

Miscellaneous

* Asterisks denote mandatory information

Name of Announcer *	FORTUNE REAL ESTATE INV TRUST
Company Registration No.	N/A
Announcement submitted on behalf of	FORTUNE REAL ESTATE INV TRUST
Announcement is submitted with respect to *	FORTUNE REAL ESTATE INV TRUST
Announcement is submitted by *	Lim Hwee Chiang
Designation *	Director
Date & Time of Broadcast	31-Jul-2007 18:04:21
Announcement No.	00173

>> Announcement Details

The details of the announcement start here ...

Announcement Title * Description **Attachments:** [Media_Release_Fortune_REIT_1H2007_Financial_Results.pdf](#)
Total size = **56K**
(2048K size limit recommended)[Close Window](#)

Media release

31 July 2007

For Immediate Release



Distribution Per Unit Improved To 17.70 HK cents Attractive Tax Exempt Yield Of 5.4%

31 July 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 half year ended 30 June 2007 ("1H07").

"We are pleased to continue to deliver stable returns and growth to our Unitholders. The net property income ("NPI") for the quarter ended 30 June 2007 and 1H07 grew by 3.0% and 2.6% year on year ("Y-o-Y"). Correspondingly, the income available for distribution for 1H07 improved to HK\$143 mil with a distribution per Unit ("DPU") of 17.70 HK cents, reflecting an attractive tax exempt yield of 5.4%¹ to Unitholders. In the reporting period, the portfolio of assets has also performed admirably with healthy rental reversion of 11% for 1H07. We are glad that ongoing asset enhancement initiatives in Waldorf Garden Property is on target as more than 80% of the enhanced space has been pre-committed at rents which are about 3 times over preceding rents. We believe Fortune REIT's strong asset and financial performance has been driven by buoyant economic conditions, real wage growth, record low levels of unemployment and positive local consumption demand. We are optimistic that Hong Kong's retail sector will continue to benefit from sustainable economic growth and positive social sentiments for the remainder of 2007." Sam Wu, Chief Executive Officer of ARASL commented.

NPI rose by 2.6% despite slight dip in total revenue by 0.8%. The NPI for 1H07 was 2.6% higher despite a dip in total revenue of 0.8% Y-o-Y. Total revenue was marginally lower due to frictional vacancy arising from various repositioning initiatives in The Metropolis Mall and Centre de Laguna Property, and ongoing asset enhancement works in the Waldorf Garden Property where renovations on about 41% of the gross rentable area of Waldorf Garden Property are in progress. Pre-

¹ Based on the closing price per Unit of HK\$6.60 on 29 June 2007.

leasing efforts have been fruitful where 80% of the enhanced area in Waldorf Garden Property have been pre-committed at rents which are about 3 times over preceding rents before its completion in third quarter this year.

Fortune REIT results for the half year ended 30 June 2007

	1H 2007	1H 2006	Variance
Total revenue (HK\$'000)	308,238	310,727	-0.8%
Net property income (HK\$'000)	228,871	223,176	2.6%
Net profit of property companies (HK\$'000) ¹	144,319	142,013	1.6%
Income available for distribution (HK\$'000)	143,322	141,137	1.5%
Tax-exempt distribution per unit (HK\$)	0.1770	0.1753	1.0%
Tax-exempt distribution yield (annualised)	5.4% ²	5.9% ³	-

Notes:

1. After borrowing costs and Hong Kong taxation
2. Based on the Unit closing price of HK\$6.60 on 29 June 2007 and units in issue of 809.6 million
3. Based on the Unit closing price of HK\$6.00 on 30 June 2006 and units in issue of 805.1 million

Cost-to-revenue ratio effectively managed at 23.5%. The Manager will continue to balance the cost-to-revenue ratio in retail mall operations whilst delivering a quality retail facility to tenants and shoppers. The cost-to-revenue ratio for the portfolio was an efficient 23.5% for 1H07.

Generous tax exempt yield of 5.4%. Fortune REIT will reward Unitholders with an annualized tax exempt yield of 5.4% based on the closing Unit price of HK\$6.60 as at 29 June 2007 and a proposed distribution per Unit of 17.70 HK cents for 1H07. As the Fortune REIT properties are held directly under local companies in Hong Kong, portfolio income has been subjected to Hong Kong taxes and distributed net of tax in Singapore to Unitholders. On a pre-tax basis, the distribution yield is 6.6%.

Attractive 22.5% discount to net asset value (“NAV”), an opportunity to invest. Based on the closing Unit price of HK\$6.60 as at 29 June 2007, Fortune REIT was trading at an attractive discount to NAV of 22.5%.

Healthy rental reversion of 11% in 1H07. Portfolio rental reversion for renewals in 1H07 was a solid 11%, attesting to the strength of proactive marketing efforts and the general well being of the retail sector. The better performing malls such as Ma On Shan Plaza, Waldorf Garden Property and City One Shatin Property registered positive rental reversions of 40.0%, 18.7% and 11.4% respectively.

Portfolio passing rent improved by 4.8% to HK\$24.54 psf. The portfolio passing rent improved by 4.8% to HK\$24.54 psf Y-o-Y as rental reversion remains robust and new lettings were also contracted at higher rents. Committed occupancy rates dipped slightly to 92% as at 30 June 2007 due to frictional vacancy from major asset enhancement works in Waldorf Garden Property as well as repositioning initiatives in The Metropolis Mall, Jubilee Court Shopping Centre and Centre de Laguna Property.

Asset enhancement plans on target. In line with the Manager's objective to maximize the highest and best use of retail space, various asset enhancement initiatives are carried out to increase future revenue contribution and improve shopping mall ambience to attract shoppers and tenants. Current initiatives include the reconfiguration of a large restaurant space in Waldorf Garden Property and the proposed repositioning of prime retail space in Ma On Shan Plaza for higher paying trades.

Asset enhanced space in Waldorf Garden Property well received. Ongoing asset enhancement plans to convert a large restaurant space into 31 retail shops and 3 restaurants have met with a compelling response from prospective tenants as more than 80% of the newly created retail space have been committed at rentals which are about three times over preceding rents. Works commenced in April 2007 and is expected to be completed in the third quarter of 2007. The renovated retail area will not only improve rental contribution but spice up retail offerings in Waldorf Garden Property with the addition of retailers offering young fashion, hair salons, beauty centres, mobile equipment and accessories and restaurants of varied cuisines. 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 20% to 50%.

Proposed improvement plans for Ma On Shan Plaza. In Phase 1 of the proposed improvement works in the mall, the Manager intends to extract and reconfigure some 4,000 sq ft of prime retail space from an existing large tenant to lease to higher paying trades. It is expected that prospective tenants will pay new rents which are double the preceding rents with a three month payback period. In Phase 2 of the asset enhancing initiatives for Ma On Shan Plaza, the Manager plans to consolidate the existing leasing office with an under-utilized corridor space to create a new retail area which can be leased to higher paying tenants such as banks. The estimated annual revenue contribution after completion of Phase 2 is about HK\$1 million.

Repositioning initiatives to capture growing catchment in The Metropolis Mall.

The Manager also plans ahead to meet the needs of a growing immediate shopper catchment. In The Metropolis Mall, shopper footfall is expected to rise as two large service apartments blocks comprising some 3,200 residential units situated next to the mall are progressively leased and occupied. As such, the tenant profile and tenant mix in The Metropolis Mall will be strategically fine-tuned as leases expire to meet the shoppers' needs as well as to augment the existing wedding, education and food and beverage zones in the mall.

Repositioning to better serve immediate catchment. In Jubilee Court Shopping Centre, the Manager intends to reposition large retail units as they expire to various service trades to better serve the existing residential catchment as well as potential shoppers from new residential developments coming onstream. In the Centre de Laguna Property, the Manager will replace and reposition a restaurant unit with a better quality tenant to meet the needs of its immediate catchment of some 8,072 residential units nearby. This is a part of the Manager's ongoing strategy to reposition the tenant mix for better quality retailers to enhance footfall and patronage.

Portfolio gearing of 24.6% offers financing flexibility. The low gearing ratio of 24.6% offers Fortune REIT a debt flexibility of approximately HK\$1.5 billion for opportunistic acquisitions before the statutory borrowing limit of 35% is reached. The Manager remains prudent in its debt management strategy as interest cost on about 78% of existing debt has been fixed at various maturities to mitigate potential risk and volatility in interest rates.

END

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 now holds a portfolio of eleven retail malls in Hong Kong, spread across Kowloon and the New Territories, through the ownership of property companies (“the Property Companies”), worth approximately HK\$9.2 billion. The retail malls 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 house a total of 804 tenants as at 30 June 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, 7-Eleven, Aji Ichiban, Maxim’s Chinese Restaurant, Watson’s, Modern Beauty Salon, Fortress, McDonald’s, Kentucky Fried Chicken, 3G Shop, GOME, Bank of China (Hong Kong), DBS Bank, Standard Chartered Bank, Citibank, The Hongkong & Shanghai Banking Corporation Limited, 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, a director of the Manager, and 30% indirectly owned by Cheung Kong (Holdings) Limited.

Media and investor contacts

Sam Wu
CEO

Jenny Hung
Manager, Investment & Investor Relations

samwu@ara.com.hk
Tel: +852 2169 0928

jennyhung@ara.com.hk
Tel: +852 2169 0928

Disclaimer

The information included in this release does not constitute an offer or invitation to sell or the solicitation of an offer or invitation to purchase or subscribe for units in Fortune REIT ("Units") in Singapore or any other jurisdiction.

This release may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from other developments or companies, shifts in expected levels of occupancy rate, property rental income, charge out collections, changes in operating expenses, including employee wages, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business.

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.

The value of the Units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

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.