of the Joint Training Committee of The Stock Exchange of Hong Kong Limited. He is also a member of the Education Commission of Hong Kong, the Court of the University of Hong Kong, the Council of the Hong Kong Academy for Performing Arts and the Advisory Committee on Corruption of the ICAC. He is the Founder Chairman of The Hong Kong Institute of Directors of which he is now the Honorary President and Chairman Emeritus. In addition, he is an active Rotarian and served as District Governor of Rotary International District 3450 from 1993 to 1994. Further, he is also an active member of the Anglican Church and is the Chancellor of the Province of the Hong Kong Sheng Kung Hui.

Mr. Cheng holds a Bachelor of Laws from the University of Hong Kong and a Post-Graduate Certificate in Laws from the University of Hong Kong.

SNG SOW-MEI**(PHOON SUI MOY, ALIAS POON SOW MEI)****Independent Director**

Mrs. Sng Sow-Mei, who has been appointed as Non-Executive Independent Director of Cheung Kong Infrastructure Limited and Independent Director of ARA Trust Management (Suntec) Limited, the manager of Suntec REIT, is currently the Senior Consultant (International Business) of Singapore Technologies Electronics Ltd for business development in the areas of defence, industrial & commercial systems projects, including intelligent building and property management systems. Singapore Technologies Electronics Ltd is a member of the Singapore Technologies Pte Ltd group in which Mrs. Sng was the Director, Special Projects (North East Asia) in 2000 and a Consultant in 2001. Mrs. Sng is concurrently the Advisor of InfoWave Pte Ltd, a newly established company which specialises in the design, development and supply of mobile platform and wireless communications technologies.

Prior to her appointments with Singapore Technologies Pte Ltd group and Singapore Technologies Electronics Ltd, Mrs. Sng was the Managing Director of CapitaLand Hong Kong Ltd for investments in Hong Kong and the region including Japan and Taiwan. CapitaLand Limited, listed on SGX-ST, is the property arm of the Singapore Technologies Pte Ltd.

Mrs. Sng has spent 15 years from 1983 to 1997 in Hong Kong as the Centre Director and then as Regional Director of the Singapore Economic Development Board and Trade Development Board respectively, during which she promoted bi-lateral investment and trade between Singapore, Hong Kong and south China. Mrs. Sng was Singapore's Trade Commissioner in Hong Kong from 1990 and 1997.

Before joining the overseas offices of the Singapore government in Hong Kong, Mrs. Sng worked in Australia in the late 60s for one and a half years and in Japan in the early 70s for two and a half years in the field of international marketing for consumer products.

Mrs. Sng graduated in 1963 with Bachelor of Arts from the Nanyang University in Singapore and has wide experience in various fields of industrial, investment, business development, strategic and financial management, especially in property investment and management.

In 1996, on Singapore's National Day, Mrs. Sng was conferred the title of PPA (P) - Pingat Pentadbiran Awam (Perak), the Singapore Public Administration Medal (Silver) by the then President of Singapore Mr. Ong Teng Cheong, for her contribution to the country.

Management Team

YUNG YU-MING, CFA

Fund Manager and Investor Relations Manager

Mr. Yung is the Fund Manager of the Manager and is responsible for overseeing the fund management activities of the Manager. He is also the Investor Relations Manager of the Manager. He has 10 years of experience in the investment industry in the Asia Pacific region including Australia, Singapore, Hong Kong, Malaysia, Philippines and Thailand from 1995 to 2003. His most recent role was as Associate Director with UBS Warburg, Singapore, from 2000 to 2002, in the area of mergers and acquisitions involving real estate companies in Asia.

His previous appointment was as Assistant Vice President of Real Estate from 1999 to 2000 with the Government of Singapore Investment Corporation, where he was involved in managing real estate entities and real estate investments in the Asia-Australia region.

Mr. Yung, who is an Australian citizen, began his career in 1995 in Sydney, Australia with BIS Shrapnel in economics and property research (including research in relation to listed property trusts). In 1997, he joined one of Australia's leading boutique fund managers, now called Perennial Investment Partners, where he was an investment analyst in Asian equities. He is a holder of the Chartered Financial Analyst charter and a Bachelor of Economics (First Class Honours) and a Bachelor of Law degree from the University of Sydney.

SEOW BEE LIAN, CHERYL

Finance Manager

Ms. Seow is the Finance Manager of the Manager. She has more than 15 years of commercial experience. Prior to joining the Manager, she was a consultant providing accounting and consultancy services to small and medium enterprises. She was the Deputy Financial Controller and Company Secretary of L.C. Development Ltd ("LC Development"), a company which is listed on the SGX-ST, from 1998 to 2002. LC Development's principal activities include investment and development of properties as well as owning and managing hotels and serviced apartments in Australia, the People's Republic of China, Laos, Thailand, Vietnam and the United Kingdom. During her time with LC Development, Ms. Seow oversaw the financial and corporate secretarial matters of LC Development and its subsidiaries. She was also one of the key personnel involved in the construction of serviced apartments in Laos and a hotel in Phuket.

Prior to joining LC Development, Ms Seow was the Finance Manager in the Corporate Finance Department of Royal Sporting House from 1994 to 1997. She was in charge of corporate restructuring matters and cash flow management. Ms. Seow has also worked in Lum Chang Holdings Limited ("Lum Chang") from 1990 to 1993 where she handled the finance, internal audit as well as corporate secretarial matters of Lum Chang and its subsidiaries (the "Lum Chang Group"). She was also involved in a restructuring exercise of the Lum Chang Group.

Ms. Seow started her career with Deloitte & Touche, Singapore in 1988 where she was involved in the audit and tax assignments relating to varied industries.

Ms. Seow, who is a Singapore citizen, graduated from the National University of Singapore School of Accountancy and is a Certified Public Accountant with the Institute of Certified Public Accountants of Singapore.

CHIU YU, JUSTINA**Investment Manager and Asset Manager**

Ms. Chiu is the daughter of Mr. Chiu Kwok Hung, Justin, the Chairman of the Manager. She is the Investment Manager and also the Asset Manager of the Manager. She is responsible for the research and underwriting of deals, and oversees the asset management activities of the Manager. Prior to joining the Manager in 2003, she worked in the Commercial Department of Hutchison 3G (UK) Limited in London, where she was involved in various functions of the firm including finance, investment and marketing.

Ms. Chiu holds a Bachelor of Science degree in Accounting and Finance and a Postgraduate Diploma in Law. She also holds a Master of Science degree in Real Estate Economics and Finance degree from the London School of Economics and Political Science.

YAP FUI WUI**Assistant Finance Manager**

Mr. Yap is the Assistant Finance Manager of the Manager. He is primarily responsible for the financial accounting of Fortune REIT.

Prior to joining the Manager in 2003, he was an Audit Manager with Ernst & Young in Singapore, a top accounting firm. There, he managed the auditing assignments of several private and publicly listed companies of various industries including financial services, manufacturing, construction, trading and statutory boards.

Mr. Yap began his career in 1996 with Sekhar and Tan, an accounting firm, in Kuala Lumpur, Malaysia. He has 9 years of experience in financial accounting.

Mr. Yap is a fellow of The Association of Chartered Certified Accountants of the United Kingdom and a Provisional Member of The Certified Public Accountants of Singapore.

LAI WAI KIT, BENSON**Assistant Asset Manager**

Mr. Lai is the Assistant Asset Manager of the Manager and is responsible for leasing, marketing, and strategic planning of the assets under the Manager. Mr. Lai graduated with a Bachelor of Arts degree in Economics from York University, Canada and he is also a member of Ontario Real Estate Association.

Mr. Lai has over 8 years of experience in leasing, marketing and property management with a number of major property developers in Hong Kong and Canada.

Prior to joining the Manager in 2004, Mr. Lai was a Rental Manager of a listed Canadian property development company, responsible for leasing and property management of residential, office and retail complex in downtown and suburban area. Mr. Lai has also been a credit analyst in a publishing company in Canada, where he was responsible for overseeing the research, business development, client relation, credit collection and accounting activities.

LEE KIN HUNG, PAUL**Assistant Manager**

Mr. Lee is the Assistant Manager of the Manager and is responsible for research and investor relations.

Prior to joining the Manager in 2005, he was an Investor Relations Manager at CITIC International Financial Holdings Limited. From 1994 to 2000, he held various senior investment research positions with Shui On Group, Vickers Ballas (Hong Kong) Limited and Sun Hung Kai Research Limited.

Mr. Lee started his career with Ernst & Young, Hong Kong in 1992 where he was involved in the audit and tax assignments of various industries.

Mr. Lee holds a Bachelor of Business Administration in Finance and a Bachelor of Arts degree in Economics. He also received a Master of Accounting Science degree from the University of Illinois at Urbana Champaign and is a member of the American Institute of Certified Public Accountants.



METROPOLIS MALL, WITH CHRISTMAS LIGHTING DECEMBER 2004

Investor Relations

COMMUNICATION WITH UNITHOLDERS

The listing manual of the SGX-ST (the “Listing Manual”) requires that a listed entity discloses to the market matters that would be likely to have a material effect on the price of the entity’s securities. The Manager upholds a strong culture of continuous disclosure and transparent communication with the unitholders of Fortune REIT (“Unitholders”) and the investing community. Its disclosure policy requires timely and full disclosure of all material information relating to Fortune REIT by way of public releases or announcements through the SGX-ST via SGXNET in the first instance (www.sgx.com.sg), and subsequently on Fortune REIT’s website at www.fortunereit.com.

During the year, the Manager planned and conducted quarterly briefings for analysts and media representatives in Hong Kong and Singapore upon the release of Fortune REIT’s quarterly results. At these briefings, management reviewed Fortune REIT’s recent performance and discussed its outlook. In line with the Manager’s disclosure policy, these briefing materials were released through the SGX-ST and were also made available on Fortune REIT’s website immediately. It is the intention of management to continue with this practice.

The Manager also participated in industry conferences in Hong Kong and Singapore throughout the year and will seek to keep retail investors informed through seminars and conferences organised by various organisations.

ENQUIRIES

Interested parties are also welcome to contact ARASL at +65 6835 9232 or by email at enquiries@fortunereit.com.

Fortune REIT’s website at www.fortunereit.com contains detailed information about Fortune REIT’s assets as well as all public disclosures made by Fortune REIT. The site is updated regularly and includes a free email alert service available to all interested parties.

DISTRIBUTIONS

Fortune REIT pays distributions semi-annually. The distribution ex dates are likely to be in early February and early August with the payment dates in late February and late August every year.

Fortune REIT is exempt from Singapore income tax on dividends received from the Hong Kong property companies where these dividends are distributed out of income which has been subject to Hong Kong profits tax at a rate of not less than 15%.

Unitholders receiving distributions made by Fortune REIT out of such tax-exempt income are also not liable for Singapore income tax.



MA ON SHAN PLAZA, OVERHEAD PEDESTRIAN LINK TO KCRC STATION

Corporate Governance

ARASL, as the Manager of Fortune REIT, has adopted an overall corporate governance framework that is designed to meet best practices principles and which recognises that an effective corporate governance culture is critical to the performance of the Manager and consequently, the success of Fortune REIT, which it manages. In particular, the Manager has an obligation to act honestly, with due care and diligence, and in the best interests of the Unitholders.

The following segments describe the Manager's main corporate governance policies and practices. They encompass proactive measures for avoiding situations of conflict and potential conflict of interest, including prioritising the interests of the Unitholders over the Manager's, ensuring that applicable laws and regulations are complied with, and that the Manager's obligations under Fortune REIT's trust deed (the "Trust Deed") are properly and efficiently carried out.

THE MANAGER OF FORTUNE REIT

The Manager has general powers of management over the assets of Fortune REIT. The Manager's main responsibility is to manage Fortune REIT's assets and liabilities for the benefit of Unitholders.

The primary role of the Manager is to set the strategic direction of Fortune REIT and give recommendations to HSBC Institutional Trust Services (Singapore) Limited, as trustee of Fortune REIT (the "Trustee"), on the acquisition, divestment and enhancement of the assets of Fortune REIT in accordance with its stated investment strategy.

Other main functions and responsibilities of the Manager include:

1. Using its best endeavours to ensure that the business of Fortune REIT is carried out and conducted in a proper and efficient manner and to conduct all transactions with or for Fortune REIT at arm's length.
2. Preparing property plans on a regular basis, which may contain proposals and forecasts on net income, capital expenditure, sales and valuations, explanations of major variances to previous forecasts, written commentary on key issues and underlying assumptions on inflation, annual turnover, occupancy costs and any other relevant assumptions. The purpose of these plans is to explain the performance of Fortune REIT's assets.
3. Ensuring compliance with the applicable provisions of the Securities and Futures Act, Chapter 289 of Singapore and all other relevant legislation, the Listing Manual, the Code on Collective Investment Schemes issued by the MAS, including the Property Funds Guidelines, the Trust Deed, the tax ruling dated 10 June 2003 issued by the Ministry of Finance of Singapore and all relevant contracts.
4. Attending to all regular communications with Unitholders.
5. Supervising the property manager of Fortune REIT (the "Property Manager"), Goodwell-Fortune Property Services Limited, which provides property management, lease management and marketing services in relation to Fortune REIT's properties, pursuant to the property management agreement.

Fortune REIT, constituted as a trust, is externally managed by the Manager and accordingly, it has no personnel of its own. The Manager appoints experienced and well-qualified management personnel to handle the day-to-day operations of the Manager. All directors and employees of the Manager are remunerated by the Manager, and not Fortune REIT.

Corporate Governance

BOARD OF DIRECTORS OF THE MANAGER

The Board of Directors of the Manager (the “Board”) is entrusted with the responsibility for the overall management of the Manager. The Board is responsible for the overall corporate governance of the Manager including establishing goals for management and monitoring the achievement of these goals. The Manager is also responsible for the strategic business direction and risk management of Fortune REIT. All Board members participate in matters relating to corporate governance, business operations and risks, financial performance and the nomination and review of directors. The Board has established a framework for the management of the Manager and Fortune REIT, including a system of internal control and a business risk management process.

The Board meets to review the Manager’s key activities, including its business strategies for Fortune REIT. Board meetings are held once every quarter (or more often if necessary) to discuss and review the strategies and policies of Fortune REIT, including any significant acquisitions and disposals, the annual budget, the financial performance of Fortune REIT against a previously approved budget, and approve the release of the quarterly, half-yearly and full year results. The Board also reviews the risks to the assets of Fortune REIT, and acts upon any comments from the auditors of Fortune REIT. Where necessary, additional Board meetings would be held to address significant transactions or issues.

The Board has adopted a set of internal controls which it believes is adequate and appropriate delegations of authority has been provided to the management to facilitate operational efficiency.

Changes to regulations, policies and accounting standards are monitored closely. Where the changes have an important impact on Fortune REIT and its disclosure obligations, the directors are briefed either during a Board meeting, at specially-convened sessions or via circulation of Board papers.

The Board presently consists of seven members, three of whom are independent directors. The Chairman of the Board is Mr Chiu Kwok Hung, Justin. The Chief Executive Officer, who is also a Director, is Mr. Lim Hwee Chiang, John.

The composition of the Board is determined using the following principles:

1. the Chairman of the Board should be a non-executive director;
2. the Board should comprise directors with a broad range of commercial experience including expertise in fund management and the property industry; and
3. at least one-third of the Board should comprise independent directors.

The composition will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience.

Five Board meetings were held during the financial year. The most recent Board meeting was held on 27 January 2005.

The positions of Chairman and Chief Executive Officer are held by two separate persons in order to maintain an effective segregation of duties. The Chairman ensures that the members of the Board work together with management in a constructive manner to address strategic, business operations and enterprise issues. The Chief Executive Officer has full executive responsibilities over the business direction and operational decisions concerning the management of Fortune REIT.

At least one-third of the Board are independent directors. This enables management to benefit from their external and objective perspective of issues that are brought before the Board. A healthy exchange of ideas and views between the Board and management through regular meetings and updates will enhance the management of Fortune REIT. This, together with a clear separation of roles between Chairman and Chief Executive Officer, provide a healthy and professional relationship between the Board and management.

In future, any newly appointed directors will be given briefings by the management on the business activities of Fortune REIT and its strategic directions.

AUDIT COMMITTEE

The Board has established an Audit Committee to assist it in discharging its responsibilities. The Audit Committee is appointed by the Board from among the directors of the Manager and is presently composed of three members, all of whom (including the Chairman of the Audit Committee) are independent directors. The members of the Audit Committee are Mr Lim Lee Meng, Mr Cheng Mo Chi, Moses and Mrs Sng Sow-Mei (Phoon Sui Moy alias Poon Sow Mei). The Audit Committee meets at least four times a year.

Four Audit Committee meetings were held during the financial year. The most recent Audit Committee meeting was held on 27 January 2005.

In keeping with best practices in corporate governance, the Board has established that a majority of the members of the Audit Committee (including the Chairman of the Audit Committee) are required to be independent directors.

The role of the Audit Committee is to monitor and evaluate the effectiveness of the Manager's internal controls. The Audit Committee also reviews the quality and reliability of information prepared for inclusion in financial reports. The Audit Committee is responsible for the nomination of external auditors and internal auditors and reviewing the adequacy of existing audits in respect of cost, scope and performance. The Audit Committee meets with the external auditors, and with the internal auditors, without the presence of management, at least annually.

The Audit Committee's responsibilities also include:

1. reviewing external and internal audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by management;
2. monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the Property Funds Guidelines;
3. reviewing and approving the financial statements and auditors' report;
4. monitoring the procedures established to regulate Related Party Transactions (as defined below), including ensuring compliance with the provisions of the Listing Manual relating to transactions between the Trustee (as the trustee of Fortune REIT) and an "interested person", and the provisions of the Property Funds Guidelines relating to transactions between the Trustee (as the trustee of Fortune REIT) and an "interested party" (both such types of transactions constituting "Related Party Transactions").

The Audit Committee is authorised to investigate any matters within its terms of reference. It is entitled to full access to and co-operation by management and enjoys full discretion to invite any director or executive officer of the Manager to attend its meetings. The Audit Committee has access to reasonable resources to enable it to discharge its functions properly.

The Audit Committee has also conducted a review of all non-audit services provided by the external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. No non-audit fees were paid to the external auditors during the financial year under review.

Corporate Governance

INTERNAL AUDIT

The Manager has put in place a system of internal controls of procedures and processes to safeguard Fortune REIT's assets, Unitholders' interest as well as to manage risk.

The internal audit function of the Manager is out-sourced to BDO McCable Lo & Company, a member firm of BDO International. The Audit Committee is satisfied that the internal auditors has met the standards set by internationally recognized professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The internal auditors report directly to the Audit Committee on audit matters, and to Board of Directors on administrative matters. The Audit Committee also reviews and approves the annual internal audit plan and reviews the internal audit reports and activities. The Audit Committee is of the view that the internal audit function is adequately resourced to perform its functions and has to the best of its ability, maintained its independence from the activities that it audits.

DEALINGS IN FORTUNE REIT UNITS

In general, the Manager's policy encourages the directors and employees of the Manager to hold Units but prohibits them from dealing in such Units:

1. during the period commencing one month before the public announcement of Fortune REIT's annual, semi-annual and, as the case may be and as applicable, quarterly results and (where applicable) valuation and ending on the date of announcement of the relevant results; and
2. at any time whilst in possession of price sensitive information.

In addition, the Manager has given an undertaking to the MAS that it will announce to the SGX-ST the particulars of its holdings in the Units and any changes thereto within two business days after the date on which it acquires or disposes of any Units, as the case may be. The Manager has also undertaken that it will not deal in the Units during the period commencing one month before the public announcement of Fortune REIT's annual, semi-annual or, as the case may be and as applicable, quarterly results and (where applicable) valuation, and ending on the date of announcement of the relevant results.

RISK ASSESSMENT AND MANAGEMENT OF BUSINESS RISK

Effective risk management is a fundamental part of Fortune REIT's business strategy. Recognising and managing risk is central to the business and to protecting Unitholders' interests and value. Fortune REIT operates within overall guidelines and specific parameters set by the Board. Each transaction is comprehensively analysed to understand the risks involved. Responsibility for managing risk lies initially with the business unit concerned, working within the overall strategy outlined by the Board.

The Board meets quarterly or more often if necessary and reviews the financial performance of Fortune REIT against a previously approved budget. The Board also reviews the risks to the assets of Fortune REIT, and acts upon any comments of the auditors of Fortune REIT. In assessing business risk, the Board considers the economic environment and the property industry risk. Management meets weekly to review the operations of Fortune REIT and to discuss continuous disclosure issues.

DEALINGS WITH CONFLICTS OF INTEREST

The Manager has established the following procedures to deal with potential conflicts of interest issues which the Manager may encounter in managing Fortune REIT:

1. The Manager will be a dedicated manager to Fortune REIT and will not manage any other real estate investment trust or be involved in any other real property business.
2. The entry into any Related Party Transaction must be reviewed and/or approved by the Audit Committee by a majority vote.
3. At least one-third of the Board shall comprise independent directors.

It is also provided in the Trust Deed that if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of Fortune REIT with a related party of the Manager, the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) who shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, on behalf of Fortune REIT, has a prima facie case against the party allegedly in breach under such agreements, the Manager shall be obliged to take appropriate action in relation to such agreements. The directors of the Manager will have a duty to ensure that the Manager so complies. Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee for and on behalf of Fortune REIT with a related party of the Manager and the Trustee may take such action as it deems necessary to protect the rights of Unitholders and/or which is in the interests of Unitholders. Any decision by the Manager not to take action against a related party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such related party.

Under the Trust Deed, the Manager and its related parties are prohibited from voting their Units at, or being part of a quorum for, any meeting of Unitholders convened to approve any matter in which the Manager or any of its related parties has a material interest in the business to be conducted.

DEALING WITH RELATED PARTY TRANSACTIONS

Review Procedures for Related Party Transactions

In general, the Manager has established internal control procedures to ensure that all future transactions involving the Trustee, as the trustee of Fortune REIT, and whether by itself or through the property companies which own the investment properties forming the portfolio of Fortune REIT or other single purpose companies or a related party of the Manager or Fortune REIT are undertaken on an arm's length basis and on normal commercial terms, and will not be prejudicial to the interests of Fortune REIT and the Unitholders. As a general rule, the Manager must demonstrate to the Audit Committee that such transactions satisfy the following criteria, which may entail obtaining (where practicable) quotations from parties unrelated to the Manager, or obtaining one or more valuations from independent valuers (in accordance with the Property Funds Guidelines).

In addition, the following procedures will be undertaken:

1. transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding S\$100,000 in value but below 3.0% of Fortune REIT's net asset value will be subject to review by the Audit Committee at regular intervals;

Corporate Governance

2. transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 3.0% but below 5.0% of Fortune REIT's net asset value will be subject to the review and approval of the Audit Committee. Such approval shall only be given if the transactions are on normal commercial terms and consistent with similar types of transactions made by the Trustee, as trustee of Fortune REIT, with third parties which are unrelated to the Manager; and
3. transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 5.0% of Fortune REIT's net asset value will be reviewed and approved, on the basis described in the preceding paragraph, by the Audit Committee which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. Further, under the Listing Manual and (where applicable) the Property Funds Guidelines, such transactions would have to be approved by the Unitholders at a meeting of Unitholders.

Where matters concerning Fortune REIT relate to transactions entered into or to be entered into by the Trustee for and on behalf of Fortune REIT with a related party of the Manager or Fortune REIT, the Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted on normal commercial terms, are not prejudicial to the interests of Fortune REIT and the Unitholders and are in accordance with all applicable requirements of the Property Funds Guidelines and/or the Listing Manual relating to the transaction in question. Further, the Trustee, as trustee of Fortune REIT, has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving a related party of the Manager or Fortune REIT. If the Trustee is to sign any contract with a related party of the Manager or Fortune REIT, the Trustee will review the contract to ensure that it complies with the requirements relating to interested party transactions in the Property Funds Guidelines (as may be amended from time to time) and the provisions of the Listing Manual relating to the interested person transactions (as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to real estate investment trusts.

Role of the Audit Committee for Related Party Transactions and Internal Control Procedures

All Related Party Transactions will be subject to regular periodic reviews by the Audit Committee. The Manager's internal control procedures are intended to ensure that Related Party Transactions are conducted on normal commercial terms and are not prejudicial to Unitholders.

The Manager will maintain a register to record all Related Party Transactions (and the bases, including any quotations from unrelated parties and independent valuations obtained to support such bases, on which they are entered into) which are entered into by Fortune REIT. The Manager will incorporate into its internal audit plan a review of all Related Party Transactions entered into by Fortune REIT. The Audit Committee shall review the internal audit reports to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with. In addition, the Trustee will also have the right to review such audit reports to ascertain that the Property Fund Guidelines have been complied with. The Audit Committee will periodically review all Related Party Transactions to ensure compliance with the Manager's internal control procedures and with the relevant provisions of the Listing Manual and the Property Funds Guidelines. The review will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary by the Audit Committee.

If a member of the Audit Committee has an interest in a transaction, he is required to abstain from participating in the review and approval process in relation to that transaction.

The Manager will disclose in Fortune REIT's annual report the aggregate value of Related Party Transactions entered into during the relevant financial year.

COMMUNICATION WITH UNITHOLDERS

The listing rules of the SGX-ST require that a listed entity discloses to the market matters that would be likely to have a material effect on the price of the entity's securities. The Manager upholds a strong culture of continuous disclosure and transparent communication with Unitholders and the investing community. The Manager's Investor Relations Manager is tasked with overseeing this function. The Manager's disclosure policy requires timely and full disclosure of all material information relating to Fortune REIT by way of public releases or announcements through the SGX-ST via SGXNET at first instance and then on Fortune REIT's website at www.fortunereit.com.

The Manager also conducts regular briefings for analysts and media representatives, which will generally coincide with the release of Fortune REIT's results. During these briefings, management will review Fortune REIT's most recent performance as well as discuss the business outlook for Fortune REIT. In line with the Manager's objective of transparent communication, briefing materials are released through the SGX-ST and also made available on Fortune REIT's website.

The Manager pursues opportunities to educate and keep retail investors informed of the emergence of the Real Estate Investment Trust industry through seminars organised by SGX-ST and the Real Estate Developers' Association of Singapore.

BOARD COMPOSITION AND AUDIT COMMITTEE

The Manager believes that contributions from each director go beyond his/her attendances at Board and committee meetings. A director of the Manager would have been appointed on the principles outlined earlier in this statement, and his/her ability to contribute to the proper guidance of the Manager in its management of Fortune REIT.

The three board members who have additional responsibilities on the Audit Committee are Mr. Lim Lee Meng (Chairman of the Audit Committee), Mr. Cheng Mo Chi, Moses and Mrs. Sng Sow-Mei (Phoon Sui Moy alias Poon Sow Mei) (members of the Audit Committee).

The matrix of the Board members and participation in the Board and the Audit Committee are as follows:

BOARD MEMBERS	BOARD OF DIRECTORS		AUDIT COMMITTEE	
	PARTICIPATION	MEETING NUMBER HELD/ATTENDANCE	PARTICIPATION	MEETING NUMBER HELD/ATTENDANCE
Mr. Chiu Kwok Hung, Justin	Chairman	5/5	NA	NA
Mr. Lim Hwee Chiang, John	Member	5/5	NA	NA
Mr. Ip Tak Chuen, Edmond	Member	5/5	NA	NA
Ms. Yeung, Eirene	Member	5/5	NA	NA
Mr. Lim Lee Meng	Member	5/5	Chairman	4/4
Mr. Cheng Mo Chi, Moses	Member	5/5	Member	4/4
Mrs. Sng Sow-Mei (Phoon Sui Moy alias Poon Sow Mei)	Member	5/5	Member	3/4

Notes: NA – Not applicable

All board members are non-executive except Mr. Lim Hwee Chiang, John who is an executive director.

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Report of the Trustee

HSBC Institutional Trust Services (Singapore) Limited (formerly known as Bermuda Trust (Singapore) Limited) (the “Trustee”) is under a duty to take into custody and hold the assets of Fortune Real Estate Investment Trust (“Fortune REIT”) held by it or through its property companies (“Group”, which shall mean Fortune REIT and its property companies) in trust for the holders of Units (the “Unitholders”) in Fortune REIT. In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes (collectively referred to as the “laws and regulations”), the Trustee shall monitor the activities of ARA Asset Management (Singapore) Limited (“the Manager”) for compliance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed dated 4 July 2003 between the Trustee and the Manager (the “Trust Deed”) in each annual accounting year and report thereon to Unitholders in an annual report which shall contain the matters prescribed by the laws and regulations and the Trust Deed.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed Fortune REIT and the Group during the financial year covered by these financial statements in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed, laws and regulations and otherwise in accordance with the provisions of the Trust Deed.

For and on behalf of the Trustee
HSBC Institutional Trust Services (Singapore) Limited



Nigel Stead
Director

Singapore
27 January 2005

Statement by the Manager

In the opinion of the directors of ARA Asset Management (Singapore) Limited, the financial statements of Fortune Real Estate Investment Trust (“Fortune REIT”) and consolidated financial statements of the Group set out on pages 40 to 65, comprising the Balance Sheets, Statements of Return, Statements of Movements in Unitholders’ Fund, Investment Properties Portfolio Statement, Consolidated Cash Flow Statement and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of Fortune REIT and of the Group as at 31 December 2004, and of the return and movements in Unitholders’ fund of Fortune REIT and of the Group and cash flows of the Group for the financial year then ended and have been properly prepared in accordance with the stated accounting policies of Fortune REIT and the Trust Deed. At the date of this statement, there are reasonable grounds to believe that Fortune REIT will be able to meet its financial obligations as and when they materialise.

For and on behalf of the Manager,
ARA Asset Management (Singapore) Limited



Lim Hwee Chiang, John
Director

Singapore
27 January 2005

Auditors' Report

to the Unitholders of Fortune Real Estate Investment Trust

We have audited the financial statements of Fortune Real Estate Investment Trust ("Fortune REIT") and the consolidated financial statements of the Group for the financial year ended 31 December 2004 set out on pages 40 to 65. These financial statements are the responsibility of the Manager and the Trustee of Fortune REIT. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Manager, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements of Fortune REIT and consolidated financial statements of the Group present fairly, in all material respects, the financial position of Fortune REIT and of the Group as at 31 December 2004, the return and movements in Unitholders' fund of Fortune REIT and of the Group and cash flows of the Group for the financial year then ended have been properly prepared in accordance with the stated accounting policies of Fortune REIT and the Trust Deed.


Certified Public Accountants

Cheng Ai Phing
Partner

Singapore
27 January 2005

Balance Sheets

As at 31 December 2004

	NOTE	GROUP		FORTUNE REIT	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
ASSETS AND LIABILITIES					
Current assets					
Cash and bank balances	5	103,622	89,779	58,175	69,645
Trade and other receivables	6	33,906	37,533	78,515	59,561
Total current assets		137,528	127,312	136,690	129,206
Non-current assets					
Loans to property companies	7	–	–	1,557,799	1,547,626
Investments in property companies	8	–	–	531,486	531,486
Investment properties	9	4,184,000	3,389,000	–	–
Plant and equipment	10	31	–	–	–
Negative goodwill	11	(134,410)	(137,564)	–	–
Total non-current assets		4,049,621	3,251,436	2,089,285	2,079,112
Total assets		4,187,149	3,378,748	2,225,975	2,208,318
Current liabilities					
Trade and other payables	12	66,295	68,605	4,614	6,043
Short-term borrowing	13	26,000	57,000	–	–
Provision for taxation		5,566	1,501	19	8
Total current liabilities		97,861	127,106	4,633	6,051
Non-current liabilities					
Borrowings	13	900,000	900,000	–	–
Deferred tax liabilities	14	55,556	34,498	–	–
Total non-current liabilities		955,556	934,498	–	–
Total liabilities		1,053,417	1,061,604	4,633	6,051
Net assets		3,133,732	2,317,144	2,221,342	2,202,267
UNITHOLDERS' FUNDS					
Equity and reserves					
Issued equity	15	2,245,560	2,235,365	2,245,560	2,235,365
Unit issue costs	16	(87,540)	(89,101)	(87,540)	(89,101)
Revaluation reserves		908,200	113,850	–	–
Accumulated profits		67,512	57,030	63,322	56,003
Total Unitholders' funds		3,133,732	2,317,144	2,221,342	2,202,267
Units in issue ('000)		475,169	473,285		
Net asset value per unit (HK\$)	17	6.87	5.18		

See accompanying notes to financial statements.

Statements of Return

Year ended 31 December 2004

	NOTE	GROUP		FORTUNE REIT	
		YEAR ENDED 31 DECEMBER 2004	PERIOD FROM 4 JULY 2003 (DATE OF INCEPTION) TO 31 DECEMBER 2003	YEAR ENDED 31 DECEMBER 2004	PERIOD FROM 4 JULY 2003 (DATE OF INCEPTION) TO 31 DECEMBER 2003
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	18	308,209	113,620	160,278	59,510
Property operating expenses	19	(94,495)	(33,927)	–	–
Net property income/dividend income		213,714	79,693	160,278	59,510
Manager's base fee		(10,796)	(3,882)	(10,796)	(3,882)
Amortisation of negative goodwill	11	3,154	1,218	–	–
Foreign currency exchange adjustment gain		830	1,618	830	1,618
Net trust expenses	20	(3,381)	(1,235)	(3,381)	(1,235)
Profit before taxation and borrowings cost		203,521	77,412	146,931	56,011
Borrowings cost	21	(19,475)	(7,850)	–	–
Profit before taxation		184,046	69,562	146,931	56,011
Income tax expenses	22	(33,963)	(12,532)	(11)	(8)
Net profit		150,083	57,030	146,920	56,003
Income available for distribution	23	158,756	58,910	–	–
Basic earnings per unit (cents) - weighted average	24	31.61	12.04		
Basic earnings per unit (cents) - notional	24	31.58	12.04		
Distribution per unit (cents)	25	33.40	12.43		

See accompanying notes to financial statements.

Statements of movements in Unitholders' Fund

Year ended 31 December 2004

	NOTE	ISSUED EQUITY HK\$'000	UNIT ISSUE COSTS HK\$'000	REVALUATION RESERVE HK\$'000	ACCUMULATED PROFITS HK\$'000	TOTAL HK\$'000
GROUP						
Net assets at 4 July 2003		–	–	–	–	–
OPERATIONS FOR PERIOD ENDED 31 DECEMBER 2003						
Net profit		–	–	–	57,030	57,030
Appreciation on revaluation of investment properties		–	–	113,850	–	113,850
Increase in net assets resulting from operations		–	–	113,850	57,030	170,880
UNITHOLDERS' TRANSACTIONS						
Creation of Units:						
Equity raising	15	2,234,046	–	–	–	2,234,046
Manager's base fees paid in Units	15	1,319	–	–	–	1,319
Unit issue costs	16	–	(89,101)	–	–	(89,101)
Increase in net assets resulting from Unitholders' transactions		2,235,365	(89,101)	–	–	2,146,264
Net assets at 31 December 2003		2,235,365	(89,101)	113,850	57,030	2,317,144
OPERATIONS FOR YEAR ENDED 31 DECEMBER 2004						
Net profit		–	–	–	150,083	150,083
Appreciation on revaluation of investment properties		–	–	794,350	–	794,350
Increase in net assets resulting from operations		–	–	794,350	150,083	944,433
UNITHOLDERS' TRANSACTIONS						
Creation of Units:						
Manager's base fees paid in Units	15	10,195	–	–	–	10,195
Distribution to Unitholders	25	–	–	–	(139,601)	(139,601)
Adjustments to Unit issue costs		–	1,561	–	–	1,561
Increase (Decrease) in net assets resulting from Unitholders' transactions		10,195	1,561	–	(139,601)	(127,845)
Net assets at 31 December 2004		2,245,560	(87,540)	908,200	67,512	3,133,732

See accompanying notes to financial statements.

	NOTE	ISSUED EQUITY HK\$'000	UNIT ISSUE COSTS HK\$'000	ACCUMULATED PROFITS HK\$'000	TOTAL HK\$'000
FORTUNE REIT					
Net assets at 4 July 2003		-	-	-	-
OPERATIONS FOR PERIOD ENDED 31 DECEMBER 2003					
Net profit		-	-	56,003	56,003
Increase in net assets resulting from operations		-	-	56,003	56,003
UNITHOLDERS' TRANSACTIONS					
Creation of Units:					
Equity raising	15	2,234,046	-	-	2,234,046
Manager's base fees paid in Units	15	1,319	-	-	1,319
Unit issue costs	16	-	(89,101)	-	(89,101)
Increase in net assets resulting from Unitholders' transactions		2,235,365	(89,101)	-	2,146,264
Net assets at 31 December 2003		2,235,365	(89,101)	56,003	2,202,267
OPERATIONS FOR YEAR ENDED 31 DECEMBER 2004					
Net profit		-	-	146,920	146,920
UNITHOLDERS' TRANSACTIONS					
Creation of Units:					
Manager's base fees paid in Units	15	10,195	-	-	10,195
Distribution to Unitholders	25	-	-	(139,601)	(139,601)
Adjustment to Unit issue costs		-	1,561	-	1,561
Increase (Decrease) in net assets resulting from Unitholders' transactions		10,195	1,561	(139,601)	(127,845)
Net assets at 31 December 2004		2,245,560	(87,540)	63,322	2,221,342

See accompanying notes to financial statements.

Investment Properties Portfolio Statement

As at 31 December 2004

DESCRIPTION OF PROPERTY	TENURE OF LAND	TERM OF LEASE	REMAINING TERM OF LEASE	LOCATION	VALUATION	
					2004 HK\$'M	2003 HK\$'M
The Metropolis Mall	Leasehold	50.5 years	42.5 years	Nos. 6 - 10 Metropolis Drive, The Metropolis, Kowloon, Hong Kong	1,959	1,593
Ma On Shan Plaza	Leasehold	55.5 years	42.5 years	No. 608 Sai Sha Road, Ma On Shan, Shatin, New Territories, Hong Kong	1,282	1,023
Smartland	Leasehold	149 years	42.5 years	No. 16 Tsuen Wah Street, Tsuen Wan, New Territories, Hong Kong	346	276
The Household Center	Leasehold	50 years	43.5 years	No. 8 King Lai Path, Kwai Chung, New Territories, Hong Kong	302	252
Jubilee Court Shopping Centre	Leasehold	149 years	42.5 years	Nos. 2 - 18 Lok King Street, Fo Tan, Shatin, New Territories, Hong Kong	295	245
Total					4,184	3,389

On 31 December 2004, an independent valuation was undertaken by Chesterton Petty 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 five properties were based on the Investment Method, Direct Comparison Method and Discounted Cash Flow Analysis. The valuations adopted amounted to HK\$4,184,000,000 (2003 : HK\$3,389,000,000). The increase in valuation has been taken to the Statement of Movements in Unitholders' Fund of the Group.

The investment properties located in Hong Kong comprise a portfolio of retail shopping mall properties with a diverse tenant base. Most of the leases contain tenancy periods ranging from two to three years. Subsequent renewals are negotiated with the lessees.

See accompanying notes to financial statements.

Consolidated Cash Flow Statement

Year ended 31 December 2004

	GROUP	
	YEAR ENDED 31 DECEMBER 2004	PERIOD FROM 4 JULY 2003 (DATE OF INCEPTION) TO 31 DECEMBER 2003
	HK\$'000	HK\$'000
Operating activities		
Profit before taxation	184,046	69,562
Adjustments for:		
Manager's base fees	10,796	3,882
Amortisation of negative goodwill	(3,154)	(1,218)
Depreciation	9	–
Borrowings cost	19,475	7,850
Operating profit before working capital changes	211,172	80,076
Decrease (Increase) in trade and other receivables	3,627	(10,685)
Decrease in trade and other payables	(1,351)	(5,405)
Cash generated from operations	213,448	63,986
Income tax paid	(8,839)	(9,590)
Net cash from operating activities	204,609	54,396
Cash flows from investing activities:		
Acquisition of net assets of property companies (Note A)	–	(2,068,562)
Upgrading of investment properties	(650)	(150)
Purchase of plant and equipment	(40)	–
Net cash used in investing activities	(690)	(2,068,712)
Cash flows from financing activities:		
Proceeds from issue of new units (net of issue costs)	–	2,144,945
Distribution paid	(139,601)	–
Repayment of borrowings	(31,000)	(33,000)
Borrowings cost paid	(19,475)	(7,850)
Net cash (used in) from financing activities	(190,076)	2,104,095
Net increase in cash and bank balances	13,843	89,779
Cash and bank balances at beginning of the year/period	89,779	–
Cash and bank balances at end of year/period	103,622	89,779
Notes to the consolidated cash flow statement		
A. Summary of the effects of acquisition of property companies:		
Non-current assets	–	(3,275,000)
Non-current liabilities	–	927,286
Net current liabilities	–	139,820
Group's share of net assets acquired	–	(2,207,894)
Negative goodwill arising	–	138,782
Payment for acquisition of property companies	–	(2,069,112)
Net cash acquired	–	550
Consideration net of cash acquired	–	(2,068,562)

See accompanying notes to financial statements.

Notes to the Financial Statements

31 December 2004

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 27 January 2005.

1 GENERAL

Fortune Real Estate Investment Trust (known as “Trust” or “Fortune REIT”) is a Singapore-domiciled unit trust. The Trust Deed dated 4 July 2003 (“Trust Deed”) is governed by the laws of the Republic of Singapore. On 4 July 2003, Fortune REIT was declared an authorised unit trust scheme under the Trustees Act, Chapter 337 of Singapore. The Manager and Trustee are ARA Asset Management (Singapore) Limited and HSBC Institutional Trust Services (Singapore) Limited respectively and their registered offices and principal places of business are at 9 Temasek Boulevard, #09-01 Suntec City Tower 2, Singapore 038989 and 21 Collyer Quay, #10-01 HSBC Building, Singapore 049320, respectively. The financial statements are expressed in Hong Kong dollars as the majority of the Group’s transactions are denominated in Hong Kong dollars.

Fortune REIT was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 12 August 2003.

The principal activity of Fortune REIT is to own and invest in a portfolio of retail shopping malls located in Hong Kong through companies (“property companies”) whose primary purpose is to hold or own real estate properties, or directly in properties, with the primary objective of producing stable distributions for unitholders of Fortune REIT (“Unitholders”) and to achieve long term growth in the net asset value per unit of Fortune REIT (“Unit”).

Fortune REIT has entered into several service agreements in relation to the management of Fortune REIT and its property operations. The fee structures of these services are as follows:

(a) Property management fees

Property management fee

Under the Property Management Agreement, the Property Manager, Goodwell-Fortune Property Services Limited, which is a party related to a major Unitholder, will receive from each of the five property companies a fee of 3% per annum of gross property revenue for the provision of property management services and lease management services.

Gross property revenue means the amount equivalent to the gross revenue less charge-out collections and car park revenues.

Marketing services

For the marketing services, the property companies will pay the Property Manager the following commissions:

- one month’s base rent for securing a tenancy of three years or more;
- one-half month’s base rent for securing a tenancy of less than three years;
- one-half month’s base rent for securing a renewal of tenancy irrespective of duration of the renewal term; and
- 10.0% of the total licence fee for securing a licence for duration of less than 12 months.

(b) Trustee's fees

The Trustee's fees are 0.03% per annum (subject to a minimum of HK\$50,000 per month) on the value of the real estate properties and are accrued daily and paid monthly in arrears in accordance with the Trust Deed.

(c) Manager's fees

The Manager is entitled to receive the following remuneration for the provision of asset management services:

Base fee

Under the Trust Deed, the Manager will receive a base fee from Fortune REIT at 0.3% per annum on the value of the properties. The base fee (referable only to the initial portfolio of Fortune REIT on listing on SGX-ST) will be paid quarterly in arrears and in the form of Units during the first five years after the Units are listed on SGX-ST. Thereafter, the base fee will be paid in cash.

Performance fee

Under the Trust Deed, the Manager will receive a performance fee from each property company at 3% of the net property income of the property companies with certain adjustments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements are prepared in accordance with the historical cost convention, modified to include the revaluation of the properties and are drawn up in accordance with Singapore Financial Reporting Standards, Interpretations of Financial Reporting Standards, and the applicable requirements of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore and the Trust Deed.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of Fortune REIT and the property companies controlled by Fortune REIT made up to 31 December each year. Control is achieved when Fortune REIT has the power to govern the financial and operating policies of the property companies so as to obtain benefits from their activities. On acquisition, the assets and liabilities of the relevant property companies are measured at their fair values at the date of acquisition. The results of property companies acquired or disposed of during the year are included in the consolidated statement of return from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant intercompany transactions and balances are eliminated on consolidation.

In Fortune REIT's financial statements, investments in the property companies are carried at cost less any impairment in net recoverable value.

Notes to the Financial Statements

31 December 2004

(c) Financial assets

Financial assets include cash and bank balances, trade and other receivables. Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

(d) Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Financial liabilities include trade and other payables and borrowings. Trade and other payables are stated at their nominal value. Borrowings are recorded at the proceeds received, net of transaction costs. Finance costs are accounted for on an accrual basis (effective yield method) and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Equity instruments are recorded at the fair value of the consideration received, net of direct issue costs. Distributions to Unitholders are recognised in Unitholders' Fund in the period in which they are declared.

(e) Unit issue costs

Costs incurred in relation to the initial public offering and listing of Units in Fortune REIT on a stock exchange are charged against the Unitholders' Fund.

(f) Plant and equipment

Plant and equipment are carried at cost, less accumulated depreciation and any impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying amount.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised as income.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following base:

Computers - 33.3%

Fully depreciated assets still in use are retained in the financial statements.

(g) Investment properties

Investment properties are held for investment potential and income. Investment properties are stated at annual valuation performed by independent professional valuers on an open market value for existing use basis. The surplus or deficit on revaluation (net of deferred tax where applicable) is taken to the asset revaluation reserve except when the total of the reserve is not sufficient to cover a deficit, in which case the amount by which the deficit exceeds the amount in the asset revaluation reserve is charged to the statement of return as an expense. The asset revaluation reserve is released to the statement of return as and when the related revalued property is sold.

(h) Impairment of assets

At each balance sheet date, Fortune REIT and the Group review the carrying amounts of their assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, Fortune REIT and the Group estimate the recoverable amount of the cash-generating unit to which the asset belongs. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense in the statement of return immediately, unless the relevant asset is land or building which is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as an income in the statement of return immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(i) Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a property company at the date of acquisition over the cost of acquisition. Negative goodwill is released to the statement of return based on an analysis of the circumstances from which the balance resulted. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to the statement of return in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over 44 years, which represents the remaining average useful life of the investment properties acquired through the property companies. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in the statement of return immediately.

Negative goodwill arising on the acquisition of the property companies is presented separately in the balance sheet as a deduction from assets.

(j) Provisions

Provisions are recognised when Fortune REIT and the Group have a present obligation as a result of a past event where it is probable that such obligation will result in an outflow of economic benefits that can be reasonably estimated.

Notes to the Financial Statements

31 December 2004

(k) Revenue recognition

Rental income is recognised, on a straight-line basis, over the terms of the respective leases.

Charge-out collections, representing mainly air conditioning expenses, management expenses, promotion expenses, government rates and government rents payable by the tenants and licensees are recognised when the services and facilities are provided.

Interest income is accrued on a time proportion basis by reference to the principal outstanding and at the interest rates applicable, on an effective yield basis.

Dividend income from the property companies is recognised when the right to receive payment has been established.

(l) Borrowings cost

Borrowings cost are recognised as an expense in the statement of return in the period in which they are incurred.

(m) Foreign currency transactions and translation

Transactions in foreign currencies are recorded using the rates ruling on the date of the transaction. At each balance sheet date, recorded monetary balances and balances carried at fair value that are denominated in foreign currencies are reported at the rates ruling at the balance sheet date. All realised and unrealised exchange adjustment profits and losses are dealt with in the statement of return.

(n) Derivative financial instruments

Derivative financial instruments that are not designated as hedging instruments are classified as held-for-trading and carried at fair value, with changes in fair value included in the statement of return.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid (combined) instrument is not measured at fair value with changes in fair value reported in the statement of return.

Derivative financial instruments that are designated as hedging instruments are dealt with in the same manner as the underlying hedged items.

(o) Taxation

Taxation on the returns for the period comprises current and deferred tax. Income tax is recognised in the statement of return except to the extent that it relates to items directly related to Unitholders' funds, in which case it is recognised in Unitholders' funds.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is provided using the balance sheet liability method, on the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax on temporary differences on initial recognition of assets or liabilities that affect neither accounting nor taxable profit is not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Inland Revenue Authority of Singapore ("IRAS") has issued a tax ruling on the taxation of Fortune REIT for income earned and expenditure incurred after its initial public offering. Subject to meeting the terms and conditions of tax ruling, the Singapore taxation of Fortune REIT are described below:

(i) Tax-Exempt Income

Fortune REIT will be exempt from Singapore income tax on the dividends received from the property companies that are distributed out of income (including interest income and gains from the sale of real properties) which have been subject to Hong Kong profits tax at a rate of not less than 15%.

(ii) Taxable Income

Fortune REIT will be subject to Singapore income tax on dividends received from the property companies that are paid out of income or gains which are not subject to Hong Kong profits tax, and on all income derived from or accrued in Singapore, or received in Singapore from outside Singapore.

(iii) Non-Taxable Capital Gain

Fortune REIT is not assessable to Singapore Income Tax on the gains from the disposal of investments in the property companies that have been confirmed by IRAS to be capital gains.

Notes to the Financial Statements

31 December 2004

3 FINANCIAL RISKS AND MANAGEMENT

Exposure to credit, interest rate, liquidity and foreign currency risks arise in the normal course of the Group's business. The Group has guidelines, which set out its overall business strategies and its general risk management philosophy.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a tenant or counterparty to settle its financial and contractual obligations to the property companies, as and when they fall due.

The Manager has established credit limits for tenants and monitors their balances on an ongoing basis. Credit evaluations are performed by the Property Manager on behalf of the Manager before lease agreements are entered into with tenants. Cash and fixed deposits are placed with reputable financial institutions.

At 31 December 2004, there was no significant concentration of credit risk except that of related parties receivables which comprise mainly rental compensation under guarantee. The maximum exposure to credit risk is represented by the carrying value of each financial asset on the balance sheet.

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Manager on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

Where necessary, the Group adopts an appropriate hedging policy to minimise interest rate exposure. This may involve fixing certain portion of the interest payable on its underlying debt liabilities via financial derivatives or other suitable financial products.

Liquidity risk

The Manager monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations. In addition, the Manager also monitors and observes the Code on Collective Investment Schemes issued by the MAS concerning limits on total borrowings.

Foreign currency risk

The Group is primarily exposed to foreign currency risk arising from its Singapore dollars bank balances and deposits. The foreign currency risk is managed by the Manager on an ongoing basis.

Fair value of financial assets and financial liabilities

Except for loans to property companies, the carrying amounts of financial assets and financial liabilities reported in the balance sheet approximate their respective fair values because the long-term borrowings are floating rate loans and the rest of the financial instruments have relatively short term maturity.

It is not practicable within the constraint of cost to reliably determine the fair value of loans to property companies as these balances have no fixed repayment terms.

4 SIGNIFICANT RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Many of the Group's transactions and arrangements are with related parties and the effects of these on the bases determined between the parties are reflected in these financial statements. The balances are unsecured, interest-free and without fixed repayment terms unless stated otherwise.

Significant related party transactions, other than those disclosed elsewhere in the notes to statements of return:

	GROUP		FORTUNE REIT	
	YEAR ENDED 31 DECEMBER 2004	PERIOD FROM 4 JULY 2003 (DATE OF INCEPTION) TO 31 DECEMBER 2003	YEAR ENDED 31 DECEMBER 2004	PERIOD FROM 4 JULY 2003 (DATE OF INCEPTION) TO 31 DECEMBER 2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Base rental	(45,784)	(13,375)	–	–
Charge-out collections	(19,987)	(6,733)	–	–
Building management expenses	10,667	2,345	–	–
Management fee and other charges	46,694	19,972	–	–
Carpark agency fee	2,038	711	–	–
Rental compensation under Guarantee	(49,175)	(25,372)	–	–

Pursuant to the Rental Guarantee Deed entered into between Cheung Kong (Holdings) Limited (“the Sponsor”), Hutchison Whampoa Limited (“Strategic Investor”) and Vision Million Limited, the property company which owns Metropolis Mall, the Sponsor and the Strategic Investor had undertaken for the three years starting from 12 August 2003, to effect top up payment to Vision Million Limited if:

- i) the net property income, subject to certain adjustments, is less than HK\$90 million per annum, to make up the difference between HK\$90 million and the adjusted net property income for the relevant period; and
- ii) the net parking space income is less than HK\$4,296,000 per annum, to make up the difference between HK\$4,296,000 per annum and the net parking space income for the relevant period.

5 CASH AND BANK BALANCES

	GROUP		FORTUNE REIT	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at bank and in hand	33,672	17,672	2,133	12,938
Fixed deposits with financial institutions	69,950	72,107	56,042	56,707
Total	103,622	89,779	58,175	69,645

Notes to the Financial Statements

31 December 2004

Effective interest rate and repricing analysis:

	EFFECTIVE INTEREST RATE		TOTAL		WITHIN 1 MONTH	
	2004	2003	2004	2003	2004	2003
	%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
GROUP						
Fixed deposits with financial institutions	0.4545%	0.2610%	69,950	72,107	69,950	72,107
FORTUNE REIT						
Fixed deposits with financial institutions	0.4545%	0.2610%	56,042	56,707	56,042	56,707

The above fixed deposits are normally placed for a period from 7 days to 14 days (2003 : 7 days to 14 days).

6 TRADE AND OTHER RECEIVABLES

	GROUP		FORTUNE REIT	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
a) <u>Trade receivables</u>				
Outside parties	7,882	3,828	–	–
Less allowances for doubtful trade receivables	(7,258)	(116)	–	–
	624	3,712	–	–
Property companies (dividend receivable)	–	–	78,509	59,510
Related parties:				
- Rental compensation under Guarantee (Note 4)	21,248	25,372	–	–
- Others	19	144	–	51
Total trade receivables	21,891	29,228	78,509	59,561
b) <u>Other receivables and prepayments</u>				
Deposits	11,497	7,503	–	–
Other receivables	40	233	–	–
Prepayments	478	569	6	–
Total other receivables and prepayments	12,015	8,305	6	–
Total trade and other receivables	33,906	37,533	78,515	59,561

During the financial year, HK\$64,000 (2003 : HK\$Nil) of doubtful debts were written off against allowances.

7 LOANS TO PROPERTY COMPANIES

The loans to property companies are unsecured and do not bear interest. They are not expected to be repaid within the next 12 months.

8 INVESTMENTS IN PROPERTY COMPANIES

	FORTUNE REIT	
	2004	2003
	HK\$'000	HK\$'000
Unquoted equity shares, at cost	531,486	531,486

NAME OF COMPANY	COUNTRY OF INCORPORATION	EFFECTIVE EQUITY INTEREST HELD BY FORTUNE REIT		COST OF INVESTMENT BY FORTUNE REIT		PRINCIPAL ACTIVITIES IN HONG KONG
		2004 %	2003 %	2004 HK\$'000	2003 HK\$'000	
Poko Shine Limited	Hong Kong	100	100	151,258	151,258	Property investment in Ma On Shan Plaza
Yee Pang Realty Limited	Hong Kong	100	100	144,831	144,831	Property investment in Jubilee Court Shopping Centre
Vision Million Limited	British Virgin Islands	100	100	128,809	128,809	Property investment in The Metropolis Mall
Art Full Resources Limited	Hong Kong	100	100	70,431	70,431	Property investment in The Household Center
Quick Switch Limited	British Virgin Islands	100	100	36,157	36,157	Property investment in Smartland
Total				531,486	531,486	

All the property companies are audited by Deloitte Touche Tohmatsu, Hong Kong.

9 INVESTMENT PROPERTIES

Details of the investment properties are set out in the Investment Properties Portfolio Statement.

Notes to the Financial Statements

31 December 2004

10 PLANT AND EQUIPMENT

	COMPUTERS HK\$'000
Cost:	
At beginning of year	–
Additions	40
At end of year	40
Accumulated depreciation:	
At beginning of year	–
Depreciation for the year	9
At end of year	9
Depreciation for last year	–
Net book value:	
At end of year	31
At beginning of year	–

11 NEGATIVE GOODWILL

	GROUP	
	2004 HK\$'000	2003 HK\$'000
Gross amount:		
At beginning of year/period	(138,782)	–
Arising on acquisition of property companies	–	(138,782)
At end of year/period	(138,782)	(138,782)
Accumulated amortisation:		
At beginning of year/period	1,218	–
Amortisation during the year/period	3,154	1,218
At end of year/period	4,372	1,218
Net book value:		
At end of year/period	(134,410)	(137,564)

12 TRADE AND OTHER PAYABLES

	GROUP		FORTUNE REIT	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
a) <u>Trade payables</u>				
Tenant's deposits				
- Outside parties	44,425	39,579	-	-
- Related parties (Note 4)	192	183	-	-
Rental received in advance				
- Outside parties	1,908	1,160	-	-
Total trade payables	46,525	40,922	-	-
b) <u>Other payables</u>				
Trustee's fee	378	174	378	174
Manager's base fee	3,322	2,563	3,322	2,563
Unit issue costs	410	2,875	410	2,875
Operating expenses	15,660	22,071	504	431
Total other payables	19,770	27,683	4,614	6,043
Total trade and other payables	66,295	68,605	4,614	6,043

13 BORROWINGS

	GROUP AND FORTUNE REIT	
	2004	2003
	HK\$'000	HK\$'000
Long-term borrowings:		
Term loans	900,000	900,000
Short-term borrowing:		
Revolving loan	26,000	57,000
Total	926,000	957,000

Under the facility agreement between a bank and the property companies, the bank has granted the property companies an omnibus unsecured facility of HK\$1.1 billion, comprising a HK\$900 million term loan and HK\$200 million revolving credit facility.

Notes to the Financial Statements

31 December 2004

The total facilities drawn down by the property companies as at 31 December 2004 were HK\$926 million, consisting of:

- i) HK\$900 million term loan bearing interest at floating interest rate ranging from 0.725% to 1.35% (2003 : 0.9125% to 1.7875%) per annum, fully repayable in August 2008. Under the facility agreement, the property companies have the option to prepay the loan at the end of each interest period, by giving not less than 21 days' prior written notice to the bank.

The Group has entered into interest rate swap contracts to swap floating rate borrowings into fixed rate borrowings. As at 31 December 2004, the fixed interest rates of borrowings vary from 3.14% to 3.38% (2003 : 3.28% to 3.38%) per annum.

The remaining terms and notional principal amounts of the outstanding interest rate swap contracts as at 31 December 2004 are disclosed in Note 26.

- ii) HK\$26 million revolving loan bearing interest at floating interest rate ranging from 0.6625% to 1.5375% (2003 : 0.7250% to 1.7875%) per annum. The final maturity is in August 2008.

The effective interest rates and repricing analysis:

	EFFECTIVE INTEREST RATE		CARRYING VALUE		REPRICING WITHIN 3 MONTHS	
	2004	2003	2004	2003	2004	2003
	%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<u>Interest bearing borrowings - Group</u>						
Term loans (with swap cost)	2.0734	1.4834	900,000	900,000	900,000	900,000
Revolving loan	0.9539	1.5079	26,000	57,000	26,000	57,000
Total			926,000	957,000	926,000	957,000

14 DEFERRED TAX LIABILITIES

	GROUP		FORTUNE REIT	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred tax liabilities	55,556	34,498	–	–

The movement in deferred tax position during the year was as follows:

At beginning of year/period	34,498	–	–	–
Charge to statement of return for the year/period (Note 22)	21,058	7,212	–	–
On acquisition of property companies	–	27,286	–	–
At end of year/period	55,556	34,498	–	–

The followings are the major deferred tax liabilities and assets recognised by Fortune REIT and the Group and movements thereon during the year:

Deferred tax liabilities/(assets)

	ACCELERATED TAX DEPRECIATION		TAX LOSSES		TOTAL	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
GROUP						
At beginning of year/period	64,135	–	(29,637)	–	34,498	–
On acquisition of property companies	–	59,415	–	(32,129)	–	27,286
Charge to statement of return for the year/period	10,481	4,720	10,577	2,492	21,058	7,212
At end of year/period	74,616	64,135	(19,060)	(29,637)	55,556	34,498

15 ISSUED EQUITY

	GROUP AND FORTUNE REIT			
	2004	2003	2004	2003
	NUMBER OF UNITS '000		HK\$'000	HK\$'000
Balance at beginning of year/period	473,285	473,000	2,235,365	2,234,046
Issue of new Units:				
As payment of manager's base fee	1,884	285	10,195	1,319
Balance at end of year/period	475,169	473,285	2,245,560	2,235,365

On 12 January 2005, Fortune REIT issued 501,966 Units to the Manager at HK\$6.3028 per Unit as base fee for the period from 1 October 2004 to 31 December 2004.

Each Unit represents an undivided interest in Fortune REIT. The rights and interests of Unitholders are contained in the Trust Deed and include the right to:

- Receive income and other distributions attributable to the Units held;
- Receive audited accounts and the annual reports of Fortune REIT; and
- Participate in the termination of Fortune REIT by receiving a share of all net cash proceeds derived from the realisation of the assets of Fortune REIT less any liabilities, in accordance with their proportionate interests in Fortune REIT. However, Unitholder has no right to require that any asset of Fortune REIT be transferred to him.

Notes to the Financial Statements

31 December 2004

Further, Unitholders cannot give any directions to the Trustee or the Manager (whether at a meeting of Unitholders or otherwise) if it would require the Trustee or the Manager to do or omit doing anything which may result in:

- Fortune REIT ceasing to comply with applicable laws and regulations; or
- The exercise of any discretion expressly conferred on the Trustee or the Manager by the Trust Deed or the determination of any matter which, under the Trust Deed, requires the agreement of either or both of the Trustee and the Manager.

A Unitholder's liability is limited to the amount paid or payable for any Units in Fortune REIT. The provisions of the Trust Deed provide that no Unitholder will be personally liable to indemnify the Trustee or any creditor of the Trustee in the event that liabilities of Fortune REIT exceed its assets.

16 UNIT ISSUE COSTS

IPO expenses totalling HK\$89.1 million had been charged against the Unitholders' Fund in 2003. Included in the Unit issue costs were amounts paid to the auditors of Fortune REIT of HK\$1.27 million for acting as independent reporting accountants for the IPO of Fortune REIT and provision of other services relating to the IPO.

17 NET ASSET VALUE PER UNIT

The net asset value per Unit is calculated based on the total net assets of the Group excluding negative goodwill. The total number of Units used for computing the net asset value per Unit is 475,670,775 (2003 : 473,793,604). This comprises:

- the number of Units in issue as at 31 December 2004 of 475,168,809 (2003 : 473,285,275); and
- the Units payable to Manager on 12 January 2005 as base fee for the period from 1 October 2004 to 31 December 2004 of 501,966 (2003 : 508,329).

18 REVENUE

	GROUP		FORTUNE REIT	
	YEAR ENDED 31 DECEMBER 2004	PERIOD FROM 4 JULY 2003 (DATE OF INCEPTION) TO 31 DECEMBER 2003	YEAR ENDED 31 DECEMBER 2004	PERIOD FROM 4 JULY 2003 (DATE OF INCEPTION) TO 31 DECEMBER 2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net dividend income	–	–	160,278	59,510
Base rental	160,245	51,065	–	–
Charge-out collections	70,117	24,216	–	–
Rental guaranteed for net property income	48,104	25,002	–	–
Rental guaranteed for net parking space income	1,071	370	–	–
Short-term rental	28,672	12,967	–	–
Total	308,209	113,620	160,278	59,510

19 PROPERTY OPERATING EXPENSES

	GROUP	
	YEAR ENDED 31 DECEMBER 2004	PERIOD FROM 4 JULY 2003 (DATE OF INCEPTION) TO 31 DECEMBER 2003
Number of employees at end of year/period	Nil	Nil

	GROUP	
	YEAR ENDED 31 DECEMBER 2004	PERIOD FROM 4 JULY 2003 (DATE OF INCEPTION) TO 31 DECEMBER 2003
	HK\$'000	HK\$'000
Utilities	13,492	5,968
Reimbursement of staff costs	10,561	4,329
Contribution to Estate Common	9,352	4,283
Service contracts and maintenance	10,240	3,952
Advertising and promotion	4,857	2,859
Government rents and rates	8,804	2,534
Manager's performance fee	6,610	2,465
Property management fee	5,203	1,752
Car park expenses	5,004	1,750
Audit fees paid to auditors of property companies	267	125
Allowance for Doubtful Debts	7,206	116
Other operating expenses	12,899	3,794
Total	94,495	33,927

20 NET TRUST EXPENSES

	GROUP AND FORTUNE REIT	
	YEAR ENDED 31 DECEMBER 2004	PERIOD FROM 4 JULY 2003 (DATE OF INCEPTION) TO 31 DECEMBER 2003
	HK\$'000	HK\$'000
Interest income	(134)	(34)
Audit fees paid to auditor of Fortune REIT	245	138
Professional fees	105	237
Trustee's fee	1,040	382
Other charges	2,125	512
Total	3,381	1,235

Notes to the Financial Statements

31 December 2004

21 BORROWINGS COST

	GROUP	
	YEAR ENDED 31 DECEMBER 2004	PERIOD FROM 4 JULY 2003 (DATE OF INCEPTION) TO 31 DECEMBER 2003
	HK\$'000	HK\$'000
Interest expense on		
- Term loans	18,661	7,206
- Revolving loan	444	479
Commitment fee	370	165
Total	19,475	7,850

22 INCOME TAX EXPENSE

	GROUP		FORTUNE REIT	
	YEAR ENDED 31 DECEMBER 2004	PERIOD FROM 4 JULY 2003 (DATE OF INCEPTION) TO 31 DECEMBER 2003	YEAR ENDED 31 DECEMBER 2004	PERIOD FROM 4 JULY 2003 (DATE OF INCEPTION) TO 31 DECEMBER 2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current - Singapore	11	8	11	8
- Foreign	12,894	5,312	-	-
	12,905	5,320	11	8
Deferred (Note 14)	21,058	7,212	-	-
Total	33,963	12,532	11	8

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 20% (2003 : 22%) to profit before income tax as a result of the following differences:

	GROUP		FORTUNE REIT	
	YEAR ENDED 31 DECEMBER 2004	PERIOD FROM 4 JULY 2003 (DATE OF INCEPTION) TO 31 DECEMBER 2003	YEAR ENDED 31 DECEMBER 2004	PERIOD FROM 4 JULY 2003 (DATE OF INCEPTION) TO 31 DECEMBER 2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Income tax expense at statutory rate	36,809	15,304	29,386	12,322
Non-allowable items	1,770	626	1,761	626
Tax exempt income	-	-	(31,136)	(12,940)
Effect of different tax rates of				
overseas operations	(4,601)	(3,130)	-	-
Other items	(15)	(268)	-	-
Net income tax expense	33,963	12,532	11	8

23 INCOME AVAILABLE FOR DISTRIBUTION

Income available for distribution during the financial year is derived from net profit of the Group after adjustment for appropriate trust expenses.

24 EARNINGS PER UNIT

The weighted average basic earnings per Unit is calculated by dividing the net profit for the current financial year of HK\$150.08 million (2003 : HK\$57.03 million) by 474,816,110 (2003 : 473,482,857) Units being the weighted average number of Units in issue during the year, after taking into account the 501,966 (2003 : 508,329) Units issued to the Manager on 12 January 2005 (2003 : 13 January 2004) as base fee for the period from 1 October 2004 to 31 December 2004 (2003 : 1 October 2003 to 31 December 2004).

The notional basic earnings per Unit is based on the net profit for the current financial year of HK\$150.08 million (2003 : HK\$57.03 million) and the number of Units in issue as at 31 December 2004 of 475,168,809 (2003 : 473,285,275) and the 501,966 (2003 : 508,329) Units issued to the Manager on 12 January 2005 (2003 : 13 January 2004) as base fee for the period from 1 October 2004 to 31 December 2004 (2003 : 1 October 2003 to 31 December 2003).

Diluted earnings per Unit is the same as the weighted average basic earning per Unit as there are no dilutive instruments in issue during the current financial year nor outstanding at the end of the financial year.

25 DISTRIBUTION POLICY

	YEAR ENDED 31 DECEMBER 2004	PERIOD FROM 4 JULY 2003 (DATE OF INCEPTION) TO 31 DECEMBER 2003
	HK\$'000	HK\$'000
Distributions to Unitholders during the year/period comprise of:		
Distribution of 12.43 Hong Kong cents per Unit for the period 4 July 2003 to 31 December 2003	58,892	–
Distribution of 17.00 Hong Kong cents per Unit for the period 1 January 2004 to 30 June 2004	80,709	–
Total	139,601	–

Fortune REIT's distribution policy is to distribute 100% of its Tax-Exempt Income (except dividends paid out of interest income and gains, which are distributable at the discretion of the Manager) after deduction of applicable expenses. Tax-Exempt Income consists of dividends receivable in Singapore from the property companies which are paid out of income subject to Hong Kong Profits Tax at a rate of not less than 15%. These income will be distributed on a semi-annual basis to Unitholders and will be paid by the Manager within 60 days from the end of each distribution period. Under the Trust Deed, the Manager is required to pay distributions within 60 days of the end of each distribution period.

Notes to the Financial Statements

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The distribution per Unit is based on the income available for distribution for the relevant distribution period and the number of Units in issue as at the end of each distribution period plus the number of Units to be issued after the distribution period to the Manager as base fee for the last quarter of the relevant distribution period as follows:

	INCOME AVAILABLE FOR DISTRIBUTION	NUMBER OF UNITS	DISTRIBUTION PER UNIT
	HK\$'000	'000	HK CENTS
<u>Distribution period</u>			
<u>Year ended 31 December 2004</u>			
1 January 2004 to 30 June 2004	80,709	474,757	17.00
1 July 2004 to 31 December 2004	78,047	475,671	16.40
Total	158,756		33.40
<u>Period from 4 July 2003 (date of inception) to 31 December 2003</u>			
13 August 2003 to 31 December 2003	58,910	473,794	12.43

26 DERIVATIVE FINANCIAL INSTRUMENTS

The table below sets out the remaining term, notional principal amounts and the fair value of the Groups' outstanding interest rate swaps:

	NOTIONAL PRINCIPAL AMOUNT		NEGATIVE FAIR VALUE	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Less than one year	–	–	–	–
One to five years	470,000	350,000	(11,902)	(5,925)

The interest rate swaps are entered into for hedging purposes.

27 SEGMENTAL REPORTING

Fortune REIT's business is investing in retail shopping malls and all existing properties are located in Hong Kong.

28 OPERATING LEASE COMMITMENTS

	GROUP	
	YEAR ENDED 31 DECEMBER 2004	PERIOD FROM 4 JULY 2003 (DATE OF INCEPTION) TO 31 DECEMBER 2003
	HK\$'000	HK\$'000
Minimum lease income under operating leases included in the profit and loss statement	230,362	75,281

As at the balance sheet date, commitments in respect of non-cancellable operating leases for the rental of mall premises were as follows:

	GROUP	
	2004	2003
	HK\$'000	HK\$'000
Future minimum lease payments receivable:		
Within one year	234,926	124,450
In the second to fifth year inclusive	165,935	108,825
After five years	–	216
Total	400,861	233,491

29 SUBSEQUENT EVENTS

On 12 January 2005, Fortune REIT issued 501,966 Units to the Manager of Fortune REIT at HK\$6.3028 per Unit as base fee for the period from 1 October 2004 to 31 December 2004.

30 COMPARATIVE FIGURES

The financial statements for 2004 cover the financial year from 1 January 2004 to 31 December 2004.

The financial statements for 2003 covered the financial period since the inception of Fortune REIT on 4 July 2003 to 31 December 2003.

Unitholders' Statistics

ISSUED AND FULLY PAID-UP UNITS

As at 14 February 2005

DATE	EVENT	NO. OF UNITS	AMOUNT (HK\$)	PRICE (HK\$)
12-08-03	Initial public offering	473,000,000	2,234,045,650 ¹	4.7500
16-10-03	Manager's base fee	285,275	1,318,973	4.6235
13-01-04	Manager's base fee	508,329	2,562,641	5.0413
01-04-04	Manager's base fee	491,656	2,534,786	5.1556
02-07-04	Manager's base fee	471,649	2,534,786	5.3743
01-10-04	Manager's base fee	411,900	2,562,641	6.2215
12-01-05	Manager's base fee	501,966	3,163,792	6.3028
	Total Units outstanding	475,670,775		

NOTE:

1. After volume discount.

There were 475,670,775 Units (voting rights: one vote per Unit) outstanding as at 14 February 2005. There is only one class of Units.

TOP TWENTY UNITHOLDERS

As at 14 February 2005

As shown in the Register of Unitholders

RANKING	UNITHOLDERS	NO. OF UNITS	% OF TOTAL
1	DBS Nominees Pte Ltd	141,478,150	29.7
2	Focus Eagle Investments Limited	129,685,000	27.3
3	Raffles Nominees Pte Ltd	72,200,700	15.2
4	Meren Pte Ltd	20,100,000	4.2
5	DBS Vickers Securities (Singapore) Pte Ltd	18,486,000	3.9
6	Citibank Nominees Singapore Pte Ltd	17,296,447	3.6
7	HSBC (Singapore) Nominees Pte Ltd	12,310,700	2.6
8	United Overseas Bank Nominees Pte Ltd	6,357,000	1.3
9	Morgan Stanley Asia (Singapore) Securities Pte Ltd	4,041,163	0.9
10	NTUC Fairprice Co-Operative Ltd	3,100,000	0.7
11	BNP Paribas Nominees Singapore Pte Ltd	1,727,000	0.4
12	DB Nominees (S) Pte Ltd	1,609,000	0.3
13	Tan Chee Jin	1,500,000	0.3
14	Bank of East Asia Nominees Pte Ltd	1,008,000	0.2
15	Teng Ngiek Lian	888,000	0.2
16	Lai Chooi Foong	765,000	0.2
17	RBC (Asia) Ltd	650,000	0.1
18	Tan Geok Eng	570,000	0.1
19	Merrill Lynch (Singapore) Pte Ltd	563,000	0.1
20	Loh Kwok Hoong Victor	560,000	0.1
	Total	434,895,160	91.4

SUBSTANTIAL UNITHOLDERS

As at 14 February 2005

As shown in the Register of Substantial Unitholders as at 14 February 2005

		NO. OF UNITS	
		DIRECT INTEREST	DEEMED INTEREST
1	Focus Eagle Investments Limited	129,685,000	–
2	Ballston Profits Limited	58,995,000	–
3	DBS Bank Ltd	47,000,000	–
4	The Capital Group Companies, Inc.	–	28,719,000
5	Cheung Kong (Holdings) Limited	–	188,680,775 ¹
6	Hutchison Whampoa Limited	–	58,995,000 ²
7	DBS Group Holdings Ltd	–	47,000,000 ³

NOTES:

- Cheung Kong is deemed to be interested in 188,680,775 Units, of which:
 - 129,685,000 Units are held by Focus Eagle Investments Limited (a wholly-owned subsidiary of Cheung Kong)
 - 58,995,000 Units are held by Ballston Profits Limited (a wholly-owned subsidiary of Hutchison Whampoa Limited, which in turn is 49.9% owned by Cheung Kong); and
 - 775 Units are held by the Manager (a wholly-owned subsidiary of ARA Asset Management Limited) by virtue of Cheung Kong's ownership of 30% of the shares in ARA Asset Management Limited.
- Hutchison Whampoa Limited is deemed to be interested in 58,995,000 Units held by its wholly-owned subsidiary company, Ballston Profits Limited.
- DBS Group Holdings Ltd is deemed to be interested in 47,000,000 Units held by its subsidiary, DBS Bank Ltd.

SIZE OF HOLDINGS

As at 14 February 2005

SIZE OF HOLDINGS	NO. OF UNITHOLDERS	%	NO. OF UNITS	%
1 - 999	5	0.3	1,818	0.0
1,000 - 10,000	1,157	66.3	5,791,800	1.2
10,001 - 1,000,000	570	32.6	38,977,997	8.2
1,000,001 and above	14	0.8	430,899,160	90.6
Total	1,746	100.0	475,670,775	100.0

MANAGER'S DIRECTORS' UNITHOLDINGS

As shown in the Register of Directors' Unitholdings as at 21 January 2005

		NO. OF UNITS	
		DIRECT INTEREST	DEEMED INTEREST
1	Lim Hwee Chiang, John	–	502,775 ¹
2	Sng Sow-Mei (Phoon Sui Moy alias Poon Sow Mei)	100,000	–

NOTE:

- Mr. Lim Hwee Chiang, John is deemed to be interested in 502,775 Units held by the Manager (a wholly-owned subsidiary of ARA Asset Management Limited) by virtue of Mr. Lim's ownership of 70% of the shares in ARA Asset Management Limited, the holding company of the Manager.

FREE FLOAT

Based on information made available to the Manager as at 14 February 2005, approximately 44.4% of the Units is held in public hands. Under Rule 723 of the Listing Manual of the SGX-ST, a listed issuer must ensure that at least 10% of its listed securities are at all times held by the public.

Additional Information

RELATED PARTY TRANSACTIONS

The transactions entered into during the financial year with an “interested person” or an “interested party” which fall under the Listing Manual of the SGX-ST and Property Funds Guidelines respectively are as follows¹:

NAME OF RELATED PARTY	AGGREGATE VALUE OF ALL RELATED PARTY TRANSACTIONS ENTERED DURING THE FINANCIAL YEAR UNDER REVIEW (EXCLUDING TRANSACTIONS OF LESS THAN S\$100,000 (APPROXIMATELY HK\$450,000 ² EQUIVALENT) EACH) HK\$'000
<u>Base rent and charge-out collections</u>	
A.S. Watson Group (HK) Limited	64,044
Marketon Investment Limited	51,974
Clayton Power Enterprises Limited	37,128
Harbour Plaza Metropolis Limited	25,155
Hutchison Telephone Company Limited	6,338
<u>Shuttle bus</u>	
Lifestyle Plus Limited	972
Total	185,611

Save as disclosed above, there were no additional related party transactions (excluding transactions of less than S\$100,000 (HK\$450,000 equivalent) each) entered during the year ended 31 December 2004.

Please also see Significant Related Party Transactions in Note 4 in the financial statements.

NOTES:

1. The table sets out only those transactions with an “interested person” or an “interested party” entered into during the financial year ended 31 December 2004 and does not include transactions with an “interested person” or an “interested party” which are set out in the Prospectus on transactions which were entered into during the financial year ended 31 December 2003.
2. Exchange rate of S\$1=HK\$4.5721 as at 1 January 2004.

SUBSCRIPTION OF FORTUNE REIT UNITS

As at 31 December 2004, an aggregate of 475,168,809 Units were in issue. On 12 January 2005, Fortune REIT issued 501,966 Units to the Manager as base fee for the period from 1 October 2004 to 31 December 2004.

Directory

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LIM Hwee Chiang, John Director and Chief Executive Officer
IP Tak Chuen, Edmond Director
YEUNG, Eirene Director
LIM Lee Meng Independent Director
CHENG Mo Chi, Moses Independent Director
SNG Sow-Mei (PHOON Sui Moy alias POON Sow Mei) Independent Director

AUDIT COMMITTEE

LIM Lee Meng Independent Director
CHENG Mo Chi, Moses Independent Director
SNG Sow-Mei (PHOON Sui Moy alias POON Sow Mei) Independent Director

COMPANY SECRETARY OF THE MANAGER

YAP Lune Teng

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(Partner-in-charge : Cheng Ai Phing)
(Appointed on 3 November 2003)

STOCK EXCHANGE QUOTATION

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RIC: FORT.SI

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FORTUNE REAL ESTATE INVESTMENT TRUST
Managed by ARA Asset Management (Singapore) Limited