



**Fortune Real Estate Investment Trust
Financial Statements
For the First Quarter Ended 31 March 2010**

These figures have not been audited nor reviewed by our auditors.

Fortune Real Estate Investment Trust ("Fortune REIT") is a real estate investment trust constituted by a Trust Deed entered into on 4 July 2003 (as amended) made between ARA Asset Management (Fortune) Limited, as the Manager of Fortune REIT, and HSBC Institutional Trust Services (Singapore) Limited, as the Trustee of Fortune REIT. Fortune REIT was listed on the Singapore Exchange Securities Trading Limited and The Stock Exchange of Hong Kong Limited on 12 August 2003 and 20 April 2010 respectively.

Fortune REIT holds a portfolio of fourteen retail properties in Hong Kong, spread across Kowloon and the New Territories, through the ownership of property companies ("the Property Companies"), worth approximately HK\$11.5 billion. The retail properties are City One Shatin Property, Ma On Shan Plaza, Metro Town, The Metropolis Mall, Waldorf Garden Property, Caribbean Bazaar, Smartland, Tsing Yi Square Property, Jubilee Court Shopping Centre, The Household Center, Centre de Laguna Property, Hampton Loft, Lido Garden Property and Rhine Garden Property. They house tenants from diverse trade sectors such as supermarkets, food and beverage outlets, banks, real estate agencies, and education providers.

1 (a) (i) Statement of comprehensive Income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	HK\$ '000		%
	Actual 1/3/10 to 31/3/10 ^(a)	Actual 1/3/09 to 31/3/09 ^(a)	Increase/ (Decrease)
Revenue ^(b)	169,844	137,081	23.9%
Charge-out collections ^(c)	39,303	31,168	26.1%
Total revenue	209,147	168,249	24.3%
Property management fees	(4,844)	(3,917)	23.7%
Other property operating expenses ^(d)	(43,638)	(37,391)	16.7%
Property Operating Expenses	(48,482)	(41,308)	17.4%
Net Property Income (before manager's performance fee)	160,665	126,941	26.6%
Manager's performance fee	(4,820)	(3,808)	26.6%
Net Property Income	155,845	123,133	26.6%
Changes in fair value of financial instruments ^(e)	(6,649)	-	NM
Net Property Income before finance costs	149,196	123,133	21.2%
Borrowing costs	(28,387)	(23,500)	20.8%
Profit Before Tax	120,809	99,633	21.3%
Hong Kong Taxation :			
Current taxation	(16,084)	(12,365)	30.1%
Deferred taxation	(4,615)	(3,500)	31.8%
Total Hong Kong Taxation	(20,699)	(15,865)	30.5%
Net Profit of Property Companies	100,110	83,768	19.5%
Manager's base fee	(8,507)	(6,363)	33.7%
Foreign exchange loss ^(f)	(96)	(13)	638.5%
Non-tax deductible trust expenses ^(g)	(36,896)	(1,644)	NM
Tax deductible trust expenses	(645)	(1,280)	(49.7%)
Non tax-exempt income ^(h)	113	398	(71.6%)
Singapore current taxation	(19)	(58)	(67.3%)
Total Trust Expenses	(46,050)	(8,960)	413.9%
Net Profit of Group	54,060	74,808	(27.7%)
Add :			
Manager's base fee	8,507	6,363	33.7%
Foreign exchange loss ^(f)	96	13	638.5%
Non-tax deductible trust expenses ^(g)	36,896	1,644	NM
Changes in fair value of financial instruments ^(e)	6,649	-	NM
Income Available For Distribution⁽ⁱ⁾	106,208	82,828	28.2%

Footnotes:

- (a) *The Group's financial information incorporates the financial statements of the Trust and the 14 Property Companies.*
- (b) *Revenue includes rental income, car park income, license income, atrium income and others.*
- (c) *Charge-out collections consist of expenses related to the operation of the properties that are payable by tenants and licensees and these expenses include air conditioning charges, management fees, promotional charges, government rents, utility charges, cleaning charges and government rates.*
- (d) *There was no allowance for doubtful debt in other property operating expenses for the period from 1 January 2010 to 31 March 2010 (2009:HK\$2.0 million).*
- (e) *The amount relates to the loss arising from the re-measurement of one of the plain vanilla interest rate swap which was not designated for hedge accounting as at 31 March 2010.*
- (f) *Foreign exchange loss/gain represents realised and unrealised foreign exchange differences. The unrealised exchange difference arose from translation of monetary assets and liabilities denominated in foreign currencies into Hong Kong dollars at rates of exchange ruling at the end of the reporting period. The realised exchange difference arose from the settlement of foreign currencies payables at the transaction dates. All exchange differences are included in the statement of comprehensive income.*
- (g) *Included in the non-tax deductible trust expenses for the period 1 January 2010 to 31 March 2010 is a provision of HK\$30.0 million for the cost of the dual primary listing on The Stock Exchange of Hong Kong Limited (2009: Nil).*
- (h) *Non tax-exempt income refers mainly to interest income from fixed deposits.*
- (i) *Fortune REIT's distribution policy is to distribute to Unitholders on a semi-annual basis, the higher of (i) 100.0% of its tax-exempt income (except dividends paid out of interest income and gains, if any, which are distributable at the discretion of the Manager) after deduction of applicable expenses ("net Tax-Exempt Income"); and (ii) 90% of consolidated audited net profit after tax for the relevant financial year adjusted to eliminate the effects of certain adjustments in accordance with the Code on Real Estate Investment Trust ("REIT Code") published by The Securities and Futures Commission of Hong Kong.*
- (j) *There is no investment income, write-off for stock obsolescence, impairment in the value of investments, profit on sale of investments, properties or plant and equipment, exceptional and extraordinary items during the financial period and the previous corresponding financial period.*

1 (a) (ii) Statement of other comprehensive income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	HK\$ '000		%
	Actual 1/1/10 to 31/3/10	Actual 1/1/09 to 31/3/09	Increase/ (Decrease)
Net Profit of Group	54,060	74,808	(27.7%)
Other comprehensive income:			
Cash flow hedge ^(a)	(4,466)	8,573	(152.1%)
Total comprehensive income	49,594	83,381	(40.5%)

Footnote:

(a) There is no tax effect relating to the component of the other comprehensive income.

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

	Trust		Group ^(a)	
	HK\$ '000		HK\$ '000	
	Actual 31/3/10	Actual 31/12/09	Actual 31/3/10	Actual 31/12/09
Current Assets				
Cash and bank balances	289,064	473,233	410,732	515,341
Trade and other receivables	73,857	85,721	44,817	47,619
Total Current Assets	362,921	558,954	455,549	562,960
Non-Current Assets				
Investment in property companies	5,470,134	5,470,134	-	-
Investment properties ^(b)	-	-	11,504,930	11,500,000
Fixed assets	-	-	24	44
Total Non-Current Assets	5,470,134	5,470,134	11,504,954	11,500,044
Total Assets	5,833,055	6,029,088	11,960,503	12,063,004
Current Liabilities				
Trade and other payables	35,937	16,946	291,496	276,474
Distribution payable ^(c)	106,208	-	106,208	-
Borrowings ⁽¹⁾	-	-	2,756,329	2,786,286
Derivative liability ^(d)	-	-	13,847	27,097
Provision for taxation	1,497	2,849	21,811	7,079
Total Current Liabilities	143,642	19,795	3,189,691	3,096,936
Non-Current Liabilities				
Deferred tax liabilities	-	-	137,606	132,991
Derivative liability ^(d)	-	-	24,780	415
Total Non-Current Liabilities	-	-	162,386	133,406
Total Liabilities	143,642	19,795	3,352,077	3,230,342
Net Assets Attributable to Unitholders	5,689,413	6,009,293	8,608,426	8,832,662

Notes:

- (1) Fortune REIT had executed a loan agreement on 15 October 2009 to refinance the term loan facility and revolving loan facility for a term of 4 years. Please refer to footnote (a) in paragraph 1(b)(ii).
- (2) Due to dual primary listing, the presentation of Statement of Financial Position is revised to comply with the requirements of the REIT Code.

Footnotes:

- (a) The Group's financial information incorporates the financial statements of the Trust and the 14 Property Companies.
- (b) Investment properties are stated at valuation based on an independent professional valuation carried out by Savills Valuation and Professional Services Limited, the independent valuer on 31 December 2009. During the period, minor capital costs were incurred and included in the investment properties value.
- (c) Distribution payable is the amount of income available for distribution accrued from 1 January 2010 to 31 March 2010. This is to comply with the REIT Code after the dual primary listing in Hong Kong and for Fortune REIT distribution policy please refer to footnote (i) of section 1(a)(i).
- (d) The derivative liability relates to the fair value of the plain vanilla interest rate swaps transacted to hedge the interest rate risk on the term loan.
- (e) Unit issue costs comprise listing and perusal fee, professional and other fees, underwriting and selling commission and miscellaneous expenses. It includes an amount of approximately HK\$268.5 million paid as of 31 March 2010 (31 December 2009: HK\$263.3 million) as well as accruals of approximately HK\$3.1 million (31 December 2009: HK\$8.3 million).

1 (b)(ii) Aggregate amount of borrowings

As at 31/3/10

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

Secured ^(a)	Unsecured
HK\$ '000	HK\$ '000
2,756,329	-
-	-
2,756,329	-

As at 31/12/09

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

Secured ^(a)	Unsecured
HK\$ '000	HK\$ '000
2,786,286	-
-	-
2,786,286	-

Footnote:

- (a) Fortune REIT has in place an omnibus facility ("the Facility") of HK\$2,613.7 million (2009: HK\$2,613.7 million) comprising a HK\$2,348.7 million (2009: HK\$2,348.7 million) term loan facility and a HK\$265.0 million (2009: HK\$265.0 million) revolving credit facility.

Fortune REIT had entered into a loan commitment on 24 August 2009 to refinance the term loan facility and revolving loan facility for a term of 4 years (the "New Facility"). The credit agreement comprises of a term loan and revolving credit facility of HK\$3,100.0 million, was executed on 15 October 2009. As at 31 March 2010, HK\$480.0 million had been drawdown.

Included in the amount payable in one year or less is a debt front end fee of HK\$72.4 million (31 December 2009: HK\$78.4 million), of which HK\$71.4 million relates to the New Facility totaling HK\$3,100.0 million. The existing Facility is secured by, inter alia, a mortgage over City One Shatin Property, Ma On Shan Plaza, The Metropolis Mall, Smartland, Tsing Yi Square Property, The Household Center, Centre de Laguna Property, Lido Garden Property and Rhine Garden Property whereas the HK\$480.0 million drawdown from the New Facility is secured over the three newly acquired properties namely Metro Town, Caribbean Bazaar and Hampton Loft.

1 (c) Statement of cash flows

	Group	
	HK\$ '000	HK\$ '000
	Actual 1/1/10 to 31/3/10	Actual 1/1/09 to 31/3/09
Operating Activities		
Profit before taxation	74,778	90,731
Adjustments for:		
Changes in fair value of derivative liabilities	6,649	-
Amortisation of debt front end fee	6,044	1,006
Depreciation	19	19
Allowance for doubtful debts	-	1,955
Base fee paid in units	8,507	6,363
Interest income	(113)	(398)
Borrowing costs	28,387	23,500
Operating Profit before changes in working capital	124,271	123,176
Decrease/(increase) in trade and other receivables	2,802	(556)
Increase in trade and other payables	15,022	1,917
Cash generated from operating activities	142,095	124,537
Income taxes paid	(1,371)	-
Cash flows from operating activities	140,724	124,537
Investing Activities		
Upgrading of investment properties	(4,930)	(10,485)
Interest received	113	398
Cash flow used in investing activities	(4,817)	(10,087)
Financing Activities		
Distribution paid	(176,129)	(151,934)
Repayment of borrowings	(36,000)	-
Borrowing costs paid	(28,387)	(23,500)
Cash flow used in financing activities	(240,516)	(175,434)
Net decrease in cash and cash equivalents	(104,609)	(60,984)
Cash and cash equivalents at beginning of the period	515,341	243,361
Cash and cash equivalents at end of the period	410,732	182,377

1 (d)(i) Statement of changes in net assets attributable to unitholders

<u>Statement for the first quarter</u>	Actual				
	Issued Units	Unit issue costs	Hedging reserve	Accumulated profits	Net
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group					
Balance as at 1 January 2010	6,308,340	(271,593)	(27,512)	2,823,427	8,832,662
Total comprehensive income	-	-	(4,466)	54,060	49,594
Unitholders' transactions					
Creation of units					
-management fee paid/payable in units	8,507	-	-	-	8,507
Distribution paid and payable to Unitholders	-	-	-	(282,337)	(282,337)
Increase (Decrease) in net assets resulting from Unitholders' transactions	8,507	-	-	(282,337)	(273,830)
Balance as at 31 March 2010	6,316,847	(271,593)	(31,978)	2,595,150	8,608,426
Balance as at 1 January 2009	4,370,531	(173,097)	(64,919)	2,023,849	6,156,364
Total comprehensive income	-	-	8,573	74,808	83,381
Unitholders' transactions					
Creation of units					
-management fee paid/payable in units	6,363	-	-	-	6,363
Distribution paid and payable to Unitholders	-	-	-	(151,934)	(151,934)
Increase (Decrease) in net assets resulting from Unitholders' transactions	6,363	-	-	(151,934)	(145,571)
Balance as at 31 March 2009	4,376,894	(173,097)	(56,346)	1,946,723	6,094,174

<u>Statement for the first quarter</u>	Actual			
	Issued Units	Unit issue costs	Accumulated profits	Net
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trust				
Balance as at 1 January 2010	6,308,340	(271,593)	(27,454)	6,009,293
Total comprehensive income	-	-	(46,050)	(46,050)
Unitholders' transactions				
Creation of units				
-management fee paid/payable in units	8,507	-	-	8,507
Distribution paid and payable to Unitholders	-	-	(282,337)	(282,337)
Increase (Decrease) in net assets resulting from Unitholders' transactions	8,507	-	(282,337)	(273,830)
Balance as at 31 March 2010	6,316,847	(271,593)	(355,841)	5,689,413
Balance as at 1 January 2009	4,370,531	(173,097)	1,224	4,198,658
Total comprehensive income	-	-	(8,960)	(8,960)
Unitholders' transactions				
Creation of units				
-management fee paid/payable in units	6,363	-	-	6,363
Distribution paid and payable to Unitholders	-	-	(151,934)	(151,934)
Increase (Decrease) in net assets resulting from Unitholders' transactions	6,363	-	(151,934)	(145,571)
Balance as at 31 March 2009	4,376,894	(173,097)	(159,670)	4,044,127

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

<u>Date</u>	<u>Units Issued</u>	<u>Purpose</u>
As at 1 January 2010	1,658,765,035	Total units since the end of previous financial period
7 January 2010	2,830,232	As payment of management fee for the period from 1 October 2009 to 31 December 2009
As at 31 March 2010	<u>1,661,595,267</u>	
12 April 2010 ^(a)	2,357,120	As payment of management fee for the period from 1 January 2010 to 31 March 2010
Deemed units as at 31 March 2010	<u>1,663,952,387</u>	

Footnote:

(a) On 12 April 2010, there was an additional 2,357,120 units issued to the Manager as payment of management fee for the period from 1 January 2010 to 31 March 2010.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Review Engagement 2400 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have not been audited nor reviewed by the auditors.

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

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited financial statements have been applied

In accordance with the Fifth Amended Trust Deed, Fortune REIT has adopted the International Financial Reporting Standards ("IFRS") with effect from the first quarter of 2010. Prior to 2010, Fortune REIT prepared its financial statements in accordance with the provisions of Singapore Financial Reporting Standards ("SFRS"). The adoption of IFRS does not result in changes to the group's and trust's accounting policies.

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

As per paragraph 4.

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

Period from 1 January 2010 to 31 March 2010

	Actual 1/1/10 to 31/3/10 ^(a) HK cents	Actual 1/1/09 to 31/3/09 HK cents
Earnings per unit for the period based on the weighted average number of units in issue	3.25	9.09
Weighted average number of units in issue (million)	1,663.8	823.0
Distribution per unit for the period	6.38	10.06
Total number of units in issue (million)	1,664.0	823.1

Footnote:

- a) 824.9 million of rights units and 6.4 million of acquisition fee in units were issued on 15 October 2009 and 16 October 2009 respectively. The Earnings per unit and Distribution per unit for first quarter 2010 were calculated based on the total enlarged units in issue.

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

	Actual 31/3/10 HK\$	Actual 31/12/09 HK\$
Net asset value per unit ^(a)	5.19	5.33

Footnote:

- (a) Net asset value is calculated based on net assets of the Group *excluding* hedging reserves. The total number of deemed units used for the computation of net asset value per unit is 1,664.0 million as at 31 March 2010 (31 December 2009: 1,661.6 million). The decrease in net asset value per unit was mainly due to the final distribution for 2009 which was paid in February 2010, the accrued distribution payable for first quarter as well as an increase in units issued to the Manager as base fee for the period from 1 January 2010 to 31 March 2010.

8. Review of performance

Income Statement

	HK\$ '000		%
	Actual 1/1/10 to 31/3/10	Actual 1/1/09 to 31/3/09	Increase
Total Revenue	209,147	168,249	24.3%
Net Property Income	155,845	123,133	26.6%
Income Available for Distribution	106,208	82,828	28.2%

1Q 2010 (“Reporting Period”) versus 1Q 2009

Total Revenue for the Reporting Period was HK\$209.1 million, 24.3% higher compared to the same quarter last year. The higher revenue was mainly contributed by the newly acquired properties, namely Metro Town, Caribbean Bazaar and Hampton Loft, on 15 October 2009, as well as the improved performance in City One Shatin Property and Ma On Shan Plaza.

Portfolio occupancy rate further improved to 97.3% as at 31 March 2010. Passing rent stood at HK\$27.4 psf, whilst a 13.1% rental reversion was achieved from renewed leases for the Reporting Period.

Property Operating Expenses was HK\$48.5 million compared to HK\$41.3 million in the corresponding period last year mainly due to the additional expenses incurred for the newly acquired properties. Cost to revenue ratio was well managed at 23.2%.

Net Property Income was HK\$155.8 million, a 26.6% increase over the same period last year mainly due to the strong growth in rental revenues.

Borrowing costs was HK\$28.4 million for the period, about 20.8% higher than the corresponding quarter last year, mainly due to the drawdown of the New Facility of HK\$480.0 million on 15 October 2009. The weighted average cost of borrowing was 4.07% for the Reporting Period.

Net Profit of the Property Companies was HK\$100.1 million, representing a 19.5% increase compared to the same period last year. Income Available for Distribution for the Reporting Period was HK\$106.2 million, 28.2% higher than the corresponding period last year.

9. Variance between actual and the forecast results for the period from 1 January 2010 to 31 March 2010

Not applicable.

10. Commentary on the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Continuing the momentum in the second half of 2009, the economy started off with a strong, broad-based growth in both domestic and external sectors in the first quarter of 2010. Growth in the first quarter of 2010 is likely to be particularly strong on a year-on-year basis, partly boosted by the distinct low base in early 2009. Granting no significant adverse developments from the global economic and financial fronts, the revival in the Hong Kong economy should stay on track for the rest of the year. Against this backdrop, the Hong Kong government forecasts the GDP growth to be about 4% to 5% for the full year 2010.

The improvement in labour market conditions along with the economic recovery has reinforced consumer confidence. According to the Census and Statistics Department in Hong Kong, the total value of retail sales for the period from January to March 2010 has increased by an encouraging 18.8% over the same period last year.

Shopping center rents continued to rise for the third consecutive quarter in the first quarter of 2010. According to the shopping center rental index by Savills, shopping center rents have increased by 11% and 7% respectively for Kowloon and New Territories over a year earlier.

Sources: Hong Kong Census and Statistics Department and Savills Research.

Outlook for the financial year ending 31 December 2010

Further to the successful completion of the recent refinancing and the rights issue in October 2009, Fortune REIT has reinforced its financial position with no refinancing needs until 2013. Besides, the acquisition of Metro Town, Caribbean Bazaar and Hampton Loft on 15 October 2009 will provide Fortune REIT with a more stable cash flow thereby enhancing the income profile of its portfolio.

In addition, the successful completion of the dual primary listing in Hong Kong provides Fortune REIT with access to both Singapore and Hong Kong capital markets, which is important for the growth and long term development of Fortune REIT.

Based on the portfolio asset performance for the quarter ended 31 March 2010, the manager of Fortune REIT expects the asset performance for the year ending 31 December 2010 to be in line with the market, barring any unforeseen circumstances.

11. Distributions

(a) Current financial period

Any distribution declared for the current period?	NIL
---	-----

(b) Corresponding period of the immediate preceding financial year

Any distribution declared for the current period?	NIL
---	-----

Name of distribution	NA
Distribution Type	NA
Distribution Rate	NA
Par value of units	NM
Tax Rate	NA

(c) Date Payable	NA
-------------------------	----

(d) Book Closure Date	NA
------------------------------	----

Footnote:

NM - Not meaningful

NA - Not applicable

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

No distribution has been declared or recommended for the current financial period from 1 January 2010 to 31 March 2010.

13. Confirmation pursuant to Rule 705(5) of the Listing Manual

To the best of our knowledge, nothing has come to the attention of the Board of Directors of the manager of Fortune Real Estate Investment Trust (the "Manager") which may render the unaudited interim financial results of the Group and the Trust (comprising the statement of financial position, statement of comprehensive income, statement of changes in net assets attributable to Unitholders and consolidated statement of cash flows, together with their accompanying notes) as at 31 March 2010 and the results of the business, changes in net assets attributable to Unitholders and cash flows of the Group for the 3 months ended on that date, to be false or misleading in any material respect.

On behalf of the Board of the Manager,

Chiu Kwok Hung, Justin
Director

Lim Hwee Chiang
Director

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

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

Lim Hwee Chiang
Director

4 May 2010