

## Media release

10 May 2005

Embargoed until 5.05 pm

Manager of



**FORTUNE**  
置富產業信託 **REIT**

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### **Malls' performance continue to improve, net property income grew 2.8%, proposed acquisitions to boost trust revenue significantly from 2H05**

**10 May 2005.** ARA Asset Management (Singapore) Limited ("ARASL") is pleased to announce the results for Fortune REIT for the quarter ended March 2005.

"Fortune REIT has continued to grow its distribution per unit on improving performance of its malls as Hong Kong's retail market continues to be buoyant. We are now seeing our leasing efforts delivering the results, especially at Ma On Shan Plaza. And with the proposed acquisitions which we announced in late March, we expect the full-year revenue of Fortune REIT to rise significantly", said John Lim, CEO of ARASL.

"During the quarter, 67% of all expiring leases renewed or were re-let. We saw an 8.0% increase in the average rental of these renewals, compared to last year's reversion of 4%. This shows the rental uptrend in Hong Kong's retail market is continuing, and management's efforts in capitalising on this", he added.

**Net income rose 2.8% over 1Q04.** Net property income rose 2.8% compared to the same quarter a year ago, but due to higher debt-servicing costs as a result of higher interest rates, Fortune REIT's distribution per unit ("DPU") rose 0.9%<sup>1</sup>.

#### **Fortune REIT quarterly results**

	<b>1Q 2005</b>	<b>1Q 2004</b>	<b>Change</b>
Net property income (HK\$m)	56,051	54,517	2.8%
Net profit of property companies <sup>2</sup> (HK\$m)	41,702	41,494	0.5%
Income available for distribution (HK\$m)	41,499	40,988	1.3%
Tax-exempt distribution per unit (HK\$)	0.0872	0.0864	0.9%
Tax-exempt distribution yield (annualised)	5.32% <sup>3</sup>	6.67% <sup>4</sup>	-

Notes:

1. Please note that past performance is not necessarily indicative of future performance of Fortune REIT
2. After borrowing costs and Hong Kong taxation
3. Based on closing price of HK\$6.65 on 31 Mar 2005 and units in issue of 476.1 million
4. Based on closing price of HK\$5.20 on 31 Mar 2004 and units in issue of 474.3 million

**Highest yield amongst REITs listed in Singapore.** At its unit price of HK\$6.65 as at 31 Mar 2005 and annualising the tax-exempt distribution per unit for the quarter ending Mar 2005, Fortune REIT's tax-exempt yield was 5.32%, or 6.44% on a pre-tax basis, and remains the highest of any REIT listed in Singapore.

**Discount to NAV an opportunity to investors.** The unit price of HK\$6.65 at the end of March 2005 implies a 2.1% discount to its net asset value of HK\$6.79 per unit based on the properties' valuation at the end of December 2004. With the value of retail properties in Hong Kong expected to continue to rise this year, we believe Fortune REIT is an attractive investment opportunity for investors, particularly as the majority of REITs listed in Singapore trade at significant premiums to NAV.

**Hong Kong's robust economy stays its course, S&P raises rating outlook.** Hong Kong's economy is expected to continue to improve, with the unemployment rate now at a three year low of 6.1% at the end of Mar 2005. This may decline further as Disneyland opens in September this year. Economic growth, though, is expected to moderate to around 4.7% in 2005 from the strong 8.1% pace in 2004. The retail industry is a major beneficiary of the economic strength, with retail sales rising 10.8% in 2004, and continuing the strong pace with a 9.6% increase in the first two months of the 2005 (over the same period last year).

Standard & Poor's raised the rating outlook on Hong Kong's economy from stable A+ to positive A+ on 4 May 2005, citing the city's economic growth from booming tourism and trade with China.

**Malls continue to trade well, occupancy remains high.** The malls continue to perform well, with net property income ex-Metropolis Mall rising 4.9% over the same quarter last year, and rising 2.8% including Metropolis Mall. This growth is due to rising rental revenue and a mild 1.4% increase in operating expenses of the portfolio. There was little change in the portfolio's occupancy, which ended the quarter at 94.1%.

Shopper traffic at Fortune REIT's malls is also continuing its uptrend, rising 41% in the first quarter compared to the same three months in 2004, based on the Manager's regular surveys. This was driven largely by a 142% increase in shopper traffic at Metropolis Mall, showing our strategy of attracting shopper traffic through promotional events is working.

The portfolio's passing rental rose 1.1% during the quarter and was 11.0% higher than a year ago at the end of March 2004. We continue to actively lease the malls, and in late April signed Bank of China as a new tenant at Ma On Shan Plaza for 15,130 sf at a strong rental, and changing the tenant trade from homewares to banking for this space.

**Interest rates continue to be volatile.** Interest rates in Hong Kong continue to be volatile driven by speculation of the renminbi and Hong Kong dollar's appreciation, whilst on the other hand following global rates higher.

An appreciation of the Hong Kong dollar may benefit unitholders of Fortune REIT as its listing is denominated in Hong Kong dollars. However, short term rises in interest rates do affect Fortune REIT's income, though is mitigated by the fact that 50% of its debt interest cost has been fixed.

**Acquisitions in progress.** The SGX-ST is expected to give its approval-in-principle to Fortune REIT for the listing of New Units for the proposed acquisitions of the six retail properties announced on 24 March 2005. The Unitholders' Circular detailing the proposed acquisitions as well as the Equity Fund Raising is expected to be available shortly after that, with the Extraordinary General Meeting planned for around early June 2005. Barring any unforeseen circumstances, we expect the Equity Fund Raising exercise to be completed around mid-2005.

John Lim concluded: "While we are seeing volatile interest rates, we are also experiencing improving leasing conditions due to the stronger economy. We expect retail property rentals and valuations to rise further this year in Hong Kong, outweighing interest rate rises, barring any unforeseen circumstances. And our expected acquisitions of the six new properties will improve Fortune REIT's yield further."

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## **About Fortune REIT**

Fortune Real Estate Investment Trust ("Fortune REIT") was established under a Trust Deed dated 4th Jul 2003 made between ARA Asset Management (Singapore) Limited, as Manager, and HSBC Institutional Trust Services (Singapore) Limited (formerly known as Bermuda Trust (Singapore) Limited), as Trustee. Fortune REIT was listed on Singapore Exchange Securities Trading Limited on 12th Aug 2003.

At present, Fortune REIT holds a portfolio of five shopping malls in Hong Kong, through the ownership of the special purpose property ownership companies, worth more than HK\$4.2 billion. The malls are The Metropolis Mall, Ma On Shan Plaza, The Household Center, Smartland and Jubilee Court Shopping Centre and they house a list of 439 tenants as at 31 Mar 2005 from diverse trade sectors, including supermarkets, food and beverage outlets, bank and real estate services, and education providers. Tenants include Park 'N Shop, Maxim's Chinese Restaurant, Watson's, Fortress, DBS Bank, Standard Chartered Bank, Baleno, Bluestar Exchange, International Christian School Limited, and the Hong Kong Jockey Club.

More information can be found at [www.fortunereit.com](http://www.fortunereit.com).

## **About ARASL, the Manager**

Fortune REIT is managed by ARA Asset Management (Singapore) Limited, a wholly owned subsidiary company of ARA Asset Management Limited, which is 70% owned by Mr. John Lim, the Chief Executive Officer of the Manager, and 30% indirectly owned by Cheung Kong (Holdings) Limited.

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Past performance is not necessarily indicative of future performance. Predictions, projections or forecasts of the economy or economic trends of the markets are not necessarily indicative of the future or likely performance of Fortune REIT.

You are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of management on future events.

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Investors have no right to request the Manager to redeem or purchase their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (“SGX-ST”). Listing of the Units on the SGX-ST does not guarantee a liquid market of the Units.