

Media release

30 Jan 2007

For Immediate Release



**Total revenue and NPI rose by 35.6% & 35.4% in FY06;
Tax exempt yield of 5.8%;
Strong rental reversions of 22% in 4Q06**

30 Jan 2007. ARA Asset Management (Singapore) Limited ("ARASL"), as manager of Fortune Real Estate Investment Trust ("Fortune REIT"), is pleased to announce the results for Fortune REIT for the full year ended 31 December 2006.

"Fortune REIT's portfolio continued to deliver a strong performance for FY06. Total revenue and net property income rose some 35% over FY05 despite higher interest cost in FY06. This is driven by a high occupancy rate of 95% and strong rental reversions where tenants renewed at about 22% over preceding rents in 4Q06, or about 10% for the whole year on a portfolio basis. Our proactive asset management strategies coupled with exciting promotional events in the malls contributed to our success. Consequently, tenant retention in our 11 malls was a strong 74% for FY06." John Lim, Chief Executive Officer of ARASL commented.

"Our strong performance last year, even in an unfavourable interest rate environment, is a testament to our effective management skills and ability to extract value from our assets. Going forward, Management will capitalize on the robust Hong Kong economy and focus on acquiring yield accretive properties in Hong Kong and PRC to boost returns to Unitholders". John Lim added.

Total revenue rose 35.6% in FY06 over FY05. Total revenue increased by 35.6% due to improved income contributions from the 11 retail properties and the strong rental reversions of 10% experienced across the portfolio in 2006. Despite rises in interest rates, Fortune REIT's DPU for FY06 grew by about 1.7% over FY05 to 34.26 HK cents. Fortune REIT distributes dividends on a semi-annual basis.

Fortune REIT results for the year ended 31 Dec 2006

	2H 06	2H 05	Variance	2006	2005	Variance
Total revenue (HK\$'000)	303,328	298,856	1.5%	614,054	452,905	35.6%
Net property income, after Manager's performance fee (HK\$'000)	214,406	211,670	1.3%	437,582	323,230	35.4%
Income available for distribution (HK\$'000) ¹	135,484	134,438	0.8%	276,621	216,731	27.6%
Tax-Exempt distribution per unit (HK\$) ¹	0.1673	0.1722 ²	(2.8%)	0.3426	0.3369	1.7%
Tax-Exempt distribution yield				5.8% ³	5.9% ⁴	

Notes:

- Due to the early adoption of FRS 40 in 2005, the Group recognized a gain of HK\$799.3m and HK\$706.6m in 2005 and 2006 respectively arising from changes in the fair value of the properties. There will be no impact on income available for distribution. These figures are thus excluded for the purpose of this announcement.
- Due to the equity fund raising in June 05, 2H05 distribution was for the period from 28 June 05 to 31 Dec 05.
- Based on the closing price of HK\$5.90 on 29 Dec 2006 and units in issue of 807.4 million
- Based on the closing price of HK\$5.70 on 31 Dec 2005 and units in issue of 803.0 million

Cost-to-revenue ratio remained stable at 26.5%. Management will continue to focus on prudent cost rationalisation efforts to maintain a stable cost-to-revenue ratio that commensurates with a quality facility to tenants and visitors. The cost-to-revenue ratio for the portfolio was 26.5% for FY06.

Generous tax-exempt yield of 5.8%. Fortune REIT delivered the fourth highest trading yield amongst Singapore REITs with a tax-exempt yield of 5.8% at HK\$5.90 per unit as at 29 Dec 2006. This is equivalent to 7.0% on a pre-tax basis. Furthermore, our offered yield was some 494bps above MAS fixed deposit rate (Dec average)² and 212bps above the Hong Kong 10 year Exchange Fund Note rate³.

Deep discount to NAV of 31%, an opportunity for investors. With the upward revaluation of the assets as at 31 Dec 2006, Fortune REIT is trading at a deep 31% discount to a net asset value of HK\$8.53 per unit. This makes Fortune REIT an attractive tax exempt investment opportunity for investors.

Healthy portfolio occupancy of 95%, Tenant retention stable at 74%, Strong 10% rental reversion. Fortune REIT's portfolio of eleven retail properties achieved an average actual occupancy rate of 95.1%. In FY06, Management renewed close to 525,000sf of leases which had expired, reflecting a strong tenant retention rate of 74%.

In addition to high tenant retention, Management was also able to capitalise on strong rental reversions of about 22% in 4Q06 and an average 10% rental reversion for FY06 on a portfolio basis.

¹ Before Manger's fees.

² Average deposit rate in Dec 06. Source: Monetary Authority of Singapore.

³ As at 29 Dec 06.

The average rental rate for the portfolio increased to HK\$23.74psf as at 31 Dec 2006 from HK\$22.93psf a year ago.

Asset enhancement works continues. Asset enhancement initiatives to improve revenue and shopping experience will continue in 2007. Proposed works include thematic enhancements in The Metropolis Mall, repositioning exercises in Ma On Shan Plaza and reconfiguration plans for large shop units in Waldorf Garden Property and Smartland.

The Metropolis Mall. The multi-use wedding “park” has been completed and is well received by tenants and shoppers. Further improvements to the wedding theme in 2007 includes the proposed reconfiguration of 10,000sf space in the wedding zone into smaller units for related trades such as jewellery, beauty, wedding accessories and planning services.

Ma On Shan Plaza. The retail shops converted from the food court had been fully committed at rents which are 130% above preceeding rents. In addition, Management intends to scale down an existing large 12,000 sf shop and take back some 4,000sf of prime frontage space for higher returns. Rents for the area taken back are expected to improve by about 50% from the potential new F&B or retail tenants.

Waldorf Garden Property. Plans are on track to convert a large 33,000sf restaurant and 2 adjoining shops into 32 retail shops and 3 restaurants. This project will commence in Apr 2007 upon the expiries of the existing tenancies and rental income for the reconfigured section is expected to double from 3Q07 onwards. The enhanced zone, themed for the young and trendy, will bring in more exciting fashion, beauty, gadgetries and F&B offerings into the mall.

Smartland. Planning is in progress to reposition and reconfigure two large units in Smartland totaling some 23,000sf into smaller sized units for higher returns and retail variety. A more detailed report will be provided after further evaluation and refinement.

Portfolio gearing at a low 24.7% with 78% debt fixed. Fortune REIT's low gearing of 24.7% provides management with debt flexibility of more than HK\$1.5 billion, before the statutory limit of 35% borrowing limit and before a credit rating, for opportunistic acquisitions. Management remains prudent with capital management, having fixed about 78% borrowings at various maturities to mitigate potential rises in market interest rates.

Asset value rises 7.5% to HK\$9.2 billion. The valuation of Fortune REIT's portfolio of 11 properties rose to HK\$9.2 billion as at 31 Dec 2006 on the back of strong asset performance and improved retail values in Hong Kong.

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About Fortune REIT

Fortune Real Estate Investment Trust (“Fortune REIT”) was established under a 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) made between ARA Asset Management (Singapore) Limited, as Manager, and HSBC Institutional Trust Services (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 approximately HK\$9.2 billion. The retail malls and properties are City One Shatin Property, The Metropolis Mall, Ma On Shan Plaza, Waldorf Garden Property, Smartland, The Household Center, 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 830 tenants as at 31 December 2006 from diverse trade sectors such as supermarkets, food and beverage outlets, banks, real estate agencies, and education providers. Notable tenants include Park’N Shop, 7-Eleven, Mannings, Circle K, Aji Ichiban, Maxim’s Chinese Restaurant, Watson’s, Fortress, McDonald’s, Kentucky Fried Chicken, GOME, Bank of China (Hong Kong), DBS Bank, Standard Chartered Bank, Citibank, The Hongkong & Shanghai Banking Corporation Limited, Hang Seng Bank, Bank of East Asia, Fairwood, Café de Coral, Yoshinoya, Bluestar Exchange, Japan Home Centre, Jumpin’ Gym U.S.A., International Christian School Limited, and the Hong Kong Jockey Club.

More information can be found at 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.

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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.