



Asset Management (Singapore) Limited

29 January 2008

Manager of

**FORTUNE**  
置富產業信託 **REIT**

**Revenue and NPI improved by 5.3% and 5.7% qtr-on-qtr**

**Attractive tax exempt annual yield of 6.7%**

**Strong rental reversions of 15.6%**

**29 Jan 2008.** ARA Asset Management (Singapore) Limited (“ARASL” or “Manager”), as manager of Fortune Real Estate Investment Trust (“Fortune REIT”), is pleased to announce the results of Fortune REIT for the full year ended 31 December 2007 (“FY07”).

“We are pleased that Fortune REIT’s portfolio of eleven retail malls delivered stable and sustainable growth for FY07. The net property income rose some 5.3% and 2.9% in 4Q07 and FY07 respectively over corresponding periods in 2006. This was driven by strong rental reversions of about 15.6% for the whole year on a portfolio basis. Our proactive asset management strategies coupled with exciting promotional events in the malls have contributed to a healthy demand from tenants and shoppers alike. As at end of 2007, our tax exempt yield of 6.7% with a highly transparent cash flow was an attractive 330 basis points above the Hong Kong Exchange Fund Note<sup>1</sup>.” Stephen Chu, Chief Executive Officer of ARASL commented.

**Total revenue rose 5.3% in 4Q07 over 4Q06.** Total revenue increased by 5.3% in 4Q07 over 4Q06 due to improved income contributions mainly from City One Shatin Property, Ma On Shan Plaza, The Metropolis Mall, and Waldorf Garden Property. The portfolio’s leases which were renewed in FY07 registered strong rental reversions of 15.6% driven by an excellent showing in Waldorf Garden Property post a successful asset enhancement exercise which was completed in August 2007.

**Fortune REIT results for the quarter and year ended 31 Dec 2007**

	4Q 07	4Q 06	Variance	2007	2006	Variance
Total revenue (HK\$'000)	158,136	150,114	5.3%	614,757	614,054	0.1%
Net property income (HK\$'000)	113,568	107,429	5.7%	450,055	437,582	2.9%
Income available for distribution (HK\$'000)	77,592	68,742	12.9%	284,876	276,621	3.0%
Tax-exempt distribution per Unit (HK\$)	0.0956	0.0851	12.3%	0.3512	0.3426	2.5%
Tax-exempt distribution yield				6.7 <sup>2</sup>	5.8 <sup>3</sup>	

Notes:

1. Hong Kong Exchange Fund Note was 3.44% as at 31 December 2007.
2. Based on the closing price of HK\$5.21 on 31 Dec 2007 and Units in issue of 812.3 million
3. Based on the closing price of HK\$5.90 on 29 Dec 2006 and Units in issue of 807.4 million

**Cost-to-revenue ratio<sup>4</sup> remained stable.** The Manager 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 shoppers. The cost-to-revenue ratio for the portfolio was 24.5% in FY07.

**Attractive tax-exempt yield of 6.7%.** Fortune REIT delivered a healthy trading yield amongst Singapore REITs with a tax-exempt yield of 6.7% based on the closing Unit price of HK\$5.21 as at 31 Dec 2007, rewarding Unitholders with a DPU of 35.12 HK cents for FY07. As Fortune REIT's portfolio income has been subjected to Hong Kong taxes, the distributions paid are tax-exempt in the hands of the Unitholders.

**Strong 15.6% rental reversion in 2007, solid organic growth to continue in 2008.** Fortune REIT's portfolio of eleven retail properties achieved a year end occupancy rate of 92.1%. The average rental rate of the entire portfolio increased solidly by 6.3% to HK\$25.23psf as at 31 Dec 2007 from HK\$23.74psf a year ago. The Manager was also able to capitalise on strong rental reversions of about 15.6% in 2007 through the proactive renewals of some 340,000sf of leases which had expired in FY07. Approximately 45% of the leases in the portfolio will expire in 2008 giving a good opportunity for organic growth in a strong retail market.

**Asset enhancement works continues.** Asset enhancement initiatives to improve revenue and shopping experience will continue in 2008. For the top three malls, City One Shatin Property, Ma On Shan Plaza and The Metropolis Mall, which represent over 70% of the portfolio's revenue, an asset enhancement diagnostics exercise is currently underway with works and trade mix initiatives commencing in the 2Q08. Asset enhancement works would be planned systematically to mitigate any volatility to the revenue stream and to lessen the impact of rent void periods.

**Portfolio gearing at a low 23.5%.** Fortune REIT's low gearing of 23.5% provides Fortune REIT with a debt flexibility of about HK\$1.8 billion, before the statutory borrowing limit of 35% and before a credit rating, for opportunistic acquisitions.

**Asset value rises 5.2% to HK\$9.7 billion.** The valuation of Fortune REIT's portfolio of 11 properties rose to HK\$9.7 billion as of 31 Dec 2007 on the back of strong asset performance and improved retail values in Hong Kong.

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Notes:

4. Before Manager's performance fees

## **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 2<sup>nd</sup> 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\$9.7 billion. The retail malls are City One Shatin Property, Ma On Shan Plaza, The Metropolis Mall, Waldorf Garden Property, Smartland, Jubilee Court Shopping Centre, Tsing Yi Square Property, The Household Center, Centre de Laguna Property, Lido Garden Property and Rhine Garden Property. Together they house a total of 805 tenants as at 31 December 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, Mannings, Modern Beauty Salon, Fortress, McDonald's, KFC, 3G Shop, GOME, Bank of China (Hong Kong), DBS Bank, Standard Chartered Bank, Citibank, HSBC, 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](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 listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"). More information can be found at [www.ara-asia.com](http://www.ara-asia.com).

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