

## Media release

27 July 2005

Embargoed until 5.05 pm

Manager of



**FORTUNE**  
置富產業信託 **REIT**

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### **Fortune REIT achieves tax-exempt yield of 5.4% and rental reversions of 22% for renewals in 1H 2005**

**27 Jul 2005.** ARA Asset Management (Singapore) Limited (“ARASL”) is pleased to announce the results for Fortune REIT for the half year ended June 2005.

Fortune REIT’s portfolio now consists of eleven malls and properties located in Hong Kong. Income from the six newly-acquired properties (City One Shatin Property, Waldorf Garden Property, Tsing Yi Square Property, Centre de Laguna Property, Lido Garden Property and Rhine Garden Property) began contributing to Fortune REIT’s results from 29 June 2005 on completion of the acquisitions. Hence, the results for the half year ended June 2005 relate mainly to the first five malls (The Metropolis Mall, Ma On Shan Plaza, Smartland, The Household Center and Jubilee Court Shopping Centre).

“Fortune REIT’s DPU in the first half exceeded forecast by 3.2% with the portfolio continuing to perform well in the improving Hong Kong economic environment. Sentiment remains very strong in Hong Kong and consumers are increasingly confident about spending their money given the improving jobs situation. As a result, shopkeepers have seen a rise in their business and we expect to be able to continue raising rents sustainably at our malls.” John Lim, CEO of ARASL, commented.

**Distribution per unit (“DPU”).** Fortune REIT’s DPU outperformance of 3.2% in the half year ended 30 June 2005 was due to rental revenue and charge-out collections performing better than forecast, as well as savings in interest costs relative to forecast<sup>1</sup>.

#### **Fortune REIT results for the half year ended June 2005**

	<b>Actual</b>	<b>Forecast<sup>2</sup></b>	<b>Variance</b>
Net property income (HK\$’000)	111,561	110,578	0.9%
Net profit of property companies <sup>3</sup> (HK\$’000)	82,809	79,972	3.5%
Income available for distribution (HK\$’000)	82,294	79,006	4.2%
Distribution per unit (tax-exempt) (HK\$’000)	0.1696	0.1644	3.2%
Distribution yield (tax-exempt, annualised) <sup>4</sup>	5.39%	5.22%	3.2%

Notes:

1. Please note that past performance is not necessarily indicative of future performance of Fortune REIT

2. Derived from, and based on, the forecasts stated in the Circular dated 13 May 2005 and using best estimates by the Manager so as to allow like-for-like comparisons with the actual results
3. After borrowing costs and Hong Kong taxation
4. Based on the closing price of HK\$6.35 on 30 June 2005 and units in issue of 795.4 million

**Distribution yield of 5.4%.** Fortune REIT's distribution yield calculated by annualising the DPU of the six months ended June 2005 and dividing this by the closing price of HK\$6.35 was 5.39%. On a pre-tax basis, the yield was 6.6%, one of the highest amongst REITs listed in Asia ex-Australia.

**Net property income rose 3.5%.** Compared to the first half of last year, net property income of the portfolio was 3.5% higher<sup>1</sup>, and was 0.9% better than forecast.

**Rents continued to rise.** Some 70,000 sf of space expired at Fortune REIT's first five malls in the first half. The retention rate was maintained at between 60-70%, and for the tenants who renewed, a weighted average rental reversion of 22% was achieved. The biggest contribution came from the property agency trade at Ma On Shan Plaza.

Yung Yu-ming, Fund Manager, commented: "Rental rises are being felt generally across the portfolio now. These rental reversions should materialise as higher property income from the second half of this year, with added contributions from the six newly-acquired properties."

As a whole, the average passing rental of the portfolio's eleven properties at the end of June 2005 was HK\$22.32 psf per month. The average passing rental for the first five malls was HK\$16.96 psf per month (which increased from HK\$16.68 psf per month at the end of December 2005). The higher portfolio passing rental for the eleven properties reflects the higher passing rental of the six newly-acquired properties compared to the first five.

**Aggregate occupancy now at 96.2%.** At the end of June 2005, Fortune REIT's portfolio of eleven malls and properties achieved an aggregate actual occupancy of 96.2%. Occupancy at The Metropolis Mall continued to rise from 89.4% at the end of March 2005 reaching 91.8% at the end of June 2005.

**Ma On Shan Plaza continues to be best performing asset.** The best performing mall during the first half was Ma On Shan Plaza, which is benefiting from the stronger tenant mix put in place by the Manager in 2004 as well as much stronger shopper traffic since the opening of the adjacent KCRC railway station. Net property income at the mall grew 6.2% over the first half of 2004.

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<sup>1</sup> Includes contribution of the six newly-acquired properties in the last two days of the half year ended June 2005

Smartland was also a strong performer with net property income growing 5.6% over the same period last year .

**Hong Kong retail sales growth continues.** Retail sales in Hong Kong for the five months to May 2005 grew 8.2% over the same period last year. Growth is being supported by rising sentiment on the back of a declining unemployment rate which fell to 5.7% at the end of June 2005. Disneyland's opening in September should also provide a boost to the economy.

The appreciation and move to a managed float last week of the Chinese renminbi could add further to Hong Kong's economy through higher spending power of Mainland Chinese tourists.

**Three quarters of debt now on fixed terms.** On the back of the acquisitions in June 2005, the Manager has fixed the interest cost for 75% of Fortune REIT's total debt of HK\$2.458 billion. This should mitigate the impact of any further rises in market interest rates.

**Further acquisitions eyed.** With eleven assets in its portfolio totalling 1,669,778 sf and valued at approx. HK\$7.8 billion, Fortune REIT has achieved the necessary scale for it to make further bolt-on acquisitions. We, therefore, are continuing the search for suitable yield-accretive retail properties in Hong Kong to acquire.

**Second listing potential in Hong Kong.** The listing of Fortune REIT in Hong Kong remains on the Manager's agenda and we are continuing discussions with the Hong Kong Securities and Futures Commission on this.

**Unit price at NAV, an opportunity to investors.** Fortune REIT's net asset value per unit at the end of June 2005 was HK\$6.75. Excluding the Rescheduled Distribution of HK\$0.1647 payable on 17 August 2005, the NAV per unit is HK\$6.59 currently. Given the unit price is currently trading at around this level and that retail asset values in Hong Kong are expected to rise over the full 2005 year, we believe Fortune REIT represents good value to investors currently.

John Lim concluded: "The outlook for Hong Kong remains buoyant. As such, we expect the performance of Fortune REIT's assets to continue improving. Though interest rates are also higher, we have fixed the interest cost for three quarters of its debt, and we expect rental increases to more than offset the higher interest costs."

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## **About Fortune REIT**

Fortune Real Estate Investment Trust ("Fortune REIT") was established under a Trust Deed dated 4 July 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 12 August 2003.

Fortune REIT holds a portfolio of eleven shopping malls and properties in Hong Kong, through the ownership of the special purpose property ownership companies, worth more than HK\$7.8 billion. The retail malls and properties are City One Shatin Property, The Metropolis Mall, Ma On Shan Plaza, Waldorf Garden Property, The Household Center, Smartland, Jubilee Court Shopping Centre, Tsing Yi Square Property, Centre de Laguna Property, Lido Garden Property and Rhine Garden Property. Together they housed a total of 842 tenants as at 30 June 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, McDonald's, Café de Coral, Bank of China (Hong Kong), 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.

## **Media and investor contacts**

Yung Yu-Ming, CFA  
Fund Manager

[yumingyung@ara.com.hk](mailto:yumingyung@ara.com.hk)

Tel: +65 6835 9232

Cheryl Seow, CPA  
Finance Manager

[cherylseow@ara.com.hk](mailto:cherylseow@ara.com.hk)

Tel: +65 6835 9232

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