


Miscellaneous

* Asterisks denote mandatory information

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Media release

8 May 2007

For Immediate Release



Attractive Tax Exempt Yield of 6.3%; Strong Rental Reversions of 11.7% in 1Q07

8 May 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 quarter ended 31 Mar 2007.

“2007 started well for Fortune REIT with a steady performance from our portfolio of eleven retail malls. Net property income (“NPI”) and distributable income rose by 2.1% and 1.2% respectively in 1Q07. This was due to rental reversions of 11.7% for renewals of existing tenants throughout the portfolio. For our large malls like Ma On Shan Plaza, Waldorf Garden Property and City One Shatin Property, rental reversions reached 29%, 18% and 15% respectively. In terms of asset enhancement initiatives, works are currently underway to reconfigure a large restaurant in Waldorf Garden Property into 34 retail shops. Construction works is expected to take about three months through 2Q07 to July 07. Prospective rents under offer are already about three times higher than previous rents. We will continue to capitalize on the buoyant Hong Kong economy to trade up on more asset enhancing projects and repositioning for higher paying tenants.” John Lim, Chief Executive Officer of ARASL commented.

Total revenue and NPI rose. Total revenue and NPI improved by 1.2% and 2.1% in 1Q07 over 1Q06 primarily due to improved income contributions from the eleven retail properties and the healthy rental reversions of 11.7% from renewals. Fortune REIT’s DPU improved by about 0.7% over the same corresponding period last year to 9.07 HK cents in 1Q07. Fortune REIT distributes dividends on a semi-annual basis.

Fortune REIT results for the quarter ended 31 March 2007

	1Q 2007	1Q 2006	Variance
Total revenue (HK\$'000)	155,951	154,129	1.2%
Net property income (HK\$'000)	116,130	113,715	2.1%
Net profit of property companies (HK\$'000) ¹	73,965	72,875	1.5%
Income available for distribution (HK\$'000)	73,375	72,474	1.2%
Tax-Exempt distribution per unit (HK\$)	0.0907	0.0901	0.7%
Tax-Exempt distribution yield (annualised)	6.3% ²	5.9% ³	-

Notes:

1. After borrowing costs and Hong Kong taxation
2. Based on the closing price of HK\$5.85 on 30 Mar 2007 and units in issue of 808.6 million
3. Based on the closing price of HK\$6.25 on 31 Mar 2006 and units in issue of 804.0 million

Cost-to-revenue ratio is an effective 23.2%. 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 patrons. The cost-to-revenue ratio for the portfolio was 23.2% for 1Q07.

Generous tax-exempt yield of 6.3%. Fortune REIT delivered one of the highest trading yields amongst Singapore REITs with a tax-exempt yield of 6.3% at HK\$5.85 per Unit as at 30 Mar 2007. This is equivalent to a 7.6% yield on a pre-tax basis. As Fortune REIT's properties are directly held under local companies in Hong Kong, portfolio income has been subjected to Hong Kong taxes and hence it can be distributed net of tax in Singapore.

Deep discount to NAV of 31%, an opportunity for investors. At a Unit price of HK\$5.85 as at 30 Mar 2007, Fortune REIT was trading at a deep 31% discount to a net asset value of HK\$8.45 per unit. This makes Fortune REIT an attractive tax exempt investment opportunity for investors.

Occupancy improves to 95.9%, Strong 11.7% rental reversion. Fortune REIT's portfolio of eleven retail properties achieved a healthy average actual occupancy rate of 95.9%. Management was also able to capture strong rental reversions of about 11.7% in 1Q07, higher than the average 10% rental reversion for FY06.

Strong performance was achieved at Ma On Shan Plaza where rental reversions reached 29% for renewals. When coupled with new replacement leases, the combined rental reversion is higher at 43%, indicating strong demand from new tenants keen on a trading position in the mall. Waldorf Garden Property also experienced strong reversions of 18% for renewals and 55% on a combined basis with rents from new replacement leases.

The average rental rate for the portfolio improved to HK\$23.75 psf in 1Q07.

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

The Metropolis Mall. The multi-use wedding “park” with turf grass, tall trees and pavilions is very well received by patrons and shoppers, becoming a focal point for wedding photography. Proposals to maximize rentable area near the prime atrium thoroughfare will result in the marketing of some new 1,700sf space below escalators and large walkways to casual retail users such as showcases, festive sales and trendy jewellery trades. This is expected to create more shopper buzz and additional revenue from an otherwise underutilized area.

Ma On Shan Plaza. The last retail tenant at the reconfigured food court has commenced operations in 1Q07, paying rents which are about 45% higher than preceding rents. New building plans and negotiations are underway to reconfigure and reposition a prime shopfront, which will be taken back from the existing large electronics retailer, into higher paying food and beverage or trendy lifestyle outlets. Organic growth remains strong with high rental reversions of 29% for rent renewals.

Waldorf Garden Property. Renovation works have commenced from Apr 2007 to convert a large restaurant into 31 retail shops and 3 restaurants. The projected rental income for the reconfigured section is expected to at least double when leases commence around late 3Q07 onwards. 70% of the reconfigured space is already under negotiations with prospective tenants at rents which are about 3 times higher than previous rent. The enhanced zone, themed for the young and trendy, will bring in more exciting fashion, beauty and F&B offerings into the mall.

Portfolio gearing at a low 24.8% with 78% debt fixed. Fortune REIT's low gearing of 24.8% provides management with financing flexibility of about HK\$1.5 billion for opportunistic acquisitions before the statutory limit of 35% borrowing limit is reached. With a credit rating, gearing can be increased to 60%. Management remains prudent with capital management, having fixed about 78% at various maturities to mitigate potential rises in market interest rates.

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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 831 tenants as at 31 Mar 2007 from diverse trade sectors such as supermarkets, food and beverage outlets, banks, real estate agencies, and education providers. Notable tenants include Park'N Shop, Modern Beauty Salon, 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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