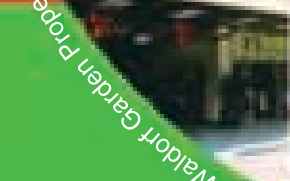
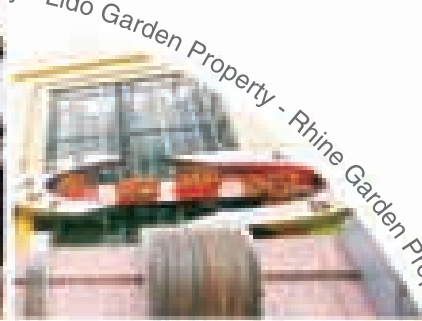


ANNUAL REPORT 2007
Growing Your Fortune

The Household Center



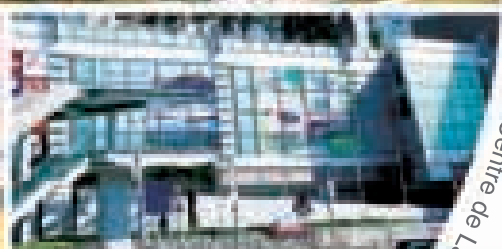
Tsing Yi Square Property



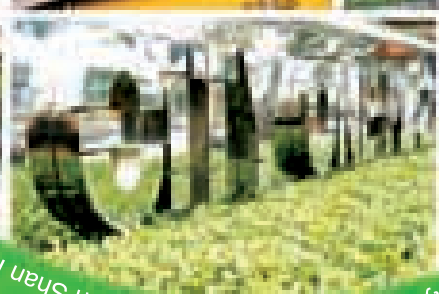
Lido Garden Property

Rhine Garden Property

Jubilee Court Shopping Centre



Centre de Laguna Property



City One Shatin Property

Waldorf Garden Property

Ma On Shan Plaza

The Metropolis Mall

The Metropolis Mall

The Metropolis Mall



Ma On Shan Plaza

About Fortune REIT

Fortune Real Estate Investment Trust ("Fortune REIT") was listed on Singapore Exchange Securities Trading Limited ("SGX-ST") on 12 August 2003. It holds a portfolio of eleven retail malls and properties in Hong Kong, through the ownership of special purpose companies; they worth approximately HK\$9.7 billion. Fortune REIT is managed by ARA Asset Management (Singapore) Limited ("ARASL" or the "Manager").

About The Manager

ARA Asset Management (Singapore) Limited is a wholly-owned subsidiary of ARA Asset Management Limited ("ARA"), a corporation incorporated in Bermuda, which was listed on the Mainboard of the SGX-ST on 2 November 2007.

ARA, a real estate fund management company, is an affiliate of the multinational conglomerate Cheung Kong Group. ARA's business segments comprise (i) REIT management, which includes Suntec REIT listed in Singapore, Prosperity REIT listed in Hong Kong and AmFIRST REIT listed in Malaysia, (ii) private real estate fund management; and (iii) specialist equity fund management and corporate finance advisory services.

The Manager is responsible for the management and administration of Fortune REIT, as well as the implementation of Fortune REIT's strategy. This includes proactively sourcing for acquisition opportunities, overseeing its asset management strategies and managing the financing, investor relations and other trust-related matters of Fortune REIT.

Our Mission

The Manager's key objective is to deliver regular and stable returns to Fortune REIT's unitholders ("Unitholders") through proactive management of Fortune REIT's portfolio of assets and acquiring properties that deliver yield accretion for Unitholders.

Corporate Information

Manager

ARA Asset Management (Singapore) Limited
#16-02, Suntec Tower Four,
6 Temasek Boulevard,
Singapore 038986
Telephone: +65 6835 9232
Fax: +65 6835 9672

Directors of the Manager

CHIU Kwok Hung, Justin, Chairman and Director
LIM Hwee Chiang, John, Director
IP Tak Chuen, Edmond, Director
YEUNG, Eirene, Director
LIM Lee Meng, Independent Director
CHENG Mo Chi, Moses, Independent Director
SNG Sow-Mei (alias POON Sow Mei), Independent Director

Audit Committee

LIM Lee Meng, Chairman and Independent Director
CHENG Mo Chi, Moses, Independent Director
SNG Sow-Mei (alias POON Sow Mei), Independent Director

Company Secretary of the Manager

Yap Lune Teng

Trustee

HSBC Institutional Trust Services (Singapore) Limited

Legal Adviser

Allen & Gledhill LLP

Unit Registrar

Boardroom Corporate & Advisory Services Pte. Ltd.
3 Church Street
#08-01 Samsung Hub
Singapore 049483

Auditors

Deloitte & Touche
Partner-in-charge: Cheng Ai Peng
Appointed on 3 November 2003

Stock Exchange

BBG: FRT SP Equity
RIC: FORT.SI

Website

www.fortunereit.com
www.ara-asia.com





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Ma On Shan Plaza

Financial Highlights



Profit and Loss Statement for the Financial Year	2007	2006	Variance
Revenue	HK\$614.8m	HK\$614.1m	0.1%
Net Property Income	HK\$450.1m	HK\$437.6m	2.9%
Amount Available For Distribution	HK\$284.9m	HK\$276.6m	3.0%
Distribution Per Unit ("DPU")	HK\$0.3512	HK\$0.3426	2.5%

Balance Sheet as at 31 December	2007	2006	Variance
Investment Properties	HK\$9,713.0m	HK\$9,235.0m	5.2%
Total Assets	HK\$9,992.0m	HK\$9,517.7m	5.0%
Total Liabilities	HK\$2,685.8m	HK\$2,652.0m	1.3%
Unitholder's Equity	HK\$7,306.2m	HK\$6,865.8m	6.4%
NAV ¹ per Unit	HK\$9.04	HK\$8.53	6.0%
Gearing (Debt-to-Asset Ratio) ²	23.5%	24.7%	–
Units In Issue ³	812.3m	807.4m	0.6%

Notes:

1. Adjusted net asset value ("NAV") per Unit based on net assets of the Group excluding hedging reserves.
2. This excludes the front-end fee and is calculated based on total debt to Deposited Property.
3. This includes the Units issued to the Manager on 15 January 2008 and 16 January 2007 as payment of management fee for the period from 1 October 2007 to 31 December 2007 and from 1 October 2006 to 31 December 2006 respectively.



The Metropolis Mall

Chairman's Report



“We continuously strive to enhance returns to Unitholders through proactive lease management, effective cost controls, asset enhancements and yield accretive acquisitions.”

Dear Unitholders,

On behalf of the Board of ARA Asset Management (Singapore) Limited, the Manager of Fortune REIT, I am pleased to present Fortune REIT's performance report for 2007.

The Fortune REIT's portfolio of eleven neighbourhood retail malls delivered stable and sustainable growth for 2007. The net property income ("NPI") for the period from 1 January 2007 to 31 December 2007 ("the Reporting Period") rose 2.9% over 2006. This was driven by strong rental reversions of approximately 15.6% on a portfolio basis for the whole year. Proactive asset management strategies, coupled with exciting promotional events in the malls, have contributed to a healthy demand from tenants and shoppers alike. The tax exempt yield of 6.7% or pre-tax yield of 8.2% from a transparent cash flow was an attractive 330 basis points above the Hong Kong Exchange Fund Note yield at year end. Portfolio gearing as of end 2007 was a low 23.5%, giving Fortune REIT the debt flexibility of about HK\$1.8 billion, before the statutory borrowing limit of 35% and before a credit rating.

The cost-to-revenue ratio remained stable at 24.5% for the year as a result of prudent cost rationalization efforts to maintain a stable cost-to-revenue ratio that commensurates with a quality facility to tenants and shoppers. Moreover, the valuation of our portfolio of properties increased by 5.2% to HK\$9.7 billion at the end of 2007. It is anticipated that interest rates will continue its downward trend into 2008, giving Fortune REIT an opportunity to capitalize on lower borrowing costs and financing flexibility for acquisitions.

The Hong Kong economy was vibrant in 2007 with the Gross Domestic Product ("GDP") growing some 6.3% in real terms over a year earlier. The strength of the local economy continued to translate into greater job opportunities benefiting a wide spectrum of society. Both the total labour force and total employment hit an all time high during the fourth quarter of 2007. The unemployment rate fell further to 3.4% for the 3 months from November 2007 to January 2008, the lowest rate in more than nine years.

Domestic demand has assumed a more significant role in propelling the economy forward. Local consumer spending was particularly strong and consumer sentiment was boosted by improved household income and job prospects. Total retail sales increased by 12.8% in value or 10.1% in volume in 2007 compared to 2006. Going forward, retail sales should continue to hold up well amidst robust consumer confidence and vibrant inbound tourism. In line with higher retail sales in 2007, retail rents have also improved, with private retail rents rising some 12.2% according to the Government's Rating and Valuation Department.

Barring unforeseen circumstances, we believe 2008 will be another good year for Fortune REIT on the back of a buoyant economy and positive consumer sentiments in Hong Kong.

I would like to take this opportunity to thank my fellow directors, service providers, partners, and management at all levels for their high level of integrity, hard work, and dedication in working as a team to deliver continued growth to Fortune REIT and for our Unitholders.

Chiu Kwok Hung, Justin

Chairman

ARA Asset Management (Singapore) Limited
As manager of Fortune REIT
18 March 2008

Manager's Report

Financial Review

Distribution

In 2007, Fortune REIT's portfolio of eleven malls and properties continued to reward Unitholders with stable and sustainable growth. For the twelve months ended 31 December 2007, total income available for distribution was HK\$284.9 million, representing a growth of 3.0% over the preceding year. Distribution per Unit ("DPU") also rose by 2.5% over the preceding year to HK\$0.3512. Based on the year-end closing Unit price of HK\$5.21, Fortune REIT's full year DPU is equivalent to an attractive yield tax-exempt yield of 6.7%. It is the policy of the Manager to distribute 100% of Fortune REIT's annual tax-exempt income for each financial year to Unitholders. Unitholders receiving distributions made by Fortune REIT out of net tax-exempt income will not be assessable to Singapore income tax on the distribution received.

Portfolio Valuation

As at 31 December 2007, Knight Frank Valuation and Professional Services Limited ("Knight Frank"), appraised Fortune REIT's property portfolio at approximately HK\$9,713 million¹. This represented an overall increase of 5.2% in value from the previous year's valuation of HK\$9,235 million, reflecting the strong demand for retail space in Hong Kong and the improvement in Fortune REIT's asset performance. Knight Frank has primarily used two methodologies, the discounted cash flow analysis and the income capitalization approach, supported by the direct comparison method, in arriving at the market valuation for each individual property in the portfolio.

Net Assets

As at 31 December 2007, net assets attributable to Unitholders was HK\$7,306 million or HK\$9.04 per Unit², a 74% premium to the closing Unit price of HK\$5.21.

Capital Structure Management

As at 31 December 2007, Fortune REIT's aggregate leverage ratio³ was 23.5%, based on total borrowings of HK\$2,349 million and total assets of HK\$9,992 million, after the revaluation conducted by Knight Frank for the portfolio properties. Its current conservative aggregate leverage ratio allows Fortune REIT to tap on the favourable interest rate environment on the debt capacity of about HK\$1,750 million for opportunistic acquisitions, before reaching the statutory leverage limit of 35%⁴.

During the Reporting Period, Fortune REIT had in place term loan facilities of HK\$2,349 million and revolving facilities of HK\$265 million. Both the term loan and the revolving credit facilities have a term of five years from 28 June 2005 and bear interest at a variable rate. In order to hedge against fluctuations in interest rates under the term loan, Fortune REIT entered into various interest rate swap agreements of different maturities for a total

Notes:

1. The valuation of all malls and properties in the portfolio increased over 2006, except for The Metropolis Mall which decreased due to tenant mix enhancement exercises which resulted in a temporary rent void in end 2007.
2. Adjusted net asset value ("NAV") per Unit based on net assets of the Group excluding hedging reserves.
3. According to the revised Property Fund Guidelines from The Monetary Authority of Singapore "MAS", "Borrowing Limit" is replaced with "Aggregate Leverage Limit" which comprises actual borrowings and deferred payments. As at 31 December 2007, there was no deferred payment incurred for Fortune REIT.
4. According to the MAS revised Property Fund Guidelines, the maximum aggregate leverage limit allowed for a REIT is 35%. It can go up to 60% if a credit rating is obtained and disclosed to the public.





The Metropolis Mall

Manager's Report

notional amount equivalent to HK\$1,844 million. Fortune REIT's exposure to derivatives is elaborated in the financial statements. The net fair value derivative represented 0.5% of the net assets of Fortune REIT as at 31 December 2007. For the Reporting Period, total borrowing costs amounted to HK\$112.7 million.

Portfolio Overview

Buoyant Operating Environment

In 2007, the Hong Kong economy registered solid growth on the back of its close economic relationship with the Mainland. GDP grew by 6.3% in real terms over a year earlier. The Healthy GDP growth has led to improved labour market conditions. The seasonally adjusted unemployment rate fell to a near 10-year low of 3.4% for the 3 months from November 2007 to January 2008. Growth in retail spending in 2007 accelerated to 12.8% in value from 7.3% in 2006. This marked the fastest pace of increase since 1992. Growth was underpinned by robust job creation and surging tourist arrivals which grew by 11.6% in 2007 over the preceding year.

Proactive Lease Management

Fortune REIT has witnessed an improvement in passing rent across its eleven retail malls. Benefiting from a strong rental reversion of 15.6% achieved during the Reporting Period, the portfolio average passing rent improved by 6.3% to HK\$25.23 per square foot ("psf") as at 31 December 2007 over a year ago. A gross rentable area ("GRA") of about 513,000 square feet ("sf") was successfully leased during the Reporting Period, out of which about 344,000 sf were renewed with the existing tenants. The occupancy rate of the eleven retail malls was 92.1% as at 31 December 2007.

As at 31 December 2007, the weighted average lease term stood at 2.3 years for the eleven malls of Fortune REIT. About 45% of the leases in the portfolio will expire in 2008, giving the Manager a good opportunity to deliver organic growth amid a positive reversion cycle in a strong retail market.

Asset Enhancement Initiatives

2007 witnessed the completion of the successful asset enhancement project in Waldorf Garden Property where a large restaurant space of about 33,000 sf was subdivided into 31 retail shops and 3 medium sized restaurants. A overwhelming response was received for the enhanced

zone with committed new rents almost three times higher than preceding rents. About 99% of the new shops were pre-leased prior to completion, thus effectively minimizing the rental void period. The subdivision works were completed in August 2007 and the higher rental from the enhanced zone started its contribution in the fourth quarter of 2007. The strong take up and higher rents achieved in the renovated zone have had a positive spillover effect in other parts of the mall with rental enhancements of about 20% to 50%.

Riding on the encouraging results achieved through the subdivision of Waldorf Garden Property, works have commenced for the reconfiguration and tenant repositioning to the adjacent 10,000 sf zone. Works are expected to be completed by the second quarter of 2008. Short term extensions to existing tenancies or temporary tenancies, where practicable, are in place to reduce rental void periods prior to renovations.

In line with the Manager's objective to maximize the highest and best use of retail space, various asset enhancement initiatives are being carried out to enhance the portfolio's rental return and improve overall mall ambience to attract shoppers and tenants. Other initiatives include a thorough diagnostic study to explore the potential of maximizing the return by fully utilizing the open atrium in City One Shatin Property, to improve the accessibility and visibility of The Metropolis Mall and to create new prime retail space to meet the strong demand in Ma On Shan Plaza. Contributing more than 70% of the portfolio's revenue, these three properties are the most important growth drivers of Fortune REIT.

Optimize Diversified Tenant Base

Fortune REIT's portfolio has a diverse tenant base, with a total of 805 tenants as at 31 December 2007. The top 10 tenants by gross rental income, contributed approximately 23.0% of the portfolio rental income for 2007 and occupied approximately 23.7% of total GRA. No single tenant represents more than 8.7% of the portfolio gross rental income. The tenants come from diverse trade sectors and include established chain stores and brand names such as Park'N Shop, Maxim's, 7-Eleven and Watson's. It is part of the Manager's ongoing strategy to fine-tune and enhance our tenant mix to better serve the catchment and thus to enhance footfall and patronage in our malls. This is also done in line with planned tenancy expiries as well as asset enhancement projects.

Effective Cost Management

The Manager has continued with its efforts to improve the cost-to-revenue ratio, which stood at 24.5% for the Reporting Period. Cost rationalization initiatives include optimizing the repair and maintenance schedules whilst maintaining a quality facility for tenants and shoppers. The aged chiller plants in City One Shatin Property would be replaced with the objective of improving energy efficiency and reducing maintenance costs. Also, the installation of the automated Octopus system in the carparks is progressing well and is expected to be completed by the first quarter of 2008. We believe this initiative will enhance operational efficiency, customer service and reduce operating costs.

Commitment To Grow

Looking ahead, retail rentals are expected to rise on the back of improved employment prospects, rising household incomes, buoyant local consumption and tourist spending. Higher rents for both new leases and renewals will continue to bring healthy organic growth to the portfolio as leases revert progressively.

The Manager believes in constantly evaluating tenant requirements to identify and explore asset enhancement initiatives that will add value to the portfolio. In 2008, a series of yield accretive asset enhancement programmes will be implemented in Fortune REIT's core properties.

We remain committed and focused on delivering stable growth to our Unitholders. Given the defensive nature of Fortune REIT's eleven suburban malls, our opportunistic lease expiry profile, our diverse and a quality tenant base, as well as our proactive asset enhancement initiatives, we are well positioned to achieve sustained growth in the years ahead.

Stephen Chu

Chief Executive Officer

ARA Asset Management (Singapore) Limited
As manager of Fortune REIT
18 March 2008



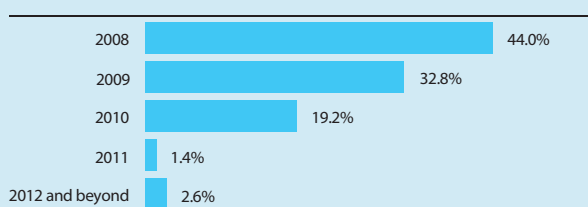
Ma On Shan Plaza

Manager's Report

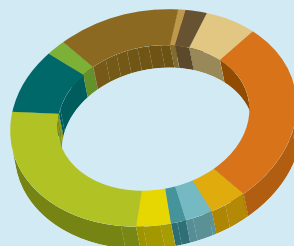
Portfolio key statistics as at 31 December 2007

Gross rentable area	1,669,778 sf
Car park lots	1,436
Number of tenants	805
Purchase price	HK\$6,547 million
Market valuation ¹	HK\$9,713 million
Actual occupancy	92.1%
Gross revenue ²	HK\$614.8 million
Net property income	HK\$450.1 million

Portfolio lease expiry profile³



Portfolio tenant trade mix analysis³



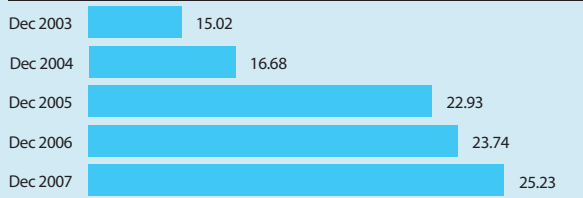
13.7%	Banking & Real Estate Services
0.8%	Community Services
2.5%	Electronics & IT
6.3%	Fashion & Shoes
26.7%	Food & Beverages, Food Court
4.4%	Gifts & Specialty, Hobbies, Toys, Jewellery
2.9%	Homeware & Home Furnishings
1.8%	Leisure & Entertainment, Sports & Fitness
3.8%	Others
25.9%	Services & Education
9.1%	Supermarkets
2.1%	Wet Markets

Portfolio top 10 tenants	Trade sector	% of Total Gross Rental Income	% of Total Gross Rentable Area
1) Park'N Shop	Supermarkets	8.7	10.4
2) Bank of China (HK) Limited	Banking & Real Estate Services	2.9	1.4
3) Maxim's	Food & Beverage, Food Court	2.4	3.2
4) 7-Eleven	Services & Education	1.5	0.6
5) Glorious Seafood Enterprise	Food & Beverage, Food Court	1.4	1.8
6) International Christian School	Services & Education	1.4	3.7
7) Watson's	Services & Education	1.3	1.0
8) Centaline Property Agency	Banking & Real Estate Services	1.2	0.3
9) Ricacorp Property Agency	Banking & Real Estate Services	1.1	0.2
10) Choi Fook Seafood Restaurant	Food & Beverage, Food Court	1.1	1.1
Total		23.0	23.7

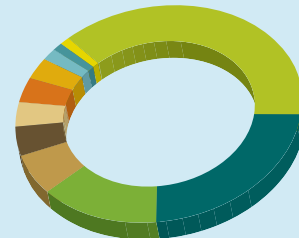
Notes:

- Valued by Knight Frank.
- Includes base rental, charge-out collections, licence fees, turnover rent, carpark revenues and other revenues.
- Based on gross rental for the month of December 2007. Gross rental includes base rental, charge-out collections, license fees, atrium income and turnover rent.

Portfolio average passing rent (HK\$ psf)

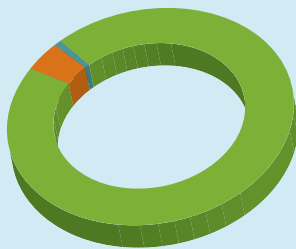


Portfolio analysis by net property income¹



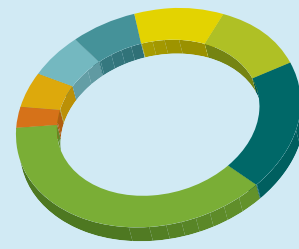
38.0%	City One Shatin Property	3.5%	Tsing Yi Square Property
23.2%	Ma On Shan Plaza	3.2%	Jubilee Court Shopping Centre
13.8%	The Metropolis Mall	1.6%	Center de Laguna Property
6.5%	Waldorf Garden Property	1.2%	Lido Garden Property
4.5%	Smartland	0.9%	Rhine Garden Property
3.6%	The Household Center		

Breakdown of portfolio income¹



95.0%	Gross rental ²
4.2%	Carpark income
0.8%	Other income

Breakdown of portfolio property operating expenses¹



3.2%	Advertising and promotions	10.5%	Repair and maintenance
4.9%	Car park operating expenses	11.4%	Government rents and rates
6.3%	Others	18.9%	Utilities
7.0%	Rental commission	37.8%	Property management

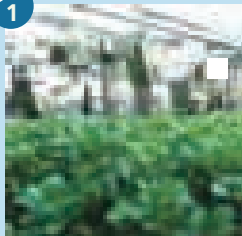
Notes:

1. For the financial year ended 31 December 2007.
2. Gross rental includes base rental, charge-out collections, license fees, atrium income and turnover rent.

Fortune REIT's Portfolio

Portfolio Summary

1



City One Shatin Property
Shatin, 414,469 sf

2



Ma On Shan Plaza
Shatin, 310,084 sf

3



The Metropolis Mall
Hung Hom, 332,168 sf

4



Waldorf Garden Property
Tuen Mun, 80,842 sf

5



Smartland
Tsuen Wan, 123,544 sf



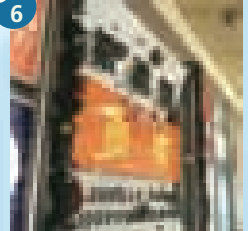
Lantau Island

New Territories

Hong Kong

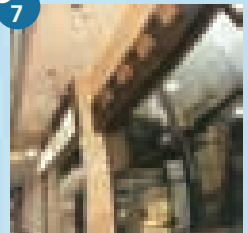
Jubilee Court Shopping Centre
Shatin, 170,616 sf

6



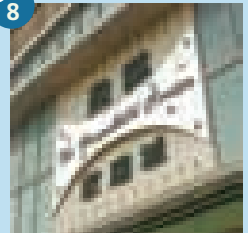
Tsing Yi Square Property
Tsing Yi, 78,836 sf

7



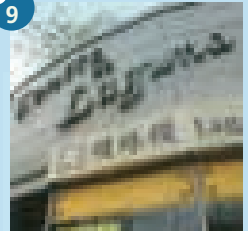
The Household Center
Kwai Chung, 91,779 sf

8



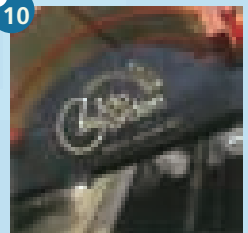
Centre de Laguna Property
Kwun Tong, 43,000 sf

9



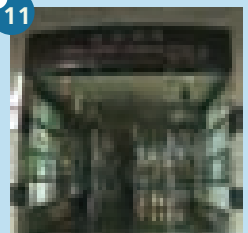
Lido Garden Property
Tsuen Wan, 9,836 sf

10



Rhine Garden Property
Tsuen Wan, 14,604 sf

11



Fortune REIT's Portfolio

City One Shatin Property



The City One Shatin Property is located in Shatin, New Territories, south of the Shing Mun River. The City One Shatin Property is part of the 10,642-unit City One Shatin residential development, which was completed in the 1980's and one of the largest residential developments in Hong Kong. The City One Shatin Property is positioned as a retail mall that serves the daily needs of the local residents within City One Shatin. Its catchment population also includes young families, students and workers within the vicinity.

The City One Shatin Property is easily accessible to shoppers via private and public transportation, namely

buses, taxis and franchised buses. It is also strategically located near City One MTR Station, which commenced operations in December 2004 and is also in close proximity to the Shatin MTR Station.

The Manager's current objective is to increase its income by optimizing the trade mix of the mall, maintaining strong rental reversion and creating an exciting shopping environment and additional rentable area through asset enhancement.

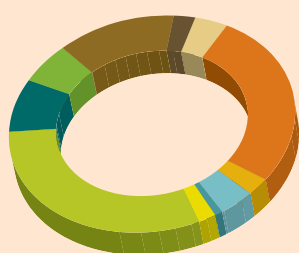
Key statistics as at 31 December 2007

Location	No. 1 and 2 Ngan Shing Street, No. 6 Lok Shing Street and Various Ground Floor Shops of the Residential Towers, City One Shatin, Shatin, New Territories, Hong Kong
Gross rentable area	414,469 sf
Car park lots	660
Number of tenants	239
Purchase price	HK\$2,559 million
Market valuation ¹	HK\$3,450 million
Actual occupancy	95.7%
Gross revenue ²	HK\$221.6 million
Net property income	HK\$170.9 million



Top 5 tenants	Trade sector	% of gross rental ³
1 Park'N Shop	Supermarkets	7.1%
2 Bank of Hong Kong (China) Limited	Banking & Real Estate Services	3.4%
3 Fook Choi Seafood Restaurant	Food & Beverage, Food Court	2.9%
4 Cambridge Nursing Home (City One) Limited	Services & Education	2.7%
5 McDonald's	Food & Beverage, Food Court	2.4%

Tenant trade mix analysis³



13.6%	Banking & Real Estate Services	4.0%	Homeware & Home Furnishings
2.5%	Electronics & IT	0.8%	Leisure & Entertainment, Sports & Fitness
3.7%	Fashion & Shoes	1.7%	Others
26.8%	Food & Beverages, Food Court	30.8%	Services & Education
2.5%	Gifts & Specialty, Hobbies, Toys, Jewellery	7.8%	Supermarkets
		5.8%	Wet Markets

Lease expiry profile³

2008	40.1%
2009	42.5%
2010	16.7%
2011	0.7%
2012 and beyond	0.0%

Notes:

1. Valued by Knight Frank.

2. Includes base rental, charge-out collections, licence fees, turnover rent, carpark revenues and other revenues.

3. Based on gross rental for the month of December 2007.

Fortune REIT's Portfolio

Ma On Shan Plaza



Ma On Shan Plaza is located strategically in Ma On Shan, Shatin, New Territories. Ma On Shan is a well established new town that is home to about 194,000 residents. The mall is easily accessible by public transportation including taxis and franchised buses. A public light bus terminal, taxi waiting area and bus stations are also located on its ground floor. It is directly connected to the Ma On Shan MTR Station. Ma On Shan Plaza is part of the 1,102-unit Bayshore Towers residential complex and is linked to the

adjacent 4,760-unit Sunshine City residential development and the 5.5-hectare Ma On Shan Park via a number of covered footbridges. Being fully occupied, the Manager's ongoing objectives for Ma On Shan Plaza are to enhance its income by tapping on the increased shopper traffic due to the operation of the new Ma On Shan MTR Station, optimizing its tenant mix with higher paying trades and a more efficient mall layout.

Key statistics as at 31 December 2007

Location	No. 608 Sai Sha Road, Ma On Shan, Shatin, New Territories, Hong Kong
Gross rentable area	310,084 sf
Car park lots	290
Number of tenants	136
Purchase price	HK\$935 million
Market valuation ¹	HK\$1,900 million
Actual occupancy	100.0%
Gross revenue ²	HK\$137.6 million
Net property income	HK\$104.2 million



Top 5 tenants

- 1 Park'N Shop
- 2 Maxim's
- 3 Bank of China (HK) Limited
- 4 The Bank of East Asia
- 5 The Hong Kong Jockey Club

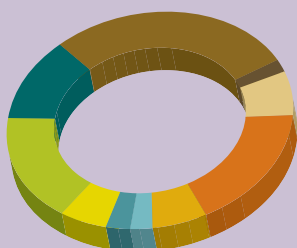
Trade sector

- Supermarkets
- Food & Beverage, Food Court
- Banking & Real Estate Services
- Banking & Real Estate Services
- Others

% of gross rental³

- 11.9%
- 8.0%
- 7.2%
- 3.0%
- 2.5%

Tenant trade mix analysis³



28.5%	Banking & Real Estate Services	2.6%	Homeware & Home Furnishings
2.0%	Electronics & IT	2.8%	Leisure & Entertainment, Sports & Fitness
6.6%	Fashion & Shoes	5.5%	Others
17.4%	Food & Beverages, Food Court	16.6%	Services & Education
6.1%	Gifts & Specialty, Hobbies, Toys, Jewellery	11.9%	Supermarkets

Lease expiry profile³

2008	45.1%
2009	24.1%
2010	30.2%
2011	0.6%
2012 and beyond	0.0%

Notes:

1. Valued by Knight Frank.
2. Includes base rental, charge-out collections, licence fees, turnover rent, carpark revenues and other revenues.
3. Based on gross rental for the month of December 2007.

Fortune REIT's Portfolio

The Metropolis Mall



The Metropolis Mall, completed in 2001, is located in the established residential and commercial hub of Hung Hom in South Kowloon. It is the retail portion of The Metropolis, a 1.4 million sf complex which also comprises offices, a hotel and serviced apartments. As an interchange for the major mass transport networks, including the MTR and the Cross Harbour Tunnel, Hung Hom enjoys a strategic location and is one of the most important transport nodes in Hong Kong.

The Metropolis Mall is connected to the Hung Hom MTR Station. In October 2004, the MTR East Rail Line was extended to the East Tsim Sha Tsui Station, which connects to the Tsim Sha Tsui MTR Station through an underground walkway. Moreover, The Metropolis Mall is served by the Hung Hom bus terminal and a taxi station and is just minutes away from the Kowloon entrance of the Cross Harbour Tunnel, the busiest undersea vehicular tunnel in Hong Kong that links Kowloon Peninsula with Hong Kong Island.

The Metropolis Mall enjoys an extensive catchment area and a wide range of shoppers, such as: residents of the over 16,000 apartments in the vicinity including the Metropolis Residences, The Royal Peninsula, Whampoa Garden, Whampoa Estate and Hung Hom Bay Centre; tourists and expatriates staying at the nearby 690-room Harbour Plaza Metropolis and two brand new 3,600-room serviced apartment blocks; concert-goers from the Hong Kong Coliseum, students from The Hong Kong Polytechnic University; office workers from the Metropolis Towers, as well as the Mainland visitors coming via the MTR.

To further mature a new mall like The Metropolis Mall, the Manager is repositioning it as a more thematic mall, focusing on retail, food and beverage and wedding trades. Advertising and promotion will be the major focus for the mall in 2008 with the objective of bringing in more publicity and patronage and further leveraging on the growing number of families, young couples, hotel guests, students and concert-goers in Hung Hom.

Key statistics as at 31 December 2007

Location	No. 6–10 Metropolis Drive, The Metropolis, Kowloon, Hong Kong
Gross rentable area	332,168 sf
Car park lots	179
Number of tenants	116
Purchase price	HK\$1,464 million
Market valuation ¹	HK\$1,830 million
Actual occupancy	85.1%
Gross revenue ²	HK\$95.2 million
Net property income	HK\$62.2 million



Top 5 tenants

1	Choi Fook Seafood Restaurant
2	HKCT Group Limited
3	Diamond Jubilee Investment
4	Eden–Hong Kong Marriage Ceremony
5	The Metropolis Wedding Group Limited

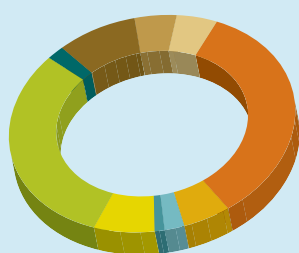
Trade sector

Food & Beverage, Food Court
Services and Education
Banking & Real Estate Services
Services and Education
Services and Education

% of gross rental³

8.0%
7.2%
7.2%
6.4%
5.9%

Tenant trade mix analysis³



9.0%	Banking & Real Estate Services	2.4%	Homeware & Home Furnishings
4.7%	Community Services	1.0%	Leisure & Entertainment, Sports & Fitness
4.9%	Fashion & Shoes	6.8%	Others
33.6%	Food & Beverages, Food Court	30.6%	Services & Education
5.1%	Gifts & Specialty, Hobbies, Toys, Jewellery	1.9%	Supermarkets

Lease expiry profile³

2008	56.0%
2009	24.9%
2010	13.3%
2011	5.8%
2012 and beyond	0.0%

Notes:

1. Valued by Knight Frank.
2. Includes base rental, charge-out collections, licence fees, turnover rent, carpark revenues and other revenues.
3. Based on gross rental for the month of December 2007.

Fortune REIT's Portfolio

Waldorf Garden Property



Key statistics as at 31 December 2007

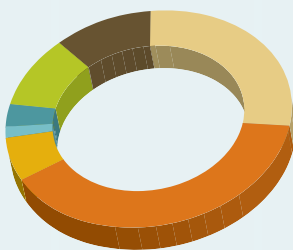
Location	No. 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong
Gross rentable area	80,842 sf
Car park lots	73
Number of tenants	47
Purchase price	HK\$400 million
Market valuation ¹	HK\$768 million
Actual occupancy	92.7%
Gross revenue ²	HK\$39.8 million
Net property income	HK\$29.1 million

The Waldorf Garden Property is located in the heart of Tuen Mun District. It is part of the Waldorf Garden residential development, comprising 5 residential tower blocks on top of a commercial podium. The Waldorf Garden Property is connected to the adjacent Tuen Mun Town Plaza, one of the largest shopping malls in the Northwest New Territories, via a covered footbridge.

The Waldorf Garden Property is located next to the Tuen Mun Highway. An extensive transportation network of buses, light rail and taxis provides convenient access to different parts of the New Territories, Kowloon and Hong Kong Island. The MTR West Rail Line with a terminus at Tuen Mun, has generated even more shopping traffic to the Waldorf Garden Property.

The Manager's objective is to capitalize on its heavy shopper traffic to enhance income through refurbishment and regular re-mix of higher paying tenants.

Tenant trade mix analysis³



11.3%	Electronics & IT	1.7%	Homeware & Home Furnishings
27.6%	Fashion & Shoes	3.5%	Leisure & Entertainment, Sports & Fitness
39.2%	Food & Beverages, Food Court	10.2%	Services & Education
6.5%	Gifts & Specialty, Hobbies, Toys, Jewellery		

Notes:

1. Valued by Knight Frank.
2. Includes base rental, charge-out collections, licence fees, turnover rent, carpark revenues and other revenues.
3. Based on gross rental for the month of December 2007.

Fortune REIT's Portfolio Smartland



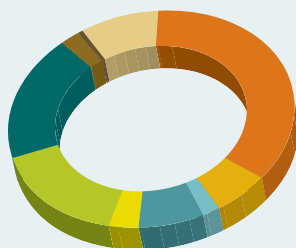
Key statistics as at 31 December 2007

Location	No. 16 Tsuen Wan Street, Tsuen Wan, New Territories, Hong Kong
Gross rentable area	123,544 sf
Car park lots	67
Number of tenants	98
Purchase price	HK\$258 million
Market valuation ¹	HK\$434 million
Actual occupancy	89.6%
Gross revenue ²	HK\$29.5 million
Net property income	HK\$20.5 million

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 MTR station, it is easily accessible by shoppers, residents and tourists via public and private transport. The mall features a 32,000 sf supermarket and a Chinese Restaurant that serves the whole Tsuen Wan District, which has a population of approximately 275,500 residents.

The Manager's current objective for Smartland, is to re-configure the layout and refine the trade mix in order to enhance revenue and the mall's presence in the Tsuen Wan District.

Tenant trade mix analysis³



2.3% Banking & Real Estate Services	2.0% Homeware & Home Furnishings
0.6% Electronics & IT	7.3% Leisure & Entertainment, Sports & Fitness
9.0% Fashion & Shoes	3.1% Others
35.3% Food & Beverages, Food Court	16.3% Services & Education
6.0% Gifts & Specialty, Hobbies, Toys, Jewellery	18.1% Supermarkets

Notes:

1. Valued by Knight Frank.
2. Includes base rental, charge-out collections, licence fees, turnover rent, carpark revenues and other revenues.
3. Based on gross rental for the month of December 2007.

Fortune REIT's Portfolio

Jubilee Court Shopping Centre

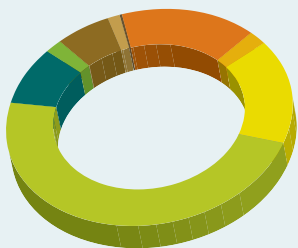


Key statistics as at 31 December 2007

Location	No. 2-18 Lok King Street, Fo Tan, Shatin, New Territories, Hong Kong
Gross rentable area	170,616 sf
Car park lots	97
Number of tenants	34
Purchase price	HK\$218 million
Market valuation ¹	HK\$322 million
Actual occupancy	87.9%
Gross revenue ²	HK\$23.3 million
Net property income	HK\$14.6 million

Jubilee Court Shopping Centre is located opposite Fo Tan MTR Station, near the Shatin Racecourse. It is one station away from The Chinese University of Hong Kong and Shatin town centre. It is the retail podium of the established 2,260-unit Jubilee Garden residential development. The mall caters to the strong demand for education and domestic services in the local community and surrounding areas. Major tenants include a supermarket, a Chinese restaurant and an immigration office.

Tenant trade mix analysis³



6.1%	Banking & Real Estate Services	2.4%	Gifts & Specialty, Hobbies, Toys, Jewellery
1.4%	Community Services	16.0%	Others
0.5%	Electronics & IT	47.9%	Services & Education
15.6%	Food & Beverages, Food Court	8.4%	Supermarkets
		1.7%	Wet Markets

The Manager's objective for Jubilee Court Shopping Centre is to strengthen its position as a leading community shopping centre in the immediate vicinity and to maintain a stable rental growth through proactive lease management and asset enhancement initiative.

Notes:

1. Valued by Knight Frank.
2. Includes base rental, charge-out collections, licence fees, turnover rent, carpark revenues and other revenues.
3. Based on gross rental for the month of December 2007.

Fortune REIT's Portfolio

Tsing Yi Square Property

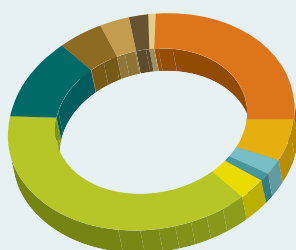


Key statistics as at 31 December 2007

Location	No. 7-19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong
Gross rentable area	78,836 sf
Car park lots	27
Number of tenants	56
Purchase price	HK\$230 million
Market valuation ¹	HK\$323 million
Actual occupancy	92.6%
Gross revenue ²	HK\$23.0 million
Net property income	HK\$15.9 million

The Tsing Yi Square Property is located on Tsing Yi Island, to the northwest of Hong Kong Island. It is part of the residential development of Tsing Yi Garden, which was completed in 1986, comprising some 1,520 residential units above a commercial podium. The Tsing Yi Square Property is situated opposite the Tsing Yi Urban Service Complex Building which houses a wet and dry market, a library, a sports centre and government offices. It is also close to many other public facilities such as Tsing Yi Swimming Pool, Tsing Yi Sports Ground, Tsing Yi Clinic and badminton courts serving the Tsing Yi neighbourhood.

Tenant trade mix analysis³



5.2%	Banking & Real Estate Services	2.2%	Homeware & Home Furnishings
3.4%	Community Services	1.3%	Leisure & Entertainment, Sports & Fitness
2.2%	Electronics & IT	3.0%	Others
0.6%	Fashion & Shoes	38.3%	Services & Education
26.1%	Food & Beverages, Food Court	11.6%	Supermarkets
6.1%	Gifts & Specialty, Hobbies, Toys, Jewellery		

The Tsing Yi Square Property is situated within walking distance of Tsing Yi MTR Station, which provides convenient access to Hong Kong Island, Kowloon and Hong Kong International Airport. It is also easily accessible via buses, mini-buses and taxis.

The Manager's objective for Tsing Yi Square Property is to maintain its high occupancy levels through proactive lease management initiatives.

Notes:

1. Valued by Knight Frank.
2. Includes base rental, charge-out collections, licence fees, turnover rent, carpark revenues and other revenues.
3. Based on gross rental for the month of December 2007.

Fortune REIT's Portfolio

The Household Center

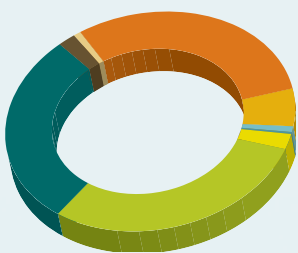


Key statistics as at 31 December 2007

Location	No. 8 King Lai Path, Kwai Chung, New Territories, Hong Kong
Gross rentable area	91,779 sf
Car park lots	43
Number of tenants	50
Purchase price	HK\$233 million
Market valuation ¹	HK\$326 million
Actual occupancy	82.2%
Gross revenue ²	HK\$22.8 million
Net property income	HK\$16.4 million

The Household Center is located in the developed urban centre of Kwai Chung, New Territories. The mall caters to the daily needs of nearby residents, including those of Nob Hill (a 696-unit residential development above the mall) and 13,110 residential units in Mei Foo Sun Chuen, Kai Yan Court, Wah Lai Estate, Lai King Estate, Regency Park, Wonderland Villas and Ching Lai Court. The mall is conveniently located above a bus terminus and within walking distance to Mei Foo MTR Station. It is also strategically located near the Mei Foo MTR Interchange Station where the peak hourly volume comprises some 25,000 passengers.

Tenant trade mix analysis³



2.1%	Electronics & IT	0.3%	Leisure & Entertainment, Sports & Fitness
0.9%	Fashion & Shoes	2.2%	Others
30.1%	Food & Beverages, Food Court	29.6%	Services & Education
5.7%	Gifts & Specialty, Hobbies, Toys, Jewellery	28.3%	Supermarkets
0.8%	Homeware & Home Furnishings		

As the Household Center is a relatively new retail centre, the Manager's objective is to increase its income contribution and visibility within the established and densely populated Mei Foo area by offering dining, grocery shopping and educational facilities.

Notes:

1. Valued by Knight Frank.
2. Includes base rental, charge-out collections, licence fees, turnover rent, carpark revenues and other revenues.
3. Based on gross rental for the month of December 2007.

Fortune REIT's Portfolio

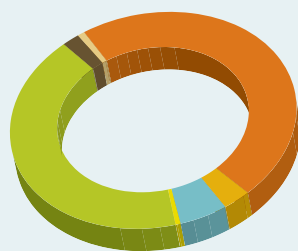
Centre de Laguna Property



Key statistics as at 31 December 2007

Location	Nos. 93 and 99 Cha Kwo Ling Road, Kwun Tong, Kowloon, Hong Kong
Gross rentable area	43,000 sf
Car park lots	-
Number of tenants	17
Purchase price	HK\$135 million
Market valuation ¹	HK\$188 million
Actual occupancy	96.5%
Gross revenue ²	HK\$10.8 million
Net property income	HK\$7.1 million

Tenant trade mix analysis³



2.0%	Electronics & IT	5.3%	Homeware & Home Furnishings
1.0%	Fashion & Shoes	0.8%	Others
46.6%	Food & Beverages, Food Court	41.4%	Services & Education
2.9%	Gifts & Specialty, Hobbies, Toys, Jewellery		

The Centre de Laguna Property is located in the Kwun Tong District of East Kowloon. As an established urban area, the Kwun Tong district is very densely populated comprising mainly large housing developments. The proposed redevelopment of the old Kwun Tong town centre into a new retail/commercial hub of East Kowloon is poised to be the largest urban renewal project in Hong Kong in the next 10 years.

The Centre de Laguna Property is the commercial podium under Phase 3 of the Laguna City Project. Completed in 1992, the whole Laguna City development stands on about one million sf and houses some 8,000 households in 38 residential blocks. It is easily accessible by public and private transport including buses, public light buses and taxis. It is also within walking distance to the Lam Tin MTR Station.

The Manager's objective for Centre de Laguna Property is to maintain high occupancy levels and to secure stable income through proactive lease management.

Notes:

1. Valued by Knight Frank.
2. Includes base rental, charge-out collections, licence fees, turnover rent, carpark revenues and other revenues.
3. Based on gross rental for the month of December 2007.

Fortune REIT's Portfolio

Lido Garden Property



Key statistics as at 31 December 2007

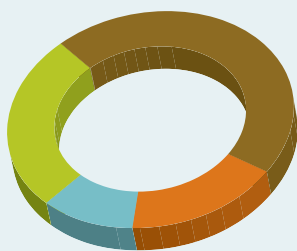
Location	No. 41-43 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong
Gross rentable area	9,836 sf
Car park lots	-
Number of tenants	8
Purchase price	HK\$75 million
Market valuation ¹	HK\$110 million
Actual occupancy	85.0%
Gross revenue ²	HK\$6.5 million
Net property income	HK\$5.6 million

The Lido Garden Property comprises 12 ground floor shops of a commercial/residential development called Lido Garden. It is located in Sham Tseng, an area along the waterfront facing Tsing Ma Bridge and Ting Kau Bridge. It is a residential area west of Tsuen Wan New Town.

The Lido Garden Property is part of the Lido Garden residential development. Sham Tseng is well known for its themed restaurants which attract crowds of local and tourist patrons. It is easily accessible via buses, mini-buses and taxis. It has been enjoying an expanding residential catchment with more than 4,000 residential units recently completed in the neighbourhood.

The Manager's objective for Lido Garden Property is to maintain its high occupancy levels and to secure satisfactory stable income through proactive lease management.

Tenant trade mix analysis³



45.9%	Banking & Real Estate Services	10.8%	Homeware & Home Furnishings
17.0%	Food & Beverages, Food Court	26.3%	Services & Education

Notes:

1. Valued by Knight Frank.
2. Includes base rental, charge-out collections, licence fees, turnover rent, carpark revenues and other revenues.
3. Based on gross rental for the month of December 2007.

Fortune REIT's Portfolio

Rhine Garden Property



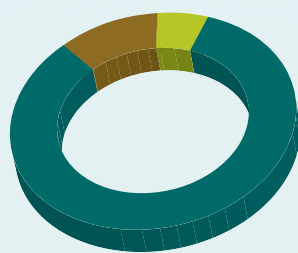
Key statistics as at 31 December 2007

Location	No. 38 Castle Peak Road, Sham Tseng, Tsuen Wan, New Territories, Hong Kong
Gross rentable area	14,604 sf
Car park lots	–
Number of tenants	4
Purchase price	HK\$40 million
Market valuation ¹	HK\$62 million
Actual occupancy	100.0%
Gross revenue ²	HK\$4.8 million
Net property income	HK\$3.5 million

The Rhine Garden Property comprises of some ground floor retail shops below the podium of a commercial/residential development known as Rhine Garden. The Rhine Garden Property is part of the Rhine Terrace residential development, which was completed in 1992. It is located next to Lido Garden Property and it shares the same accessibility, catchment and patronage as Lido Garden Property.

The Manager's objective for Rhine Garden Property is to maintain its high occupancy levels and to secure satisfactory stable income through proactive lease management.

Tenant trade mix analysis³



11.6% Banking & Real Estate Services
5.8% Services & Education
82.5% Supermarkets

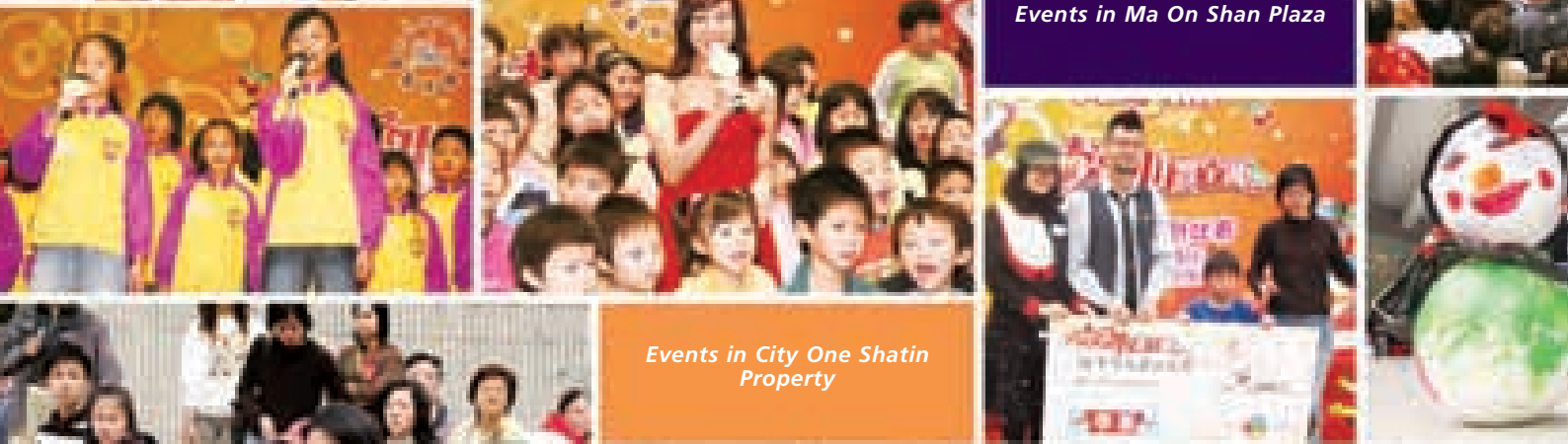
Notes:

1. Valued by Knight Frank.
2. Includes base rental, charge-out collections, licence fees, turnover rent, carpark revenues and other revenues.
3. Based on gross rental for the month of December 2007.

Marketing and Promotions in the Malls



Events in Ma On Shan Plaza



Events in City One Shatin Property



Events in The Metropolis Mall





Ma On Shan Plaza



City One Shatin Property



The Metropolis Mall



Board of Directors



Chiu Kwok Hung, Justin

Chairman and Director

Mr. Chiu is the Chairman of the Manager and ARA Asset Management Limited, the holding company of the Manager, which is also listed on the Main Board of SGX-ST. In addition, he is the Chairman of ARA Trust Management (Suntec) Limited, the manager of Singapore-listed Suntec Real Estate Investment Trust ("Suntec REIT"). Mr Chiu is also the Chairman of ARA Asset Management (Prosperity) Limited, the manager of Prosperity Real Estate Investment Trust ("Prosperity REIT"), which is listed on The Hong Kong Stock Exchange Limited. Mr. Chiu is an Executive Director of Cheung Kong (Holdings) Limited ("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 departments.

With more than 28 years of international real estate experience, Mr. Chiu is one of the most respected professionals in the Hong Kong property market. Prior to joining Cheung Kong, Mr. Chiu was with Hang Lung Development Company Limited for 15 years from 1979 to 1994 and later with Sino Land Company Limited for 3 years from 1994 to 1997. He was in charge of the leasing as well as property management business for both companies.

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



Lim Hwee Chiang, John

Director

Mr. Lim is a Director of the Manager. He is also the Group Chief Executive Officer and Executive Director of the ARA Group of companies, including ARA Trust Management (Suntec) Limited, the manager of Suntec REIT, ARA Asset Management (Prosperity) Limited, the manager of Prosperity REIT and Am ARA REIT Managers Sdn Bhd, the manager of Malaysian-listed AmFIRST Real Estate Investment Trust ("AmFIRST REIT"). He also sits on the board of Teckwah Industrial Corporation Ltd and Inter-Roller Engineering Limited, both of which are listed in Singapore.

Mr. Lim has over 26 years of experience in real estate. From 1997 to 2002, Mr. Lim was an Executive Director of GRA (Singapore) Private Limited, which is a wholly-owned subsidiary of Prudential (US) Real Estate investors. From 1996 to 1997, prior to joining GRA, he was the Founder and Managing Director of The Land Manager (S) Pte Ltd, a Singapore-based property and consulting firm. From 1991 to 1995, Mr. Lim was the General Manager of Singapore Labour Foundation Management Services Pte Ltd and was with DBS Land Limited from 1981 to 1990.

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 is the Vice President of Hong Kong Singapore Business Association, a board member of the Asian Public Real Estate Association and the Valuation Review Board of the Ministry of Finance in Singapore.



Ip Tak Chuen, Edmond

Director

Mr. Ip is a Director of the Manager and a Non-executive Director of the ARA Asset Management Limited, the holding company of the Manager, which is also listed on SGX-ST. He is also a Director of ARA Trust Management (Suntec) Limited, the manager of Suntec REIT. Mr. Ip has been an Executive Director of Cheung Kong since 1993 and Deputy Managing Director since 2005, responsible for overseeing all financial and treasury functions of Cheung Kong and its subsidiaries, particularly in the fields of corporate and project finance. Mr. Ip 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. He is also the Senior Vice President and Chief Investment Officer of CK Life Sciences Int'l., (Holdings) Inc. ("CK Life Sciences") since June 2002. Mr. Ip oversees matters relating to corporate finance, strategic acquisition and investment of both CK Infrastructure and CK Life Sciences. He is also a Non-Executive Director of Tom Group Limited.

Prior to joining Cheung Kong, Mr. Ip held a number of senior financial positions in major financial institutions and acquired experience in the Hong Kong financial market covering activities such as banking, capital markets, corporate finance, securities brokerage and portfolio investments.

Mr. Ip holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration.



Yeung, Eirene

Director

Ms. Yeung is a Director of the Manager. She is also Director, Corporate Strategy Unit and Company Secretary of Cheung Kong, and the Company Secretary of CK Life Sciences. Ms. Yeung acted as the Company Secretary of CK Infrastructure from May 1996 to February 2008, and in February 2008 she was appointed as Alternate Director to Mr. Kam Hing Lam, Group Managing Director of CK Infrastructure. Ms. Yeung joined Cheung Kong in 1994. She advises the Board on corporate strategy, and currently heads the corporate legal and secretarial team that oversees listing, regulatory and origination compliance, along with corporate and commercial legal work of the above listed groups.

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 corporate exercises of Cheung Kong and its subsidiaries such as the listing of CK Infrastructure in 1996, the restructuring of four Cheung Kong listed companies in 1997, the listing of CK Life Sciences in 2002, CK Infrastructure's acquisition of the North of England Gas Distribution Network in 2004 and the disposal of CK Infrastructure's interest in Australian power distribution assets to Spark Infrastructure Group in 2005, CK Life Sciences' various strategic acquisitions from 2004 to 2007 in Australia, Canada and the United States, the listing of Prosperity REIT in Hong Kong in 2005, Cheung Kong's strategic investment in Bank of China in its IPO on the Main Board of The Stock Exchange of Hong Kong Limited in June 2006, CK Infrastructure's acquisition of interest in TransAlta Power, L. P. in Canada in October 2007, and Cheung Kong's strategic investment in Canadian Imperial Bank of Commerce through placing of shares in January 2008.

Prior to joining Cheung Kong, Ms. Yeung 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. She has been a solicitor of the High Court of the Hong Kong Special Administrative Region ("HKSAR") from 1986 and of the Supreme Court of Judicature in England and Wales from 1990.

Ms. Yeung is a member of the Companies Ordinance Rewrite Advisory Group, a member of the Dual Filing Advisory Group of the Securities and Futures Commission and a member of the Board of Review (Inland Revenue Ordinance), and she was a Part-time Member of the Central Policy Unit of the HKSAR Government from 2005 to 2007. Ms. Yeung is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. She holds a Master of Science degree in Finance and a Master's degree in Business Administration from The Chinese University of Hong Kong, and a Bachelor's degree in Laws from the University of Hong Kong.

Board of Directors



Lim Lee Meng

Independent Director and Chairman of Audit Committee

Mr. Lim is a Director and Chairman of the Audit Committee of the Manager. He is currently a senior partner of RSM Chio Lim, a member firm of RSM International. Mr. Lim is also an Independent Director of Teckwah Industrial Corporation Ltd ("Teckwah"), Datapulse Technology Limited ("Datapulse"), Tye Soon Ltd, Europrotronic Group Ltd ("Europrotronic") 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 Europrotronic. 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 holds 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.



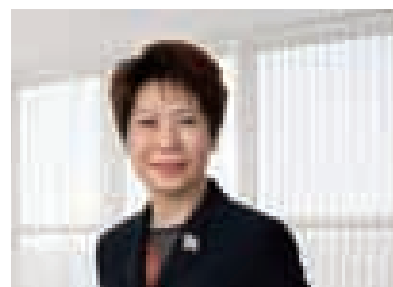
Cheng Mo Chi, Moses

Independent Director

Mr. Cheng is a Director and member of the Audit Committee of the Manager. He is also an Independent Non-Executive Director of ARA Asset Management Limited. 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 whose shares are listed on The Stock Exchange of Hong Kong Limited. 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 an 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 Betting and Lotteries Commission and the Citizens Advisory Committee on Community Relations of the ICAC. He is also a Director of the Hong Kong Exchanges and Clearing Limited. He is also a member of the Advisory Committee on Corruption of the ICAC, the Financial Reporting Council, the Executive Committee of the Commission on Strategic Development and the Aviation Development Advisory Committee. 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
(alias Poon Sow Mei)**

Independent Director

Mrs. Sng is a Director and member of the Audit Committee of the Manager. She is also a Non-Executive Independent Director and Audit Committee member of Cheung Kong Infrastructure Limited, an Independent Director and Audit Committee member of ARA Trust Management (Suntec) Limited -the manager of Suntec REIT and ARA Asset Management (Prosperity) Limited-the manager of Prosperity REIT. Since 2001, Mrs. Sng has been the Senior Consultant (International Business) of Singapore Technologies Electronics Ltd. Concurrently she is the Advisor of InfoWave Pte Ltd and Director of INFA Systems Ltd.

Prior to her appointments with Singapore Technologies Pte Ltd, where she was Director, Special Projects for North East Asia during 2000-2001, Mrs. Sng was the Managing Director of CapitaLand Hong Kong Ltd for investment in Hong Kong and the region including Japan and Taiwan. In Hong Kong from 1983 to 1997, Mrs. Sng was the Centre Director and then Regional Director of the Singapore Economic Development Board and Trade Development Board respectively. She was Singapore's Trade Commissioner in Hong Kong from 1990 to 1997.

Mrs. Sng, who holds a Bachelor of Arts degree from the Nanyang University of Singapore, has wide experience in various fields of industrial investment, business development, strategic and financial management, especially in property investment and management. In 1996, Mrs. Sng was conferred the title of PPA (P) – Pingat Pentadbiran Awam (Perak) and the Singapore Public Administration Medal (Silver).

Management Team

Stephen Chu

Chief Executive Officer

As the Chief Executive Officer of the Manager, Mr. Chu is responsible for the overall performance and direction of Fortune REIT. He leads his team of managers to achieve the key mission of delivering regular and stable returns to all Unitholders of Fortune REIT through organic and asset enhancement initiatives and accretive acquisitions.

Mr. Chu has over 18 years of international property experience in the fields of leasing, sales, facility and property management and marketing work covering the retail, residential, hotel, and commercial sectors of the real estate market.

Lai Ka Luen, Lawrence

Senior Asset Manager

Mr. Lai is the Senior Asset Manager of the Manager and is responsible for leasing, marketing, strategic planning and asset enhancement of the properties in Fortune REIT.

Prior to joining the Manager, Mr. Lai was the Associate Director of DTZ Debenham Tie Leung Limited where he acted as the independent building consultant for Henderson Land Development Co Limited in their preparation of a REIT, consulted for The Link REIT and provided building consultancy services to KCRC and MTRC on their real estate portfolio. He was also the Technical Manager in Chinese Estates Holdings Limited from 2002 to 2005 where he was responsible for the asset enhancement and project management works on the company's property portfolio such as Windsor House, Causeway Place, Silvercord Shopping Centre and Excelsior Plaza. He has accumulated more than 19 years of real estate experience in the fields of leasing, marketing and property management. He has handled the leasing and marketing of a diverse property portfolio of shopping centres, offices, industrial buildings and residential apartments in Hong Kong.

Mr. Lai graduated from the Hong Kong Polytechnic University in 1989. He is an Authorized Person, Registered Professional Engineer, member of the Hong Kong Institute of Surveyors, Royal Institution of Chartered Surveyors and the Hong Kong Institute of Facility Management. Mr. Lai is a Hong Kong citizen.

Hung Yuen Chun, Jenny

Manager, Investment and Investor Relations

Ms. Hung is the Investment and Investor Relations Manager of the Manager. Ms. Hung is responsible for communicating and liaising with Unitholders and investors of Fortune REIT. Ms. Hung is also responsible for identifying, researching and evaluating potential acquisitions or divestments which are consistent with the Manager's investment strategy with a view to enhance Fortune REIT's returns to Unitholders. Ms. Hung has more than 9 years experience in the real estate industry with exposure to the Hong Kong and People's Republic of China ("PRC") markets.

Prior to joining the Manager, Ms. Hung worked with Cheung Kong (Holdings) Limited from 2000 to 2006 as Assistant Manager, Market Research. She was involved in market analysis and formulation of marketing strategies for the launch of new residential projects as well as undertaking feasibility studies, deal structuring and negotiations for potential investments in Hong Kong and PRC. From 1999 to 2000, Ms. Hung was the Manager, Valuation Advisory Services in Jones Lang LaSalle, where she was involved in asset valuation and development advisory works. Ms. Hung started her career in the Hong Kong SAR Government Lands Department in 1997 after obtaining a Bachelor of Science degree in Surveying (First Class Honours) from the University of Hong Kong. She is a qualified General Practice Surveyor and an associate member of the Hong Kong Institute of Surveyors. Ms. Hung is a Hong Kong citizen.

Phyllis Poh

Finance Manager

Ms. Poh is the Finance Manager of the Manager. She is primarily responsible for the financial management, taxation, treasury and secretariat compliance of Fortune REIT.

Ms. Poh has more than 13 years of commercial experience in finance. Prior to her joining the Manager, Ms. Poh was the Finance Manager of a listed German MNC where she was responsible for the full spectrum of the financial functions of the company.

Ms. Poh, who is a Singapore citizen, graduated from the Nanyang Technological University and holds a degree in the Bachelor of Accountancy. She is a Certified Public Accountant with the Institute of Certified Public Accountants of Singapore.

Leung Tim Pak, Tim

Assistant Manager, Asset Management

Mr. Leung is the Assistant Manager of the Manager and is responsible for leasing, marketing, property management, strategic planning and asset enhancement of the properties in Fortune REIT.

Mr. Leung has over 8 years of working experience in project management, leasing and property management and maintenance. Prior to joining the Manager, Mr. Leung was the Assistant Project Manager of Far East Consortium Limited. He involved in preparing the hotel REIT and also was a project in-charge of the hotel project development and hotel asset enhancement works. He was the Building Surveyor of DTZ Debenham Tie Leung Limited where involved as the independent building consultant for the preparation of the REIT for Henderson Land Development Co Limited and provided building consultancy services to KCRC on their real estate portfolio.

Mr. Leung holds a Bachelor of Science (Honour) Degree in Building Surveying from the University of Northumbria at Newcastle. He is a probationer member of the Hong Kong Institute of Surveyors. Mr. Leung is a Hong Kong citizen.

Ng Boon Hua, Donovan

Assistant Finance Manager

Mr. Ng is the Assistant Finance Manager of the Manager. He is primarily responsible for the financial accounting of Fortune REIT and provides support in areas of secretariat compliance and taxation.

Prior to joining the Manager, Mr. Ng was a Senior Accountant with Ascendas Land (Singapore) Pte Ltd, a major Singapore property developer, where he handled the Group accounts and its subsidiaries. Before that, Mr. Ng was a Senior Accountant with Lindeteves-Jacoberg Limited, a motor manufacturer of a prestigious brand in Europe, which is listed in Singapore. Mr. Ng, who is a Singapore citizen, began his accounting career in 1995 and has 10 over years of commercial experience. He holds an ACCA (Association of Chartered Certified Accountants) qualification and is also a provisional member of the Institute of Certified Public Accountants of Singapore.

Lee Yu Zhi, Jeremy

Analyst

Mr. Lee is the Analyst of the Manager. He is responsible for developing and maintaining financial models to analyse the performance of Fortune REIT. He also supports the investment team in evaluating the impact of potential acquisitions and asset enhancement initiatives on Fortune REIT's financial performance through the use of relevant financial analysis tools and models. In addition, he monitors developments in the financial markets and economy to support capital management decisions. Prior to joining the Manager, Mr. Lee was an Analyst for the business development unit of ARA Asset Management Limited where he was involved in various projects including feasibility analyses and preparatory work towards the listing of the group's various REIT products.

Mr. Lee, who is a Singapore permanent resident, holds a Bachelor of Economics (Honours) degree from the University of New South Wales and is based in the Hong Kong office of the Manager.

Investor Relations

The Manager remained committed on maintaining high corporate transparency as well as good communication with investors and Unitholders. During the Reporting Period, the Manager maintained close relationship with institutional investors in Singapore, Hong Kong and all around the world through regular one-on-one meetings, various conferences and non-deal roadshows. The Manager also conducted semi-annual analyst and media briefings during half and full year results releases to review Fortune REIT performance, business outlook and ongoing strategies.

Unit Activity

Fortune REIT opened at a Unit price of HK\$5.90 on 1 January 2007. The closing Unit price of HK\$5.21 as at 31 December 2007 represented a 11.7% decrease when compared with the closing Unit price of HK\$5.90 as at 29 December 2006. Fortune REIT's Unit price reached an intraday high of HK\$6.80 on 29 June 2007 and an intraday low of HK\$5.00 on 22 November 2007. The total trading volume for the Reporting Period was about 158 million Units. It represented a daily average of about 635,000 Units. Based on the closing Unit price of HK\$5.21 as at 31 December 2007, Fortune REIT delivered a full year tax-exempt DPU yield of 6.7%. At the initial public offering price of HK\$4.75 per Unit, this translates to a tax-exempt yield of 7.4%.

Fortune REIT Unit prices performance



Distributions

Fortune REIT distributes semi-annually. Normally, the distribution will be received by Unitholders in February and August of each year. Unless Unitholders elect to receive the Distributions in Hong Kong dollars, they will receive the distributions in the Singapore dollar equivalent of the Hong Kong dollar distribution declared.

Contact Us

If you have any enquiries or would like to find out more about Fortune REIT, please contact the Manager at:

ARA Asset Management (Singapore) Limited

Phone: +65 6835 9232 / +852 2169 0928

Fax: +65 6835 9672 / +852 2169 0968

Email: enquiries@fortunereit.com

Website: www.fortunereit.com

The Fortune REIT website provides detailed and timely information about Fortune REIT's assets as well as media releases, announcements and presentations. The website also provides visitors with an option of signing up for a free email alert service.

Corporate Governance

ARA Asset Management (Singapore) Limited, 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 (as amended) (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 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 issued by SGX-ST, the Code on Collective Investment Schemes issued by Monetary Authority of Singapore ("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 managers 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 agreements.

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 Board 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. 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 year 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 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.

Four Board meetings were held during the financial year. The most recent Board meeting was held on 29 January 2008.

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 strategies, 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 the Chairman and Chief Executive Officer, provide a healthy and professional relationship between the Board and management.

In future, any newly appointed directors will be briefed 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 members of the Board 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 (alias Poon Sow Mei). The Audit Committee meets at least four times a year.

Four Audit Committee meetings were held for the financial year. The most recent Audit Committee meeting was held on 29 January 2008.

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 the 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 full 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.

The Audit Committee has put in place a whistle blowing policy as recommended under the Code of Corporate Governance 2005. Under this policy, the Audit Committee reviews arrangements, by which staff of the Manager may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective is to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action. Details of the whistle blowing policy and arrangements have been made available to all employees of the Manager.

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 McCabe Lo Limited, a member firm of BDO International. The Audit Committee is satisfied that the internal auditor 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 auditor has adequate resources 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 applicable, quarterly results and (where applicable) property 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 directors and employees of the Manager have been directed to refrain from dealing in Units on a short-term consideration. 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 and as applicable, quarterly results and (where applicable) property 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 discuss continuous disclosure issues.

Dealing with Conflicts of Interest

The Manager has instituted 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 which invests in the same type of properties as Fortune REIT 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) which shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee (as trustee of Fortune REIT) has a prima facie case against the party allegedly in breach under such agreement, 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 associates are prohibited from voting 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 associates 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 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 foregoing criteria, which may entail obtaining (where practicable) quotations from parties unrelated to the Manager, or obtaining one or more valuations from independent professional 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 the value of Fortune REIT's net tangible assets 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 the value of Fortune REIT's net tangible assets 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 are 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 the value of Fortune REIT's net tangible assets 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 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 (as trustee 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 arm's length basis and 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 (as trustee of Fortune REIT) 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 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 arm's length basis and 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 period/year.

Communication with Unitholders

The Listing Manual of the SGX-ST 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 Fortune REIT 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 including the release 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 via SGXNET and also made available at 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 such as those 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 (alias Poon Sow Mei) (members of the Audit Committee).

The matrix of the Board members participation in the various Board and Audit Committee Meetings is as follows:

Board Members	Board Meetings		Audit Committee Meetings	
	Participation	Attendance/ Number of Meetings held	Participation	Attendance/ Number of Meetings held
Mr. Chiu Kwok Hung, Justin	Chairman	4/4	NA	NA
Mr. Lim Hwee Chiang, John	Member	4/4	NA	NA
Mr. Ip Tak Chuen, Edmond	Member	3/4	NA	NA
Ms. Yeung, Eirene	Member	4/4	NA	NA
Mr. Lim Lee Meng	Member	3/4	Chairman	3/4
Mr. Cheng Mo Chi, Moses	Member	4/4	Member	4/4
Mrs.. Sng Sow-Mei (alias Poon Sow Mei)	Member	4/4	Member	4/4

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 (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 (as amended by the Amending and Restating Deed dated 29 June 2005 and a 2nd supplemental deed dated 20 April 2006) 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 set out on pages 47 to 87 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



Arjun K Bambawale
Director

Singapore
29 January 2008

Statement by the Manager

In the opinion of the directors of ARA Asset Management (Singapore) Limited, the consolidated financial statements of the Group and the financial statements of Fortune Real Estate Investment Trust ("Fortune REIT") as set out on pages 47 to 87, comprising the balance sheets, statements of return, statements of movement in Unitholders' funds, consolidated cash flow statement and notes to the financial statements are properly drawn up in accordance with the provisions of the Trust Deed and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of Fortune REIT as at 31 December 2007, and of the return and movement in Unitholders' funds of the Group and of Fortune REIT and cash flows of the Group for the financial year then ended. 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
29 January 2008

Independent Auditors' Report

We have audited the financial statements of Fortune Real Estate Investment Trust ("Fortune REIT") and its subsidiaries ("the Group") which comprise the balance sheets of the Group and Fortune REIT as at 31 December 2007, and the statements of return and the statements of movement in Unitholders' funds of the Group and of Fortune REIT and the consolidated cash flow statement of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 47 to 87.

Manager and Trustee's Responsibility for the Financial Statements

ARA Asset Management (Singapore) Limited (the "Manager" of Fortune REIT) and HSBC Institutional Trust Services (Singapore) Limited (the "Trustee" of Fortune REIT) are responsible for the preparation and fair presentation of these financial statements in accordance with the provision of the Trust Deed and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager and the Trustee, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the financial statements of Fortune REIT are properly drawn up in accordance with the provisions of the Trust Deed and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of Fortune REIT as at 31 December 2007, and of the return and movement in unitholders' funds of the Group and of Fortune REIT and cash flows of the Group for the financial year ended on that date.



Certified Public Accountants
Cheng Ai Phing
Partner

Singapore
29 January 2008

Balance Sheets

As at 31 December 2007

	Note	Group		Fortune REIT	
		2007	2006	2007	2006
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS AND LIABILITIES					
Current assets					
Cash and cash equivalents	6	242,118	251,524	119,229	115,123
Trade and other receivables	7	35,808	29,955	142,867	150,847
Investment properties held for resale	8	904	904	—	—
Total current assets		278,830	282,383	262,096	265,970
Non-current assets					
Investments in property companies	9	—	—	3,939,224	3,939,224
Investment properties	8	9,713,000	9,235,000	—	—
Plant and equipment	10	191	270	—	—
Derivative assets	11	—	87	—	—
Total non-current assets		9,713,191	9,235,357	3,939,224	3,939,224
Total assets		9,992,021	9,517,740	4,201,320	4,205,194
Current liabilities					
Trade and other payables	12	191,966	189,669	6,448	7,374
Derivative liabilities	11	1,022	—	—	—
Provision for taxation		5,994	8,713	1,371	1,501
Total current liabilities		198,982	198,382	7,819	8,875
Non-current liabilities					
Derivative liabilities	11	38,726	23,446	5,729	2,233
Borrowings	13	2,338,638	2,334,613	—	—
Deferred tax liabilities	14	109,426	95,546	—	—
Total non-current liabilities		2,486,790	2,453,605	5,729	2,233
Total liabilities		2,685,772	2,651,987	13,548	11,108
Net assets		7,306,249	6,865,753	4,187,772	4,194,086

		Group		Fortune REIT	
	Note	2007	2006	2007	2006
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
UNITHOLDERS' FUNDS					
Equity and reserves					
Issued equity	15	4,342,232	4,314,163	4,342,232	4,314,163
Unit issue costs	16	(173,097)	(173,097)	(173,097)	(173,097)
Hedging reserve	11	(34,019)	(21,126)	—	—
Accumulated profits		3,171,133	2,745,813	18,637	53,020
Net Unitholders' funds		7,306,249	6,865,753	4,187,772	4,194,086
Units in issue and to be issued ('000)	15	812,266	807,386		
Net asset value per Unit (HK\$)	17	8.99	8.50		
Adjusted net asset value per Unit (HK\$)	17	9.04	8.53		

See accompanying notes to financial statements.

Statements of Return

Year ended 31 December 2007

	Note	Group		Fortune REIT	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Revenue	18	614,757	614,054	279,951	278,063
Property operating expenses	19	(164,702)	(176,472)	—	—
Net property income/dividend income		450,055	437,582	279,951	278,063
Manager's base fee		(28,069)	(26,262)	(28,069)	(26,262)
Foreign currency exchange adjustment gain		1,243	2,120	1,243	2,120
Gain on disposal of investment properties held for resale		—	2,940	—	—
Interest income		7,671	6,799	7,671	6,799
Trust expenses	20	(15,209)	(25,031)	(15,209)	(25,031)
Profit before taxation and borrowing costs		415,691	398,148	245,587	235,689
Gain on revaluation of investment properties	8	460,507	706,638	—	—
Borrowing costs	21	(112,682)	(107,046)	—	—
Profit before income tax		763,516	997,740	245,587	235,689
Income tax expenses	22	(59,814)	(58,576)	(1,588)	(1,298)
Net profit		703,702	939,164	243,999	234,391
Amount available for distribution	23, 25	284,876	276,621		
Basic earnings per Unit (cents) — weighted average	24	86.88	116.62		
Adjusted basic earnings per Unit (cents) — notional	24	30.03	28.87		
Distribution per Unit (cents)	25	35.12	34.26		

See accompanying notes to financial statements.

Statements of Movement in Unitholders' Funds

Year ended 31 December 2007

	Note	Issued equity HK\$'000	Unit issue costs HK\$'000	Hedging reserve HK\$'000	Accumulated profits HK\$'000	Net HK\$'000
GROUP						
Net assets at 1 January 2006		4,287,901	(173,097)	14,272	2,086,073	6,215,149
OPERATIONS FOR YEAR ENDED 31 DECEMBER 2006						
Net profit for the year		—	—	—	939,164	939,164
Cashflow hedge:						
Transferred to Statements of return		—	—	(14,272)	—	(14,272)
Losses taken to Unitholders' Funds		—	—	(21,126)	—	(21,126)
Net losses recognised directly in Unitholders' Funds		—	—	(35,398)	—	(35,398)
(Decrease) Increase in net assets resulting from operations		—	—	(35,398)	939,164	903,766
UNITHOLDERS' TRANSACTIONS						
Creation of Units:						
Manager's base fees paid and payable in Units	15	26,262	—	—	—	26,262
Distribution to Unitholders	25	—	—	—	(279,424)	(279,424)
Increase (Decrease) in net assets resulting from Unitholders' transactions		26,262	—	—	(279,424)	(253,162)
Net assets at 31 December 2006		4,314,163	(173,097)	(21,126)	2,745,813	6,865,753
OPERATIONS FOR YEAR ENDED 31 DECEMBER 2007						
Net profit for the year		—	—	—	703,702	703,702
Cashflow hedge:						
Transferred to Statements of return		—	—	21,126	—	21,126
Losses taken to Unitholders' Funds		—	—	(34,019)	—	(34,019)
Net losses recognised directly in Unitholders' Funds		—	—	(12,893)	—	(12,893)
(Decrease) Increase in net assets resulting from operations		—	—	(12,893)	703,702	690,809
UNITHOLDERS' TRANSACTIONS						
Creation of Units:						
Manager's base fees paid and payable in Units	15	28,069	—	—	—	28,069
Distribution to Unitholders	25	—	—	—	(278,382)	(278,382)
Increase (Decrease) in net assets resulting from Unitholders' transactions		28,069	—	—	(278,382)	(250,313)
Net assets at 31 December 2007		4,342,232	(173,097)	(34,019)	3,171,133	7,306,249

Statements of Movement in Unitholders' Funds

Year ended 31 December 2007

	Note	Issued equity HK\$'000	Unit issue costs HK\$'000	Accumulated profits HK\$'000	Net HK\$'000
FORTUNE REIT					
Net assets at 1 January 2006		4,287,901	(173,097)	98,053	4,212,857
OPERATIONS FOR YEAR ENDED 31 DECEMBER 2006					
Net profit for the year		—	—	234,391	234,391
UNITHOLDERS' TRANSACTIONS					
Creation of Units:					
Manager's base fees paid and payable in Units	15	26,262	—	—	26,262
Distribution to Unitholders	25	—	—	(279,424)	(279,424)
Increase (Decrease) in net assets resulting from Unitholders' transactions		26,262	—	(279,424)	(253,162)
Net assets at 31 December 2006		4,314,163	(173,097)	53,020	4,194,086
OPERATIONS FOR YEAR ENDED 31 DECEMBER 2007					
Net profit for the year		—	—	243,999	243,999
UNITHOLDERS' TRANSACTIONS					
Creation of Units:					
Manager's base fees paid and payable in Units	15	28,069	—	—	28,069
Distribution to Unitholders	25	—	—	(278,382)	(278,382)
Increase (Decrease) in net assets resulting from Unitholders' transactions		28,069	—	(278,382)	(250,313)
Net assets at 31 December 2007		4,342,232	(173,097)	18,637	4,187,772

See accompanying notes to financial statements.

Consolidated Cash Flow Statement

Year ended 31 December 2007

	Group	
	2007	2006
	HK\$'000	HK\$'000
Operating activities		
Profit before income tax	763,516	997,740
Adjustments for:		
Allowance for doubtful debts	121	200
Changes in fair value of properties	(460,507)	(706,638)
Manager's base fees paid by Units	28,069	26,262
Changes in fair value of derivative asset	3,496	14,523
Gain on disposal of investment properties	—	(2,940)
Depreciation	79	87
Interest income	(7,671)	(6,799)
Borrowing costs	112,682	107,046
Amortisation of debt front end fee	4,025	4,025
Operating profit before working capital changes	443,810	433,506
(Increase) Decrease in trade and other receivables	(5,974)	17,879
Increase in trade and other payables	2,297	430
Cash generated from operations	440,133	451,815
Income tax paid	(48,653)	(38,850)
Net cash from operating activities	391,480	412,965
Cash flows from investing activities		
Upgrading of investment properties	(17,493)	(10,038)
Proceeds from disposal of investment properties	—	75,713
Interest received	7,671	6,799
Net cash (used in) from investing activities	(9,822)	72,474
Cash flows from financing activities		
Purchase of structured swap	—	(12,290)
Distribution paid	(278,382)	(279,424)
Repayment of borrowings	—	(48,300)
Borrowing costs paid	(112,682)	(107,046)
Net cash used in financing activities	(391,064)	(447,060)
Net (decrease) increase in cash and bank balances	(9,406)	38,379
Cash and bank balances at beginning of the year	251,524	213,145
Cash and bank balances at end of year	242,118	251,524

See accompanying notes to financial statements.

Notes to the Financial Statements

As at 31 December 2007

These notes form an integral part of the financial statements.

The consolidated financial statements of the Group and the financial statements of Fortune REIT for the financial year ended 31 December 2007, were authorised for issue by the Manager and the Trustee on 29 January 2008.

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 (as amended by the Amending and Restating Deed dated 29 June 2005 and a 2nd supplemental deed dated 20 April 2006) ("Trust Deed") are 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. 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 6 Temasek Boulevard, #16-02 Suntec Tower 4, Singapore 038986 and 21 Collyer Quay, #10-01 HSBC Building, Singapore 049320, respectively.

The consolidated financial statements of the Group and the financial statements of Fortune REIT are expressed 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 the subsidiaries ("property companies") or other 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 and to achieve long term growth in the net asset value per 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 eleven property companies a fee of 3% per annum of gross property revenue for the provision of property management services and lease management services.

In respect of City One Shatin Property, the property management services are provided by Paramatta Estate Management Limited, which is not a party related to a major Unitholder. The lease management services and the marketing services are provided by the Property Manager.

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.

1 General (cont'd)

(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 will be paid quarterly in arrears and in the form of Units in the Trust during the first five years after the Units are listed on SGX-ST. Thereafter, the base fee shall be paid to the Manager in the form of cash/or Units as the Manager may elect.

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 consolidated financial statements of the Group and the financial statements of Fortune REIT are prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with Singapore Financial Reporting Standards ("FRSs"), Interpretations of Financial Reporting Standards ("INT FRSs"), and the applicable requirements of the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore ("MAS") and the Trust Deed.

In the current financial year, the Group has adopted all the new and revised FRSs and INT FRS that are relevant to its operations and effective for annual periods beginning on or after 1 January 2007. The adoption of these new/revised FRSs and INT FRSs does not result in any significant changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below and in the notes to financial statements.

FRS 107 — Financial Instruments: Disclosures and amendments to FRS 1 Presentation of Financial Statements relating to capital disclosures

The Group has adopted FRS 107 with effect from 1 January 2007. The new Standard has resulted in an expansion of the disclosures in these financial statements regarding the Group's financial instruments. The Group has also presented information regarding its objectives, policies and processes for managing capital (see Note 4) as required by the amendments to FRS 1 which are effective from annual periods beginning on or after 1 January 2007.

As highlighted in the previous financial year, the Group had early adopted FRS 40 in 2005 as the subsidiaries which operated in Hong Kong were required by the Hong Kong accounting standards to apply the equivalent FRS 40 in that year. FRS 40 is effective in Singapore for annual financial period beginning on or after 1 January 2007.

Notes to the Financial Statements

As at 31 December 2007

2 Summary of Significant Accounting Policies (cont'd)

(a) Basis of accounting (cont'd)

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the Group and Fortune REIT were issued but not effective:

FRS 23	—	Borrowing Costs (Revised)
FRS 108	—	Operating Segments
INT FRS 111	—	FRS 102: Group and Treasury Share Transactions
INT FRS 112	—	Service Concession Arrangements

Consequential amendments were also made to various standards as a result of these new/revised standards.

The Manager and the Trustee anticipate that the adoption of the above FRSs, INT FRSs and the amendments to FRS that were issued but not yet effective until future periods will not have any material impact on the financial statements of the Group and Fortune REIT in the period of their initial application.

(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 2007. 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 statements 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.

(c) Business combination

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated statements of return.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

2 Summary of Significant Accounting Policies (cont'd)

(d) Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

(e) Financial assets and liabilities

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and fixed deposits which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables and other receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest is not material.

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis.

Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Derivative financial instruments and hedge accounting

The Group enters into interest rate swaps to manage its exposure to interest rate risk. Further details of the interest rate swaps are disclosed in Note 11 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the statement of return immediately unless the derivative is designated and effective as a hedging instrument. In which event, the timing of the recognition in the statement of return depends on the nature of the hedge relationship. The Group designates certain interest rate swaps as hedges of the cash flow of its long term borrowings which carry interest at floating rates ("cash flow hedge").

Notes to the Financial Statements

As at 31 December 2007

2 Summary of Significant Accounting Policies (cont'd)

(e) Financial assets and liabilities (cont'd)

Derivative financial instruments and hedge accounting (cont'd)

The effective portion of the changes in the fair value of the interest rate swaps that are designated and qualified as cash flow hedges are deferred in Unitholders' Funds. The gain or loss relating to the ineffective portion is recognised immediately in the statement of return.

The amounts deferred in Unitholders' Funds are recycled to the statement of return in the periods when the hedged item is recognised in the statement of return.

The fair value of the hedging interest rate swaps is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

The fair values changes of derivatives not designated as hedging instruments in an effective hedge relationship are taken to the statement of return and are classified as current asset or current liability.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in statement of return.

(f) Unit issue costs

Costs incurred in relation to the initial public offering and equity fund raising and subsequent issues of new Units in Fortune REIT on a stock exchange are charged against the Unitholders' Funds.

(g) Plant and equipment

Plant and equipment are carried at cost, less accumulated depreciation and any impairment losses.

Depreciation is provided on gross carrying amounts in equal annual instalments over the estimated useful lives of the assets. The annual rates of depreciation are as follows:

Office equipment, furniture and fittings — 20% to 33.3%

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

The estimated useful lives and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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 in the statement of return.

(h) 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. Fair value changes are taken to the statement of return.

2 Summary of Significant Accounting Policies (cont'd)

(h) Investment properties (cont'd)

Investment properties are classified as held for resale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

The gain or loss arising on the disposal or retirement of investment property is determined as the difference between the sales proceeds and the carrying amount of the investment property and is recognised in the statement of return.

(i) Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the statement of return. Changes in the carrying amount of the allowance account are recognised in the statement of return.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through the statement of return to the extent the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(j) Impairment of tangible assets

At every balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication of impairment loss. If such indication exists, the recoverable amount of the tangible asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the tangible asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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. An impairment loss is recognised immediately in the statement of return.

Where 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 so 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 immediately in the statement of return.

Notes to the Financial Statements

As at 31 December 2007

2 Summary of Significant Accounting Policies (cont'd)

(k) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(l) Unit based payments

Base fee payable to the Manager in the form of Units in Fortune REIT is recorded in Unitholders' Funds when the Units become payable. The corresponding debit balance is taken to the statement of return as an expense.

(m) Revenue recognition

Rental income from operating lease is recognised on a straight-line basis over the terms of the relevant lease unless another systematic basis is more representative of the time pattern in which the benefit of use of the leased asset is diminished. Rental compensation under guarantee is recognised over the contractual period of the rental guarantee. Lease incentives granted are recognised as an integral part of the total rental to be received.

Contingent rentals, which include gross turnover rental, are recognised as income in the accounting period on a receipt basis. No contingent rentals are recognised if there are uncertainties due to the possible return of amounts received.

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 revenue is recognised on a time proportion basis using the effective interest basis on the principal amount outstanding.

Dividend revenue from the property companies is recognised when the right to receive dividend is legally established.

(n) Borrowing costs

Borrowing costs are recognised as an expense in the statement of return in the period in which they are incurred.

2 Summary of Significant Accounting Policies (cont'd)

(o) Foreign currency transactions and translation

The individual financial statements of each entity in the Group are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the financial statements of Fortune REIT are presented in Hong Kong dollars, which is the functional currency of Fortune REIT and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in the statements of return for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the statements of return for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in Unitholders' Funds. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in Unitholders' Funds.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Hong Kong dollars using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as part of Unitholders' Funds and transferred to the Group's foreign currency translation reserve. Such translation differences are recognised in the statement of return in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(p) Taxation

Taxation on the profits for the period comprises current and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statements of return because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where Fortune REIT and its subsidiaries operate by the balance sheet date.

Notes to the Financial Statements

As at 31 December 2007

2 Summary of Significant Accounting Policies (cont'd)

(p) Taxation (cont'd)

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the statement of return, except when it relates to items charged or credited directly to Unitholders' Funds, in which case the deferred tax is also dealt with in the Unitholders' Funds.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax liabilities have not been provided on the fair value changes on investment properties as the Manager expects to recover the property value substantially through disposal, the gain of which is not subject to tax.

At present, Fortune REIT has not been accorded the tax transparency treatment and income earned will be subject to Singapore income tax at the Trust's level at the prevailing corporate tax rate.

The Ministry of Finance of Singapore ("MOF") 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 MOF to be capital gains.

3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 2, the Manager is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Group's accounting policies, the Manager is of the opinion that there are no instances of application of judgements or the use of estimation techniques which may have a significant effect on the amounts recognised in the financial statements other than as follows:

(i) Valuation of the investment properties

As described in Note 2(h), investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have determined the fair values using various methods of valuation which involve the making of certain assumptions and the use of estimates. In relying on the valuation reports of the professional valuers, the Manager has exercised judgement in arriving at a value which is reflective of the current market conditions.

(ii) Provision for deferred tax liabilities

As described in Note 2(p), the Manager provides for deferred tax based on its judgement on the probability of the temporary differences not reversing in the foreseeable future. The deferred tax liabilities amount would be affected should unanticipated events, not considered in the Manager's judgement, come about.

4 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 Group has adopted a policy of obtaining deposit to mitigate the risk of financial loss from default.

Trade receivable consists of rental revenue receivable from tenant or counterparty. 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.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics.

Notes to the Financial Statements

As at 31 December 2007

4 Financial Risks and Management (cont'd)

Credit risk (cont'd)

At balance sheet date, there was no significant concentration of credit risk. 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.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for derivative instruments at the balance sheet date and the stipulated changes taking place at the beginning of the financial year and held constant throughout the financial period in the case of financial instruments that bear interest at floating rates. A range of 25–75 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the effect from possible change in interest rates.

If the interest rates have been higher or lower and all other variables were held constant, the Group's profit for the following year would decrease or increase accordingly. This is mainly attributable to the Group's exposure to interest rates on its floating rate borrowings which is not hedged. The following analysis shows the Group's sensitivity to interest rates exposure:

Increase in interest rates basis points by:

	Decrease in Group's results	
	2007 HK\$'000	2006 HK\$'000
25 basis points	1,262	1,262
50 basis points	2,526	2,526
75 basis points	3,789	3,789

Liquidity risk

The Manager monitors and maintains a level of cash and bank balances 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.

Liquidity and interest risk analysis

The Group's derivative financial instruments comprise interest rate swaps with notional amount totalling HK\$1,843,500,000 (2006: HK\$1,843,500,000) with contracted net cash flows due within 4 years (2006: 4 years) from inception date, and structured swaps with notional sum amounting to HK\$614,500,000 (HK\$614,500,000) with contracted gross cash flows due within 4 years (2006: 4 years) from inception date.

4 Financial Risks and Management (cont'd)

Foreign currency risk

The Group's entities' functional currency is HK\$.

As 31 December 2007, the carrying amounts of monetary assets denominated in currencies other than the respective Group entities' functional currencies arise from Singapore dollar denominated bank balances and deposits amounting to S\$3,367,000 (2006: S\$4,638,000). The foreign currency risk is managed by the Manager on an ongoing basis.

If HK\$ were to strengthen against S\$ by 5%, 10% and 15%, the Group's results would decrease by:

	Decrease in Group's results	
	2007 HK\$'000	2006 HK\$'000
5%	913	1,176
10%	1,826	2,351
15%	2,738	3,527

Conversely, if the HK\$ were to weaken against S\$, the effect on the Group would be an increase in the Group's result by the amount shown above.

Fair value of financial assets, financial liabilities and financial derivative

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, provisions and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The long-term borrowings are floating rate loans and hence their carrying values approximate their fair value. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

The fair values of financial assets, financial liabilities and financial derivatives are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of financial derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives and option pricing models for optional derivatives.

Notes to the Financial Statements

As at 31 December 2007

5 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, free from interest and are repayable on demand.

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

	Group		Fortune REIT	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Base rental	(59,915)	(62,959)	—	—
Charge-out collections	(21,447)	(22,580)	—	—
Rental compensation under Guarantee	—	(11,927)	—	—
Building management expenses	53,451	53,865	—	—
Management fee and other charges	24,003	22,927	—	—
Carpark agency fee	2,415	2,676	—	—
Manager's performance fees	13,911	13,533	—	—
Manager's base fees	28,069	26,262	28,069	26,262
Trustee's fees	2,783	2,549	2,783	2,549

6 Cash and Cash Equivalents

	Group		Fortune REIT	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at bank and in hand	59,415	56,545	20,673	16,434
Fixed deposits with financial institutions	182,703	194,979	98,556	98,689
Total	242,118	251,524	119,229	115,123

6 Cash and Cash Equivalents (cont'd)

Effective interest rate and repricing analysis:

	Effective interest rate		Total		Within 1 month	
	per annum		2007	2006	2007	2006
	2007	2006	2007	2006	2007	2006
	%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group						
Fixed deposits with financial institutions	3.174	3.295	182,703	194,979	182,703	194,979
Fortune REIT						
Fixed deposits with financial institutions	3.174	3.295	98,556	98,689	98,556	98,689

The above fixed deposits are normally placed for a period ranging from 7 days to 30 days (2006: 7 days to 33 days).

The cash and cash equivalents which are not denominated in the functional currencies of the respective Group entities are as follows:

	Group and Fortune REIT	
	2007	2006
	HK\$'000	HK\$'000
Denominated in:		
Singapore dollars	18,256	23,517

Notes to the Financial Statements

As at 31 December 2007

7 Trade and Other Receivables

	Group		Fortune REIT	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
(a) Trade receivables				
Outside parties	18,994	11,007	—	—
Less allowances for doubtful trade receivables	(321)	(200)	—	—
Net	18,673	10,807	—	—
Property companies (dividend receivable)	—	—	132,795	135,826
Related parties:				
— Others	—	383	—	—
Total trade receivables	18,673	11,190	132,795	135,826
(b) Other receivables and prepayments				
Security deposits	15,089	14,948	—	—
Other receivables	291	1,155	—	923
Prepayments	1,755	2,662	10,072	14,098
Total other receivables and prepayments	17,135	18,765	10,072	15,021
Total trade and other receivables	35,808	29,955	142,867	150,847

There is no credit period given on billing for rental of properties. No interest is charged on the trade receivables for the first 10 days (2006: 10 days) from the date of the invoice.

Included in the Group's trade receivable balance are debtors with a carrying amount of HK\$18,673,000 (2006: HK\$11,190,000) which are past due at the reporting date for which the Group has not provided for doubtful debts as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 30 days (2006: 30 days).

7 Trade and Other Receivables (cont'd)

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to deposits received from tenants. Accordingly, the Manager believes that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful debts are specific trade receivables with a total balance of HK\$321,000 (2006: HK\$200,000). The impairment recognised represents the difference between the carrying amount of the specific trade receivables and present value of expected liquidation proceeds. The Group does not hold any collateral over these balances.

Movement in the allowance for doubtful debts:

	Group	
	2007 HK\$'000	2006 HK\$'000
Balance at beginning of the year	200	7,243
Amounts written off during the year	(1)	(7,243)
Increase in allowance recognised in the statement of return	122	200
Balance at end of the year	321	200

Trade and other receivables which are not denominated in the functional currencies of the respective Group entities are as follows:

	Group and Fortune REIT	
	2007 HK\$'000	2006 HK\$'000
Denominated in:		
Singapore dollars	—	9

Notes to the Financial Statements

As at 31 December 2007

8 Investment Properties

	Group	
	2007 HK\$'000	2006 HK\$'000
At beginning of year	9,235,904	8,592,000
During the year:		
Disposal of investment properties	—	(72,772)
Capital expenditure incurred	17,493	10,038
Fair value changes	460,507	706,638
At end of year	9,713,904	9,235,904

Details of the investment properties as at the balance sheet date are set out below:

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Valuation	
					2007 HK\$'000	2006 HK\$'000
City One Shatin Property	Leasehold	99 years	39.5 years	1 & 2 Ngan Shing Street, 6 Lok Shing Street, Shatin New Territories, Hong Kong	3,450,904	3,300,904
Ma On Shan Plaza	Leasehold	55.5 years	39.5 years	No. 608 Sai Sha Road, Ma On Shan, Shatin, New Territories, Hong Kong	1,900,000	1,695,000
The Metropolis Mall	Leasehold	50.5 years	39.5 years	Nos. 6–10 Metropolis Drive, The Metropolis Mall, Kowloon	1,830,000	1,961,000
Waldorf Garden Property	Leasehold	99 years	39.5 years	No. 1 Tuen Lee Street, Tuen Mun, New Territories, Hong Kong	768,000	540,000
Smartland	Leasehold	149 years	39.5 years	No. 16 Tsuen Wan Street, Tsuen Wan, New Territories, Hong Kong	434,000	433,000
The Household Center	Leasehold	50 years	40.5 years	No. 8 King Lai Path, Kwai Chung, New Territories, Hong Kong	326,000	325,000
Tsing Yi Square Property	Leasehold	99 years	39.5 years	No. 7–19 Tsing Luk Street, Tsing Yi, New Territories, Hong Kong	323,000	309,000

8 Investment Properties (cont'd)

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Valuation	
					2007 HK\$'000	2006 HK\$'000
Jubilee Court Shopping Centre	Leasehold	149 years	39.5 years	Nos. 2-18 Lok King Street, Fo Tan, Shatin, New Territories, Hong Kong	322,000	321,000
Centre de Laguna Property	Leasehold	58 years	39.5 years	93/99 Cha Kwo Ling Road Kwun Tong, Kowloon, Hong Kong	188,000	188,000
Lido Garden Property	Leasehold	149 years	39.5 years	No. 41-63 Castle Peak Road, Sham Tseng Tsuen Wan New Territories, Hong Kong	110,000	105,000
Rhine Garden Property	Leasehold	57 years	39.5 years	No. 38 Castle Peak Road, Sham Tseng Tsuen Wan New Territories, Hong Kong	62,000	58,000
Total					9,713,904	9,235,904
Classified as:						
Held for resale					904	904
Investment properties					9,713,000	9,235,000
Total					9,713,904	9,235,904

On 31 December 2007 and 31 December 2006, an independent valuation was undertaken by Knight Frank Petty Limited and Savills Valuation and Professional Services Limited on the above investment properties respectively. The respective firms are independent valuers having appropriate professional qualifications and experiences in the location and category of the properties being valued. The valuations for the eleven properties were based on a combination of Investment Method, Direct Comparison Method and Discounted Cash Flow Analysis. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. The valuations adopted amounted to HK\$9,713,000,000 (2006: HK\$9,235,000,000).

Certain investment properties held for resale pertain to car park lots which were substantially disposed off during 2006. As at 31 December 2007, the investment properties held for resale amount to HK\$904,000 (2006: HK\$904,000) and these were excluded from the independent valuation undertaken by Knight Frank Petty Limited (2006: Savills Valuation and Professional Services Limited).

The investment properties located in Hong Kong comprise a portfolio of 11 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 at prevailing market rates.

The investment properties (except Waldorf Garden Property and Jubilee Court Shopping Centre) with a total fair value of HK\$8,623,000,000 have been mortgaged to Hong Kong Shanghai Banking Corporation Limited and DBS Bank Ltd, as collaterals for credit facilities granted by these banks.

Notes to the Financial Statements

As at 31 December 2007

9 Investments in Property Companies

	Fortune REIT	
	2007 HK\$'000	2006 HK\$'000
Unquoted, ordinary shares, at cost	2,446,240	2,446,240
Unquoted, preference shares, at cost	1,492,984	1,492,984
Total	3,939,224	3,939,224

Subsidiaries of Fortune REIT:

Name of company	Country of incorporation	Effective equity interest held by Fortune REIT		Cost of investment by Fortune REIT		Principal activities in Hong Kong
		2007	2006	2007	2006	
		%	%	HK\$'000	HK\$'000	
Mightypattern Limited	Hong Kong	100	100	1,519,004	1,519,004	Property investment in City One Shatin
Vision Million Limited	British Virgin Islands	100	100	938,809	938,809	Property investment in The Metropolis Mall
Poko Shine Limited	Hong Kong	100	100	487,258	487,258	Property investment in Ma On Shan Plaza
Waldorf Realty Limited	Hong Kong	100	100	395,749	395,749	Property investment in Waldorf Garden Property
Yee Pang Realty Limited	Hong Kong	100	100	152,832	152,832	Property investment in Jubilee Court Shopping Centre
Art Full Resources Limited	Hong Kong	100	100	130,431	130,431	Property investment in The Household Center
Quick Switch Limited	British Virgin Islands	100	100	115,157	115,157	Property investment in Smartland
Team Challenge Limited	British Virgin Islands	100	100	95,620	95,620	Property investment in Tsing Yi Square Property
Ace Courage Limited	British Virgin Islands	100	100	56,059	56,059	Property investment in Centre de Laguna Property
Partner Now Limited	British Virgin Islands	100	100	30,810	30,810	Property investment in Lido Garden Property

9 Investments in Property Companies (cont'd)

Name of company	Country of incorporation	Effective equity interest held by Fortune REIT		Cost of investment by Fortune REIT		Principal activities in Hong Kong
		2007 %	2006 %	2007 HK\$'000	2006 HK\$'000	
Proven Effort Limited	British Virgin Islands	100	100	17,495	17,495	Property investment in Rhine Garden Property
Genuine Joy Limited ⁽¹⁾	British Virgin Islands	100	100	—	—	Property investment
Full Belief Limited ⁽¹⁾	British Virgin Islands	100	100	—	—	Property investment
Subsidiaries of Mightypattern Limited:						
Maxon Investment Limited	Hong Kong	100	100	—	—	Financing
Pinelink Investment Limited ⁽¹⁾	British Virgin Islands	100	100	—	—	Investment holding
Million Nice Development Limited	Hong Kong	100	100	—	—	Property investment
Subsidiaries of Waldorf Realty Limited:						
Prostar Resources Limited ⁽¹⁾	British Virgin Islands	100	100	—	—	Investment holding
Colour Sky International Limited	Hong Kong	100	100	—	—	Property investment
Total				3,939,224	3,939,224	

Note:

(1) No audit required under country of incorporation.

Fortune REIT holds 100% of the ordinary shares and redeemable preference shares in all the direct subsidiaries. The interest in subsidiaries, except for Full Belief Limited and Genuine Joy Limited, were pledged as securities to the banks for the loan facilities granted by these banks to the subsidiaries as disclosed in Note 13.

The redeemable preference shares are redeemable at the option of the subsidiaries and they have the following terms:

- (a) They do not carry any right to dividend;
- (b) They are not participating (i.e. there is no right to participate in the surplus profits of the company after payment of dividend to the holders of the ordinary shares);
- (c) They shall not have any voting rights at general meetings of the company;

Notes to the Financial Statements

As at 31 December 2007

9 Investments in Property Companies (cont'd)

- (d) In the event of a winding up of the subsidiary, the holders of the redeemable preference shares shall have priority over the holders of the ordinary shares as to repayment of capital and premium paid on the issue of such redeemable preference shares, but that the holders of the redeemable preference shares shall not be entitled to participate in the surplus assets (if any) of the company; and
- (e) Each redeemable preference share shall be redeemable at any time at the option of the subsidiary at a redemption price equal to the issue price thereof.

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

10 Plant and Equipment

	Office equipment, furniture and fittings	
	2007	2006
	HK\$'000	HK\$'000
Cost:		
At beginning and end of year	411	411
Accumulated depreciation:		
At beginning of year	141	54
Depreciation for the year	79	87
At end of year	220	141
Carrying value:		
At end of year	191	270

11 Derivative Assets (Liabilities)

At the balance sheet date, the total notional principal amount of the derivative financial instruments to which the Group is committed and their fair values at balance sheet date are as follows:

(a) Notional amount

	Group		Fortune REIT	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest rate swaps	1,843,500	1,843,500	—	—
Structured swaps	614,500	614,500	614,500	614,500
Total	2,458,000	2,458,000	614,500	614,500

11 Derivative Assets (Liabilities) (cont'd)

(b) Fair value assets (liabilities)

	Group		Fortune REIT	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Interest rate swaps	(34,019)	(21,126)	—	—
Structured swaps	(5,729)	(2,233)	(5,729)	(2,233)
Total	(39,748)	(23,359)	(5,729)	(2,233)

Reflected on balance sheet as:

Derivative assets	—	87	—	—
Derivative liabilities (current)	(1,022)	—	—	—
Derivative liabilities (non-current)	(38,726)	(23,446)	(5,729)	(2,233)
Net	(39,748)	(23,359)	(5,729)	(2,233)

Taken to:

i) Equity	(34,019)	(21,126)	—	—
ii) Statement of return	(5,729)	(2,233)	(5,729)	(2,233)
Total	(39,748)	(23,359)	(5,729)	(2,233)

The Group uses interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of these borrowings from floating rates to fixed rates. Contracts with nominal values of HK\$1,843.5 million have fixed interest payments at rates ranging from 3.93% to 5.12% (2006: 3.825% to 5.12%) per annum for periods up to June 2010 and have floating interest receipts at Hong Kong Inter-bank Offer Rate.

The fair value changes of those interest rate swaps which qualify as cash flow hedges are taken to equity. The fair value changes of the other interest rate swaps which do not qualify for hedge accounting have been taken to the statement of return.

The derivative assets (liabilities) of the Group are denominated in the functional currencies of the respective Group entities.

Notes to the Financial Statements

As at 31 December 2007

12 Trade and Other Payables

	Group		Fortune REIT	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
a) Trade payables				
Sales deposits	—	275	—	—
Tenant's deposits				
— Outside parties	133,836	126,817	—	—
— Related parties (Note 5)	377	510	—	—
Rental received in advance				
— Outside parties	5,598	3,469	—	—
Total trade payables	139,811	131,071	—	—
b) Other payables				
Trustee's fee	1,256	1,376	1,256	1,376
Manager's base fee	514	349	514	349
Unit issue costs	3,382	4,391	3,382	4,391
Operating expenses	46,013	51,396	1,296	1,258
Interest payable	990	1,086	—	—
Total other payables	52,155	58,598	6,448	7,374
Total trade and other payables	191,966	189,669	6,448	7,374

Trade payables and other payables comprise deposits refundable to tenants upon cancellation of operating lease arrangements and amounts outstanding for ongoing costs. The refundable deposit to tenants is within 30 days (2006: 30 days).

Trade and other payables which are not denominated in the functional currencies of the respective Group entities are as follows:

	Group and Fortune REIT	
	2007 HK\$'000	2006 HK\$'000
Denominated in:		
Singapore dollars	550	430

13 Borrowings

	Group	
	2007 HK\$'000	2006 HK\$'000
Long-term borrowings:		
Term loans	2,348,700	2,385,000
Less repayment during the year	—	(36,300)
	2,348,700	2,348,700
Less unamortised front end fee	(10,062)	(14,087)
Net	2,338,638	2,334,613

Under the facility agreement between HongKong Shanghai Banking Corporation Limited and DBS Bank Ltd and the property companies, the banks have granted the property companies an Omnibus Facilities ("Facility") of HK\$2,613.7 million (2006: HK\$2,613.7 million) comprising a HK\$2,348.7 million (2006: HK\$2,348.7 million) term loan facility and a HK\$265 million (2006: HK\$265 million) revolving credit facility, each for a term of five years from 28 June 2005.

Each loan made under the Facility bears interest at the Hong Kong Interbank Offer Rate plus a margin. The margin is 0.28% for the first year, 0.30% for the second year, 0.34% for the third year, 0.36% for the fourth year and 0.42% for the fifth year.

Included in the loan obligation is an front end fee of HK\$20.1 million paid to the banks to secure the loan facilities. The front end fee is amortised over a period of 5 years. The movement in the front end fee and the accumulated amortisation is as follows:

	Group and Fortune REIT	
	2007 HK\$'000	2006 HK\$'000
Cost	20,125	20,125
Movement in accumulated amortisation:		
Balance at beginning of year	(6,038)	(2,013)
Amortised during the year	(4,025)	(4,025)
Balance at end of year	(10,063)	(6,038)
Net book value	10,062	14,087

Notes to the Financial Statements

As at 31 December 2007

13 Borrowings (cont'd)

The loan facilities are secured by, inter alia, a mortgage over the existing properties (except for Waldorf Garden Property and Jubilee Court Shopping Centre).

The total facilities drawn down by the property companies (before deduction of unamortised front end fee) as at 31 December 2007 relate to HK\$2,348.7 million (2006: HK\$2,348.7 million) term loans bearing interest at floating interest rate ranging from 3.92% to 5.49% (2006: 4.508% to 4.969%) per annum, fully repayable in June 2010.

The Group entered into interest rate swap contracts to swap the floating rate borrowings into fixed rate borrowings. As at 31 December 2007, the fixed interest rates of borrowings vary from 3.93% to 5.12% (2006: 3.825% to 5.12%) per annum.

The remaining terms and notional principal amounts of the outstanding interest rate swap contracts are disclosed in Note 11.

The effective interest rates and repricing analysis:

	Effective interest rate		Carrying value		Repricing within 3 months	
	2007	2006	2007	2006	2007	2006
	%	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest bearing borrowings — Group						
Term loans (with swap cost)	4.75	4.42	2,348,700	2,348,700	2,348,700	2,348,700

The borrowings are denominated in Hong Kong dollars.

14 Deferred Tax Liabilities

	Group	
	2007	2006
	HK\$'000	HK\$'000
Deferred tax liabilities	109,426	95,546

The movements in deferred tax position during the year were as follows:

At beginning of year	95,546	78,707
Charge to statement of return for the year (Note 22)	13,880	16,839
At end of year	109,426	95,546

14 Deferred Tax Liabilities (cont'd)

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

Deferred tax liabilities (assets)

	Accelerated tax depreciation		Tax losses		Total	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Group						
At beginning of year	102,167	89,706	(6,621)	(10,999)	95,546	78,707
Charge to statements of return for the year	12,550	12,461	1,330	4,378	13,880	16,839
At end of year	114,717	102,167	(5,291)	(6,621)	109,426	95,546

15 Issued Equity

	Group		Group and Fortune REIT	
	2007 Number of Units '000	2006 Number of Units '000	2007 HK\$'000	2006 HK\$'000
Balance at beginning of year	806,218	801,922	4,314,163	4,287,901
Issue of new Units during the year:				
As payment of Manager's base fee	4,636	4,296	20,724	19,279
Balance in issue as at year end	810,854	806,218	4,334,887	4,307,180
New Units to be issued:				
As payment of Manager's base fee for the period from 1 October to 31 December 2007 (1 October to 31 December 2006)	1,412	1,168	7,345	6,983
Balance at end of year	812,266	807,386	4,342,232	4,314,163

On 15 January 2008, Fortune REIT issued 1,412,396 Units (2006: 1,168,830 Units) to the Manager at HK\$5.2006 (2006: HK\$5.9745) per Unit as base fee for the period from 1 October 2007 to 31 December 2007.

Notes to the Financial Statements

As at 31 December 2007

15 Issued Equity (cont'd)

Each Unit in Fortune REIT 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 financial statements 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, an Unitholder has no right to require that any asset of Fortune REIT be transferred to him.

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

Expenses incurred in issuing new Units totalling HK\$173.1 million (2006: HK\$173.1 million) had been charged against the Unitholders' funds.

17 Net Asset Value Per Unit and Adjusted Net Asset Value Per Unit

Net asset value per Unit is determined based on the Unitholders' funds of HK\$7,306,249,000 (2006: HK\$6,865,753,000) divided by the number of Units issued and to be issued as at the balance sheet date.

The adjusted net asset value per Unit is calculated based on the net Unitholders' funds excluding hedging reserve divided by the number of Units issued and to be issued as at the balance sheet date. This comprises:

- i) the number of Units in issue as at 31 December 2007 of 810,853,651 (2006: 806,217,648); and
- ii) the Units payable to the Manager on 15 January 2008 as base fee for the period from 1 October 2007 to 31 December 2007 of 1,412,396 (2006: 1,168,830).

18 Revenue

	Group		Fortune REIT	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Net dividend income	—	—	279,951	278,063
Base rental	421,327	419,954	—	—
Charge-out collections	120,904	120,895	—	—
Rental guaranteed for net property income	—	11,199	—	—
Rental guaranteed for net parking space income	—	728	—	—
Short-term rental	67,157	57,123	—	—
Other income	5,369	4,155	—	—
Total	614,757	614,054	279,951	278,063

The rental revenue included HK\$1,113,430 (2006: HK\$1,262,426) of contingent rents.

19 Property Operating Expenses

	Group	
	2007 HK\$'000	2006 HK\$'000
Utilities	31,104	32,937
Government rents and rates	18,841	20,251
Contribution to estate common	17,196	16,339
Staff costs	13,822	14,881
Service contracts and maintenance	17,344	19,450
Manager's performance fee	13,911	13,533
Property management fee	14,039	13,751
Car park expenses	8,018	8,453
Advertising and promotion	5,291	10,821
Audit fees paid to		
— auditors of property companies		
current year	750	700
under provision of prior year audit fees	2	191
— internal auditors of property companies	330	332
Allowance for doubtful debts	121	200
Other operating expenses	23,933	24,633
Total	164,702	176,472

Notes to the Financial Statements

As at 31 December 2007

20 Trust Expenses

	Group and Fortune REIT	
	2007 HK\$'000	2006 HK\$'000
Audit fees paid to auditor of Fortune REIT	513	375
Professional fees	161	97
Trustee's fee	2,783	2,549
Non-deal roadshow expense	71	73
Other charges	11,681	21,937
Total	15,209	25,031

21 Borrowing Costs

	Group	
	2007 HK\$'000	2006 HK\$'000
Interest expense on		
— Term loans	112,045	105,678
— Revolving loan	245	1,008
Commitment fee	392	360
Total	112,682	107,046

22 Income Tax Expense

	Group		Fortune REIT	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Current — Singapore	1,371	1,298	1,371	1,298
— Foreign	44,346	40,439	—	—
Underprovision in prior years	217	—	217	—
	45,934	41,737	1,588	1,298
Deferred (Note 14)	13,880	16,839	—	—
Total	59,814	58,576	1,588	1,298

22 Income Tax Expense (cont'd)

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 18% (2006: 20%) to profit before income tax as a result of the following differences:

	Group		Fortune REIT	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Profit before income tax	763,516	997,740	245,587	235,689
Income tax expense at statutory rate	137,432	199,548	44,206	47,138
Non-allowable items	7,199	9,475	7,199	9,475
Non-taxable income	(82,915)	(142,004)	—	—
Tax exempt income	—	—	(50,024)	(55,252)
Effect of different tax rates of overseas operations	(1,687)	(8,263)	—	—
Other items	(432)	(180)	(10)	(63)
Underprovision of current tax in prior years	217	—	217	—
Net income tax expense	59,814	58,576	1,588	1,298

23 Amount Available for Distribution

Amount available for distribution during the financial year is derived from net profit of the Group after adjustment for appropriate trust expenses in the current year and prior periods.

24 Earnings Per Unit

(i) Weighted average earnings per Unit

Weighted average basic earnings per Unit is calculated by dividing the net profit by the weighted average number of Units in issue during the year as follows:

	2007 HK\$'000	2006 HK\$'000
Net profit for the year	703,702	939,164

	2007 Number of Units '000	2006 Number of Units '000
Weighted average number of Units in issue during the year	809,934	805,342

Notes to the Financial Statements

As at 31 December 2007

24 Earnings Per Unit (cont'd)

(i) Weighted average earnings per Unit (cont'd)

	HK cents	
Weighted average earnings per Unit	86.88	116.62

The weighted average number of Units in issue during the year takes into account the 1,412,396 (2006: 1,168,830) Units issued to the Manager on 15 January 2008 (16 January 2007) as base fee for the period from 1 October 2007 to 31 December 2007 (1 October 2006 to 31 December 2006).

(ii) Adjusted notional basic earnings per Unit

Adjusted notional basic earnings per Unit is calculated by dividing the net profit excluding fair value gains on investment properties by the total number of Units issued during the first and second half of the year respectively including the base fee issued to the Manager in Unit for the period 1 October 2007 to 31 December 2007 (1 October 2006 and 31 December 2006) as follows:

	2007	2006
	HK\$'000	HK\$'000
Profit for the year adjusted for fair value gain on investment properties	243,195	232,526

	2007	2006
	Number of Units	Number of Units
	'000	'000
Weighted average number of Units in issue during the year	809,934	805,342

	HK cents	
Adjusted notional earnings per Unit	30.03	28.87

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

	2007 HK\$'000	2006 HK\$'000
Distributions to Unitholders during the year comprise:		
2007		
Distribution of 16.73 Hong Kong cents per Unit for the period 1 July 2006 to 31 December 2006	135,076	—
Distribution of 17.70 Hong Kong cents per Unit for the period 1 January 2007 to 30 June 2007	143,306	—
	278,382	—
2006		
Distribution of 17.22 Hong Kong cents per Unit for the period 28 June 2005 to 31 December 2005	—	138,285
Distribution of 17.53 Hong Kong cents per Unit for the period 1 January 2006 to 27 June 2006	—	141,139
Total	—	279,424

Fortune REIT's distribution policy is to distribute 100% of its Tax-Exempt Income (except gain on revaluation of properties and 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%. This 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 from the end of each distribution period.

Notes to the Financial Statements

As at 31 December 2007

25 Distribution Policy (cont'd)

The distribution per Unit is based on the amount 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:

Distribution period	Amount available for distribution HK\$'000	Number of Units '000	Distribution per Unit HK cents
Year ended 31 December 2007			
1 January 2007 to 30 June 2007	143,322	809,641	17.70
1 July 2007 to 31 December 2007	141,554	812,266	17.42
Total	284,876		35.12
Year ended 31 December 2006			
1 January 2006 to 30 June 2006	141,139	805,130	17.53
1 July 2006 to 31 December 2006	135,147	807,386	16.73
Total	276,286^(*)		34.26

Amount available for distribution consists of income arising from:

	2007 HK\$'000	2006 HK\$'000
(i) Current year	279,618	276,286 ^(*)
(ii) Accumulated profits	5,258	—
Total	284,876	276,286^(*)

(*) The amount available for distribution is adjusted to exclude interest income amounting to HK\$335,000 which was not remitted to Singapore.

26 Segmental Reporting

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

27 Operating Lease Arrangements

	Group	
	2007	2006
	HK\$'000	HK\$'000
Minimum lease income under operating leases included in the statement of return	542,231	540,849

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

	Group	
	2007	2006
	HK\$'000	HK\$'000
Future minimum lease payments receivable:		
Within one year	351,539	356,683
In the second to fifth year inclusive	266,601	241,862
After five years	15,886	—
Total	634,026	598,545

Operating lease income represents rentals receivable by the Group for its investment properties. Leases are negotiated for an average of 1 to 3 years and rentals are fixed for an average of 1 to 3 years.

Unitholders' Statistics

Issued and Fully Paid-up Units

As at 29 February 2008

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	1,318,969	4.6235
13-01-04	Manager's base fee	508,329	2,562,639	5.0413
01-04-04	Manager's base fee	491,656	2,534,746	5.1556
02-07-04	Manager's base fee	471,649	2,534,783	5.3743
01-10-04	Manager's base fee	411,900	2,562,636	6.2215
12-01-05	Manager's base fee	501,966	3,163,791	6.3028
06-04-05	Manager's base fee	460,047	3,095,012	6.7276
28-06-05	Equity fund raising	318,796,148	1,986,100,002	6.2300
18-07-05	Acquisition fee	5,520,064	34,389,999	6.2300
18-07-05	Manager's base fee	496,767	3,189,039	6.4192
03-10-05	Manager's base fee	977,811	5,907,152	6.0412
16-01-06	Manager's base fee	1,124,236	6,496,960	5.7790
06-04-06	Manager's base fee	995,742	6,355,722	6.3829
05-07-06	Manager's base fee	1,088,288	6,426,341	5.9050
03-10-06	Manager's base fee	1,087,740	6,496,962	5.9729
16-01-07	Manager's base fee	1,168,830	6,983,175	5.9745
09-04-07	Manager's base fee	1,173,532	6,831,364	5.8212
04-07-07	Manager's base fee	1,081,039	6,907,947	6.3901
05-10-07	Manager's base fee	1,212,602	6,983,860	5.7594
15-01-08	Manager's base fee	1,412,396	7,345,307	5.2006
Total Units outstanding		812,266,047		

Note:

1. After volume discount

There were 812,266,047 Units (voting rights: one vote per Unit) outstanding as at 29 Feb 2008. There is only one class of Units in Fortune REIT.

Top Twenty Unitholders

As at 29 February 2008

As shown in the Register of Substantial Unitholders as at 29 February 2008

Ranking	Unitholders	No. of Units	% of total
1	Focus Eagle Investments Limited	206,537,342	25.43
2	Citibank Nominees Singapore Pte Ltd	170,228,652	20.96
3	DBS Nominees Pte Ltd	130,497,121	16.07
4	DBSN Services Pte Ltd	94,644,195	11.65
5	HSBC (Singapore) Nominees Pte Ltd	94,172,407	11.59
6	Meren Pte Ltd	20,260,000	2.49
7	DBS Vickers Securities (S) Pte Ltd	14,905,600	1.84
8	United Overseas Bank Nominees (Pte) Ltd	11,689,324	1.44
9	Morgan Stanley Asia (Singapore) Securities Pte Ltd	6,068,000	0.75
10	ThioEquities Pte Ltd	5,311,000	0.65
11	Raffles Nominees Pte Ltd	4,367,814	0.54
12	DB Nominees (S) Pte Ltd	2,335,000	0.29
13	BNP Paribas Nominees Singapore Pte Ltd	1,412,000	0.17
14	Kim Eng Securities Pte Ltd	1,216,000	0.15
15	Chan U Seek	1,050,000	0.13
16	NTUC Fairprice Co-operative Ltd	1,000,000	0.12
17	Tan Chee Jin	1,000,000	0.12
18	Bank of East Asia Nominees Pte Ltd	985,500	0.12
19	Teng Ngiek Lian	977,000	0.12
20	Merrill Lynch (Singapore) Pte Ltd	960,000	0.12
	Total	769,616,955	94.75

Unitholders' Statistics

Substantial Unitholders

As at 29 February 2008

As shown in the Register of Substantial Unitholders as at 29 February 2008

		No. of Units	
		Direct interest	Deemed interest
1	Focus Eagle Investments Limited	206,537,342	—
2	Ballston Profits Limited	56,278,000	—
3	PGGM	120,000,000	—
4	DBS Bank Ltd	51,700,000	927,500 ⁴
5	Cohen & Steers, Inc	—	52,992,000 ⁶
6	The Capital Group Companies, Inc.	—	51,199,500
7	Cheung Kong (Holdings) Limited	—	262,815,342 ¹
8	Hutchison Whampoa Limited	—	56,278,000 ²
9	DBS Group Holdings Ltd	—	52,627,500 ³
10	Temasek Holdings (Private) Limited	—	55,689,500 ⁵

Notes:

1. *Cheung Kong (Holdings) Limited is deemed to be interested in 262,815,342 Units, of which:*
 - (i) *206,537,342 Units are held by Focus Eagle Investments Limited (a wholly-owned subsidiary of Cheung Kong (Holdings) Limited); and*
 - (ii) *56,278,000 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).*
2. *Hutchison Whampoa Limited is deemed to be interested in 56,278,000 Units held by its wholly-owned subsidiary company, Ballston Profits Limited.*
3. *DBS Group Holdings Ltd is deemed to be interested in 52,627,500 Units held by its subsidiary, DBS Bank Ltd.*
4. *DBS Bank Ltd is deemed to be interested in 927,500 Units held by DBS Asset Management Ltd (a wholly owned subsidiary of DBS Bank Ltd).*
5. *Temasek Holdings (Private) Limited is deemed to be interested in 55,689,500 Units of which:*
 - (i) *2,500,000 Units are held by Fullerton (Private) Limited (a subsidiary of Temasek Holdings (Private) Limited)*
 - (ii) *471,000 Units are held by Temasek Fullerton Alpha Pte Ltd (a subsidiary of Temasek Holdings (Private) Limited)*
 - (iii) *52,627,500 Units are held indirectly by DBS Group Holdings Limited (Temasek Holdings (Private) Limited holds directly and indirectly approximately 28.46% of total issued share capital of DBS Group Holdings Limited)*
 - (iv) *91,000 Units are held by Singapore Technologies Aerospace Limited (a subsidiary of Temasek Holdings (Private) Limited).*
6. *Cohen & Steers, Inc is deemed to be interested in 52,992,000 Units of which:*
 - (i) *244,000 Units are held by Daiwa C&S Kaigai REIT Mother Fund*
 - (ii) *19,688,000 Units are held by Daiwa C&S Global REIT Mother Fund*
 - (iii) *24,842,000 Units are held by Daiwa C&S Sekai REIT Mother Fund*
 - (iv) *5,704,000 Units are held by Daiwa C&S Sekai REIT Mother Fund*
 - (v) *2,514,000 Units are held by Cohen & Steers Worldwide Realty Income Fund.*

Size of Holdings

As at 29 February 2008

Size of Unitholdings	No. of Unitholders	% of Unitholders	No. of Units	% of Units
1 – 999	14	0.82	3,084	0.00
1,000 – 10,000	1,035	60.70	5,513,169	0.68
10,001 – 1,000,000	641	37.60	42,055,339	5.18
1,000,001 and above	15	0.88	764,694,455	94.14
Total	1,705	100.00	812,266,047	100.00

Manager's Directors' Unitholdings

As shown in the Register of Directors' Unitholdings as at 21 January 2008

		No. of Units	
		Direct interest	Deemed interest
1	Lim Hwee Chiang, John	—	15,253,899
2	Poon Sow-Mei (alias Sng Sow Mei)	110,000	—

Note:

1. *Mr. Lim Hwee Chiang, John is deemed to be interested in 15,253,899 Units, of which:*
 - (i) *2,557,899 Units are held by the Manager (a wholly-owned subsidiary of ARA Asset Management Limited) by virtue of Mr. Lim's ownership of 100% of the shares in JL Investment Group Limited, which holds 36.4% of the shares in ARA Asset Management Limited, the holding company of the Manager*
 - (ii) *12,696,000 Units are held by ARA Asian Income Master Fund ("AAAIMF"). ARA Strategic Capital I Pte Ltd (the "Fund Manager"), as the fund manager of AAAIMF, is deemed to have an interest in the Units. The Fund Manager is 100% owned by ARA Strategic Capital (Holdings) Pte Ltd which is 75% owned by ARA Asset Management Limited.*

Free Float

Based on information made available to the Manager as at 29 February 2008, approximately 33.2% of the Units in Fortune REIT are 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 follows:

Name of Related Party	Aggregate value of all related party transactions entered during the financial period under review (excluding transactions of less than S\$100,000 (HK\$507,390 ¹ equivalent) each) HK\$'000
Base rent and charge-out collections	
A.S. Watson Group (HK) Limited	76,008
Hutchison Telephone Company Limited	9,883
Union Ford Investments Limited	4,377
Diamond Jubilee Investment Limited	2,917
Cheung Kong Property Development Limited	1,080
Total	94,265

Save as disclosed above, there were no additional related party transactions (excluding transactions of less than S\$100,000 (HK\$507,390¹ equivalent) each) entered during the year ended 31 December 2007.

Please also see Significant Related Party Transactions in Note 5 in the financial statements.

Note:

1. Exchange rate as at 3 Jan 2007

Subscription of Fortune REIT Units

As at 31 December 2007, an aggregate of 810,853,651 Units were in issue. On 15 January 2008, Fortune REIT issued 1,412,396 Units to the Manager as base fee for the period from 1 October 2007 to 31 December 2007.

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Asset Management (Singapore) Limited

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