



## Results for the half year ended 30 Jun 2006

25 Jul 2006

**ARA** Asset Management (Singapore) Limited

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# Summary

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# Summary

- ❖ **Total Revenue rose 101.7% in 1H06 v 1H05; tax-exempt yield of 5.9% achieved**
  - **Distribution per unit (“DPU”) grew 3.4% in 1H06 vs 1H05 despite rise in interest cost**
    - Total revenue increased by 101.7%
    - Net property income increased by 100.0%
  - **NAV per unit at HK\$7.70; discount to NAV of 22.1%**
  - **Gearing at 26.8%; around 75% of debt fixed at various maturities**
  - **Strong rental reversions with high portfolio occupancy**
    - weighted average rental reversions of the portfolio for 1H06 was 13.1% for renewals
    - portfolio occupancy remains high at 93.3%
  - **Asset enhancement initiatives**
    - Plans in place to create new retail corridor within Waldorf Gardens

# Financial highlights

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# Trust income

## ❖ Revenue rose by 101.7% in 1H06 v 1H05

### Fortune REIT results, 1H06 v 1H05

	1H06 <sup>1</sup> (HK\$'000)	1H05 (HK\$'000)	Var (%)
<b>Total revenue</b>	<b>310,727</b>	<b>154,049</b>	<b>101.7</b>
Property operating expenses	(80,648)	(39,038)	106.6
Manager's performance fee	(6,903)	(3,450)	100.1
<b>Net property income ("NPI")</b>	<b>223,176</b>	<b>111,561</b>	<b>100.0</b>
Borrowings costs	(51,047)	(11,211)	355.3
Profit before tax <sup>2</sup>	172,129	100,350	71.5
Hong Kong tax	(30,116)	(17,541)	71.7
Net profit of property cos	142,013	82,809	71.5
Net profit of Group <sup>2</sup>	127,453	215,690	(40.9)
<b>Income available for distribution</b>	<b>141,137</b>	<b>82,294</b>	<b>71.5</b>
<b>DPU (HK\$)</b>	<b>0.1753</b>	<b>0.1696</b>	<b>3.4</b>

Source: ARASL

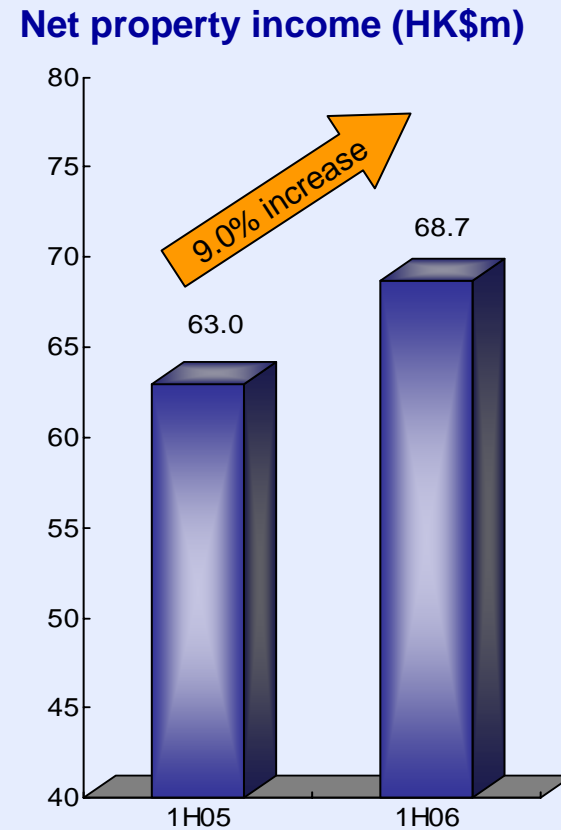
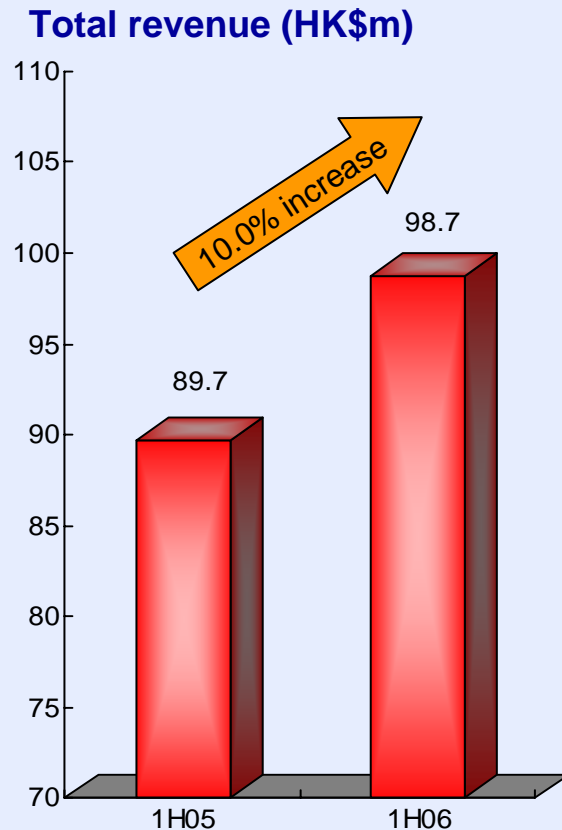
Notes:

1. Includes income from the six retail properties acquired on 28 Jun 05
2. Trust expenses include the Manager's base fee, trustee fees, and admin expenses. For 1H05, it also includes negative goodwill of HK\$141.2mil arising from the acquisition of 6 properties which was completed in Jun 05.
3. Before Manager's performance fee

- **101.7% increase in Total Revenue**
- **100.0% increase in Net Property Income**
  - cost-to-revenue ratio<sup>3</sup> at **26.0%**
  - NPI for existing malls (ex-Metropolis) up **9.0%**
- **3.4% growth in DPU despite rise in interest cost**

# Trust income (Original Malls)<sup>1</sup>

❖ Total revenue and net property income improved by 10% and 9% respectively



Source: ARASL

Note:

1. Figures above exclude income from The Metropolis Mall



# Distribution Yield

## ❖ Tax-exempt yield 5.9% achieved

### Fortune REIT distribution, half year ended June 2006

	Tax-exempt Actual	Actual Pre-tax <sup>1</sup>
<b>DPU<sup>2</sup></b>		
- Half Year ended 30 Jun 06 (HK\$)	0.1753	0.2127
<b>Distribution yield, based on</b>		
- 30/6/06 price (HK\$6.00)	<b>5.9%</b>	<b>7.1%</b>

Source: ARASL

Notes:

1. Before HK income taxes. This figure is shown solely to illustrate the yield before the impact of HK taxes on the Property Cos. It does not imply investors are eligible for any dividend tax credits
2. Based on 805.1m units issued

# Debt management

## ❖ Around 75% of debt fixed

### Fortune REIT debt profile

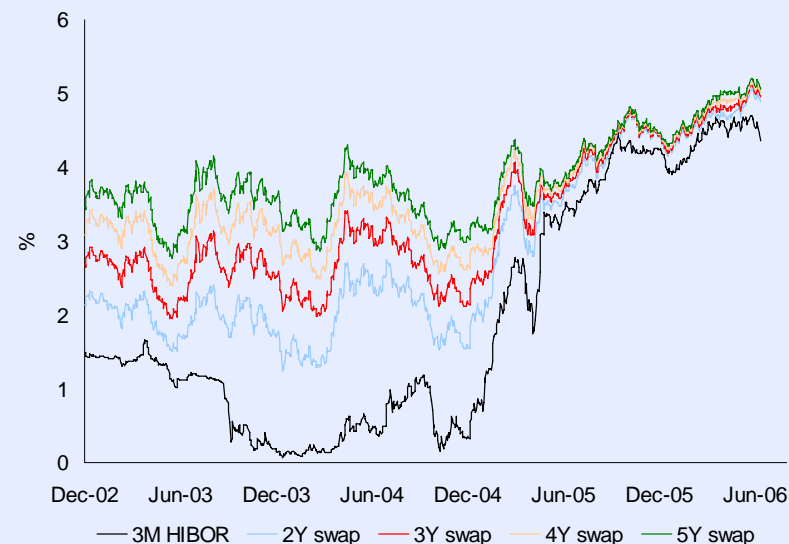
	Term	31/12/05 (HK\$m)	30/6/06 (HK\$m)	% of total
Revolving	1M	12	0	0.0
Floating <sup>1</sup>	3M	541	541	22.7
Fixed <sup>2</sup>	1Y - 4Y	1,844	1,844	77.3
<b>Total</b>		<b>2,397</b>	<b>2,385</b>	<b>100.0</b>

Source: ARASL

Notes:

1. Excludes the debt front end fee
2. Interest was hedged in Jul 05 and Jun 06

### Hong Kong interest rates



Source: Bloomberg

- **Weighted average interest cost of 4.2% achieved**
- **Debt fixed at various maturities between 1 to 4 years**

# Balance sheet

## ❖ Book value currently at HK\$7.70 per unit

### Fortune REIT balance sheet

	31/12/05 (HK\$m)	30/6/06 (HK\$m)	Change (%)
Investment properties <sup>1,2</sup>	8,592	8,594	0
Total assets	8,868	8,910	0.5
Total liabilities	(2,653)	(2,689)	1.4
Net assets	6,215	6,221	(0.1)
NAV per unit (HK\$) <sup>3</sup>	7.72	7.70	(0.1)
Total debt <sup>4</sup>	(2,397)	(2,385)	(0.5)
Gearing (%) <sup>5</sup>	27.0	26.8	n.a.

Source: ARASL

Notes:

1. Valuation as at 31 Dec 05 by Savills Valuation and Professional Services Ltd
2. This includes an amount of HK\$73 million which has been reclassified to current assets "Investment properties held for resale" as at 31 Dec 05 and includes minor capital costs incurred during the period
3. Net asset value per unit is calculated based on net assets of the Group excluding hedging reserve
4. This excludes the debt front end fee
5. Total debt to Deposited Property

- **Discount to NAV of 22.1%**
  - based on unit price of HK\$6.00 (30 Jun 06)
  - current NAV per unit is HK\$7.70
- **Gearing at 26.8%**

# Distribution

## ❖ Fortune REIT goes ex-div on 1 Aug 2006

### Distribution payment, 1H06

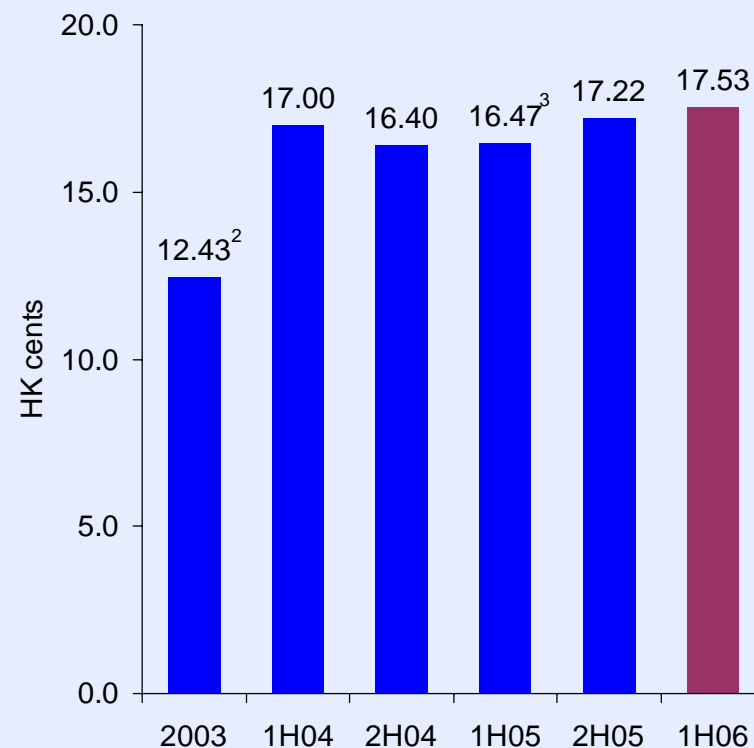
<b>Amount (HK\$/unit)</b>	<b>0.1753</b>
<b>Ex date</b>	<b>1 Aug 06</b>
<b>Books closure</b>	<b>3 Aug 06</b>
<b>Currency election<sup>1</sup></b>	<b>16 Aug 06</b>
<b>Payment</b>	<b>28 Aug 06</b>

Source: ARASL

Notes:

1. Unitholders can choose to have the distribution paid in HKD or SGD. By default, the payment is made in SGD
2. Distribution for the period from 13 Aug 03 to 31 Dec 03
3. Rescheduled distribution for the period from 1 Jan 05 to 27 Jun 05 in conjunction with the Equity Fund Raising

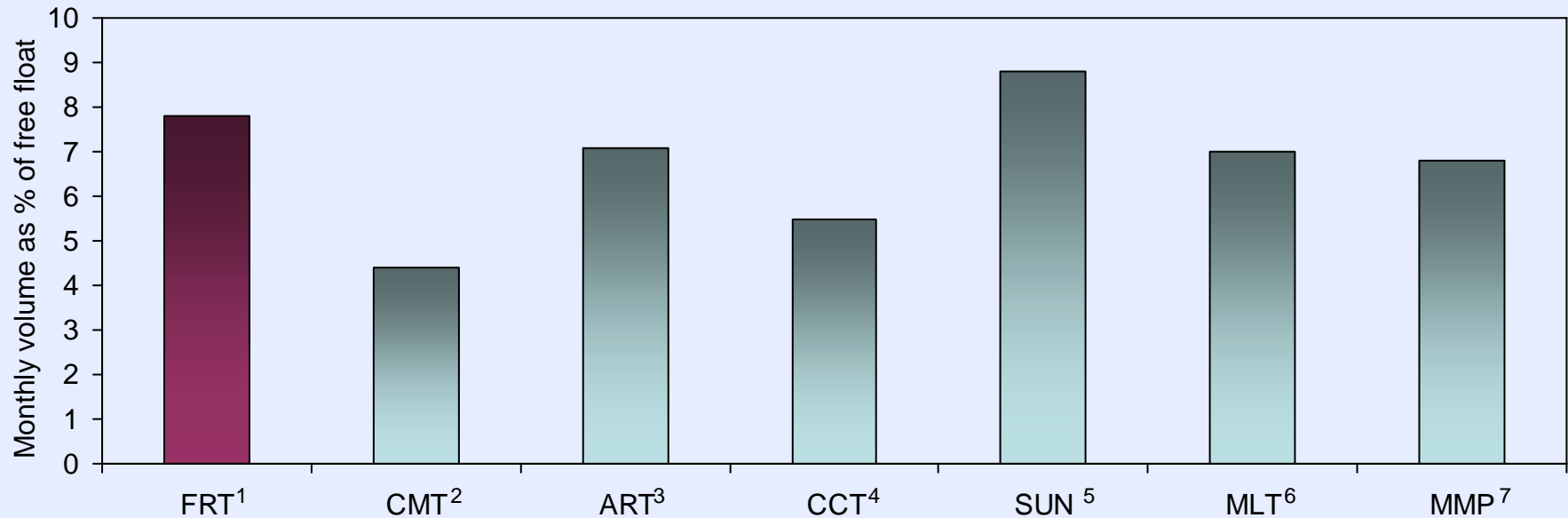
### Distribution history, 2003 to 1H06



# Liquidity Analysis

❖ Fortune REIT's liquidity is comparable to rest of S-REITs in 2Q06

## S-REIT liquidity



Source: ARASL's estimates based on information from Bloomberg

Note: 1: Fortune REIT 2. CapitaMall Trust 3. Ascendas REIT 4. CapitaCommercial Trust 5. Suntec REIT 6. Mapletree Logistics Trust 7. Macquarie MEAG Prime REIT

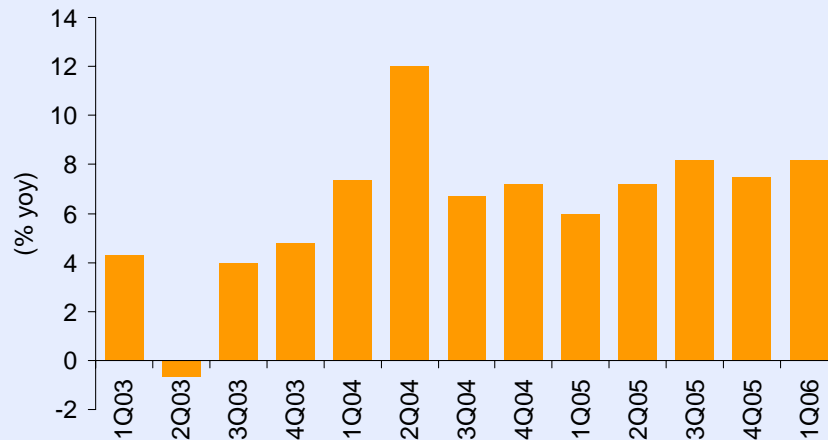
# Hong Kong economy

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# Economic growth

## ❖ Growth continues and accelerates

### GDP Growth (at constant market prices)



Source: Census & Statistics Department

- **Strong GDP growth of 8.2% y-o-y in 1Q06**
- **Domestic spending remained strong**
  - Private Consumption Expenditure (PCE) increased 4.5% y-o-y in 1Q06

### Hong Kong unemployment



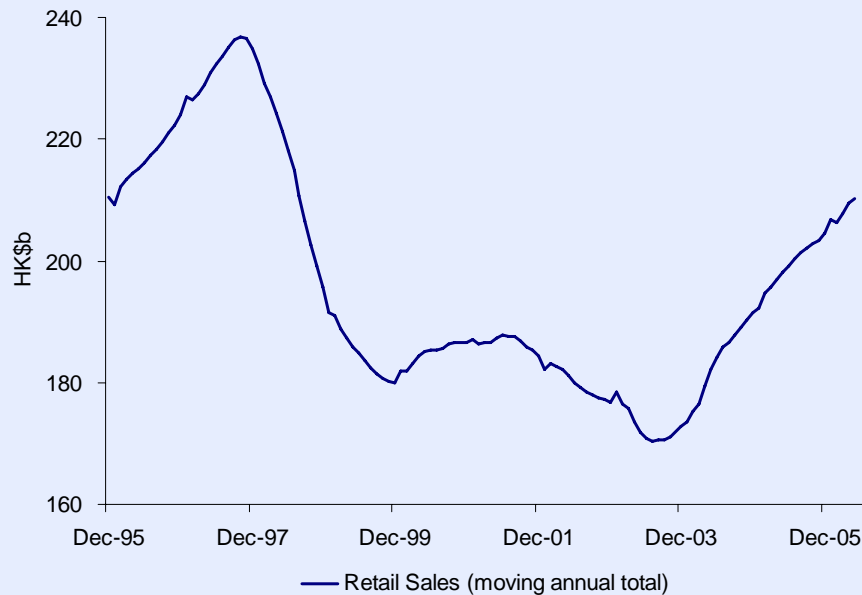
Source: Census & Statistics Department

- **Unemployment rate dropped to 57-month low of 4.9% (May 06)**

# Retail sales

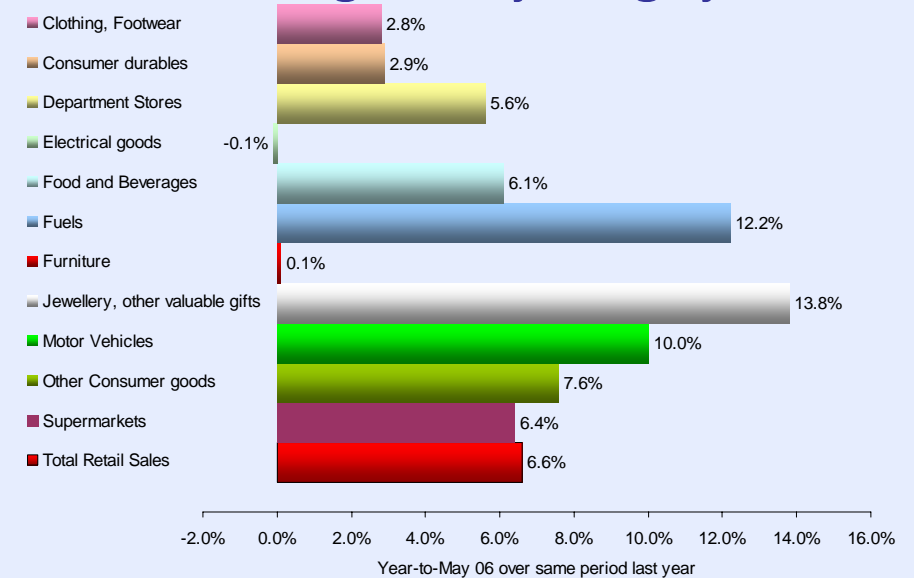
## ❖ Retail sales commands stable growth

### Hong Kong retail sales



Source: Census & Statistics Department

### HK retail sales growth by category



Source: Census & Statistics Department

- **Retail sales up 6.6% in 5M06 vs 5M05**
  - Benefiting from improvements in labour market conditions and increase in tourist arrivals



# Asset Performance

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# Portfolio highlights

## ❖ Rental growth stable; New retailers in malls; Growth through upgrading

- **Ma On Shan Plaza**
  - rental reversion remains strong: 28.0% for renewals
  - 100% occupancy rate
  - 108% increase in rents expected from current conversion of 6 food court stalls to 3 retail shops
- **New Brands in Malls**
  - Established F&B players take position in malls
    - KFC's opens new retail image restaurant in City One Shatin
    - Rhine Garden Restaurant opens new outlet in Metropolis Mall
- **Planning Ahead: New Asset Enhancement Plan**
  - New retail corridor in Waldorf Gardens
    - Proposed conversion of some 33,000 sf restaurant/shop space into 34 retail & F&B units within new shopping corridor

Ma On Shan Plaza



City One Shatin



Metropolis Mall



# Portfolio occupancy

❖ Actual portfolio occupancy stood at 93.3% with 822 tenants

## Portfolio occupancy (%)

	GRA (sf)	Mar 06 (actual)	Jun 06 (actual)	Jun 06 (committed)	No of tenants <sup>1</sup>
City One Shatin Property	414,469	93.8	94.6	94.8	257
The Metropolis Mall	332,168	91.6	82.1	90.0	109
Ma On Shan Plaza	310,084	99.4	100.0	100.0	138
Waldorf Garden Property	80,842	100.0	100.0	100.0	40
Smartland	123,544	98.4	98.4	98.6	97
The Household Center	91,779	78.4	79.5	79.5	44
Jubilee Court Shopping Centre	170,616	95.7	98.5	98.5	45
Tsing Yi Square Property	78,836	93.7	93.7	96.8	58
Centre de Laguna Property	43,000	99.4	96.9	96.9	18
Lido Garden Property	9,836	92.5	100.0	100.0	12
Rhine Garden Property	14,604	100.0	100.0	100.0	4
<b>Portfolio</b>	<b>1,669,788</b>	<b>94.6</b>	<b>93.3</b>	<b>95.1</b>	<b>822</b>

Source: ARASL

Note:

1. As at 30 Jun 06

# Portfolio expiry profile

❖ 22.6% of leases will expire in 2H 2006

## Expiry profile by gross rentable area<sup>1</sup>

Percentage of occupied space expiring

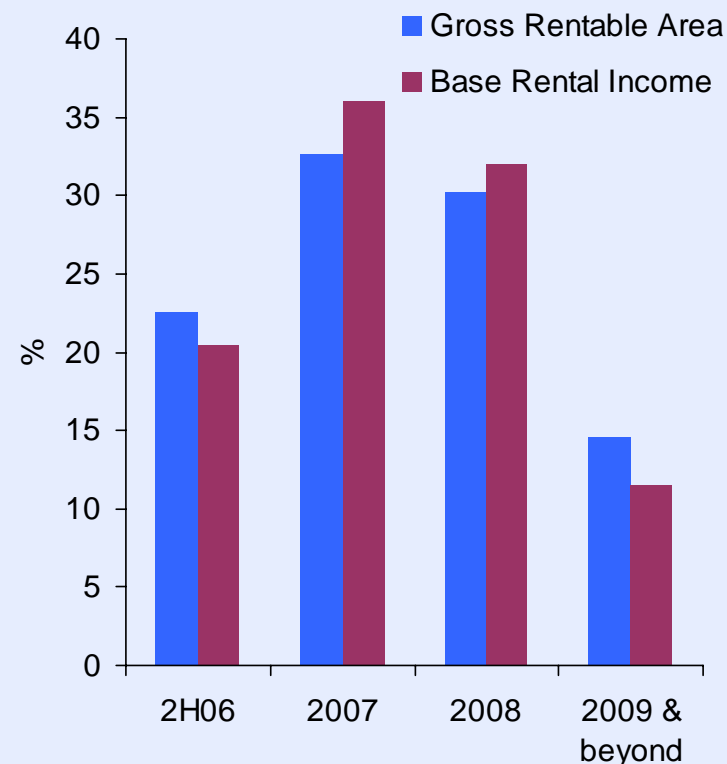
	2H06 (%)	2007 (%)	2008 (%)	2009 and beyond (%)	Total (%)
City One Shatin Property	23.1	34.5	24.7	17.7	100.0
The Metropolis Mall	18.8	21.2	38.9	21.1	100.0
Ma On Shan Plaza	10.4	44.4	38.2	7.0	100.0
Waldorf Garden Property	0.4	72.8	26.7	0.1	100.0
Smartland	16.8	18.2	42.4	22.6	100.0
The Household Center	21.5	15.5	31.0	32.0	100.0
Jubilee Court Shopping Ctr	61.0	24.4	10.7	3.9	100.0
Tsing Yi Square Property	22.5	50.0	21.7	5.8	100.0
Centre de Laguna Property	45.9	11.0	3.4	39.7	100.0
Lido Garden Property	34.0	27.0	39.0	0.0	100.0
Rhine Garden Property	0.0	2.4	97.6	0.0	100.0
<b>Portfolio</b>	<b>22.6</b>	<b>32.6</b>	<b>30.2</b>	<b>14.6</b>	<b>100.0</b>

Source: ARASL

Note:

1. As at 30 Jun 06

## Portfolio expiry profile<sup>1</sup>

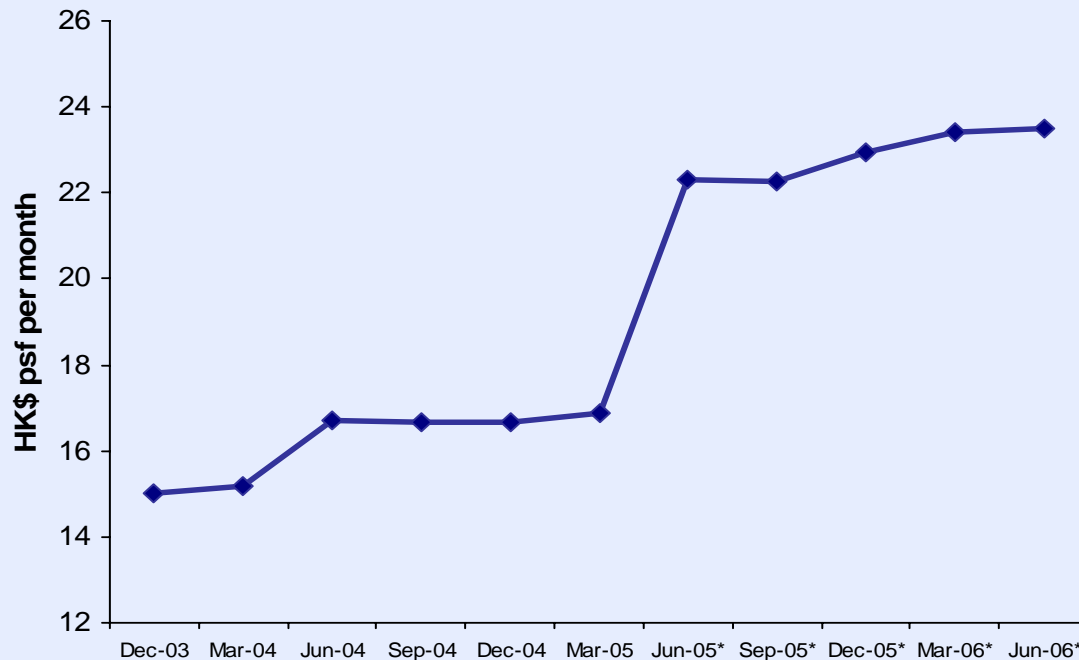


Source: ARASL

# Rentals

## ❖ Average passing rental maintained

### Portfolio rents



Source: ARASL

Note:

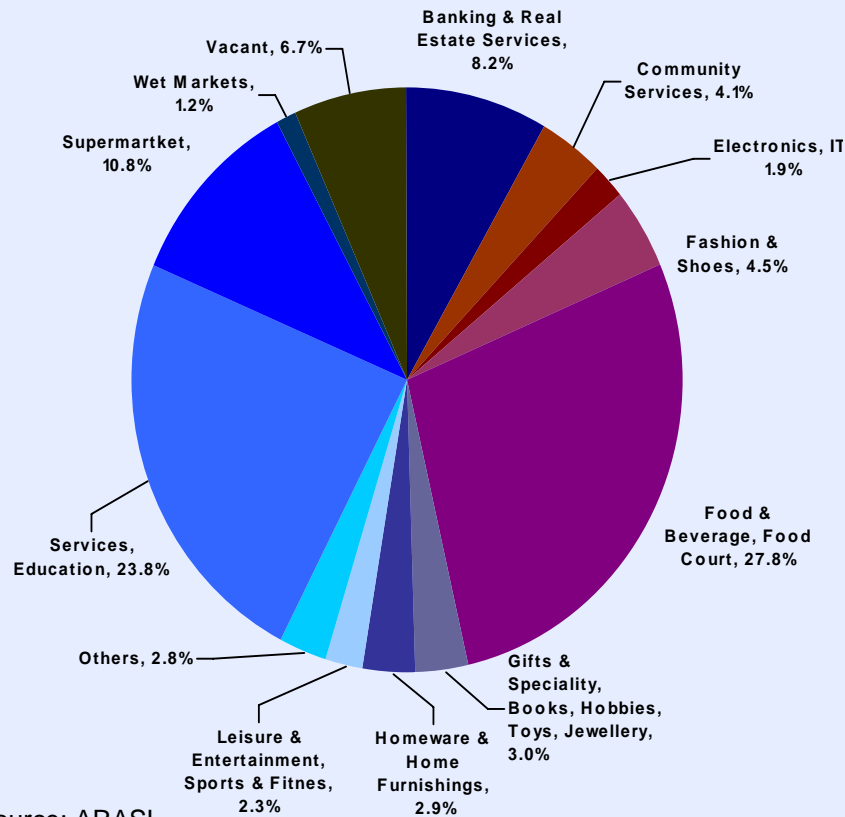
\* Include 6 properties which were acquired on 28 Jun 2005

- Average passing rental for the 11 malls stable at **\$23.41 psf per month** as at Jun 06
- Retention rate for 1H06 is **68%**
- Weighted average rental reversion for 1H06 was **13.1% for renewals**

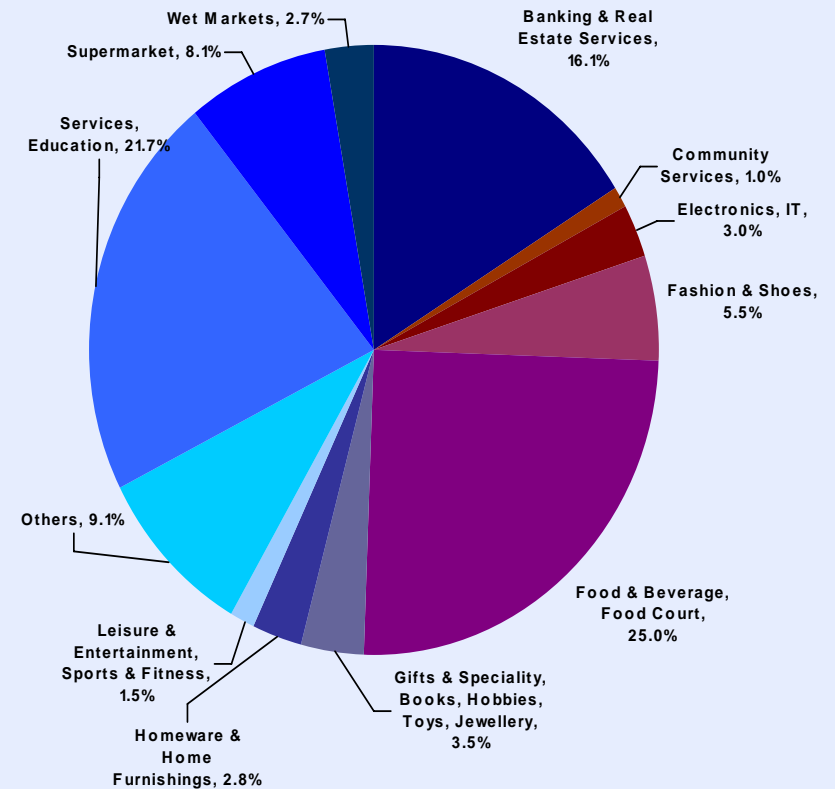
# Portfolio tenant trade mix

❖ Trade mix remains diversified

By gross rentable area<sup>1</sup>



By base rental income<sup>1</sup>



Source: ARASL

Note:

1. As at 30 Jun 06

# Asset Enhancement Update: Metropolis Mall

## ❖ Reinforcing Wedding Theme in Mall

- Wedding park fixtures and fittings in wedding zone of mall
- Reinforces wedding theme for benefit of shoppers and tenants alike
- Potential other income from temporary lease of “park” for promotion, activities and exhibitions by tenants or trade suppliers
- Multi-use venue for events, fashion shows and displays



Source: ARASL

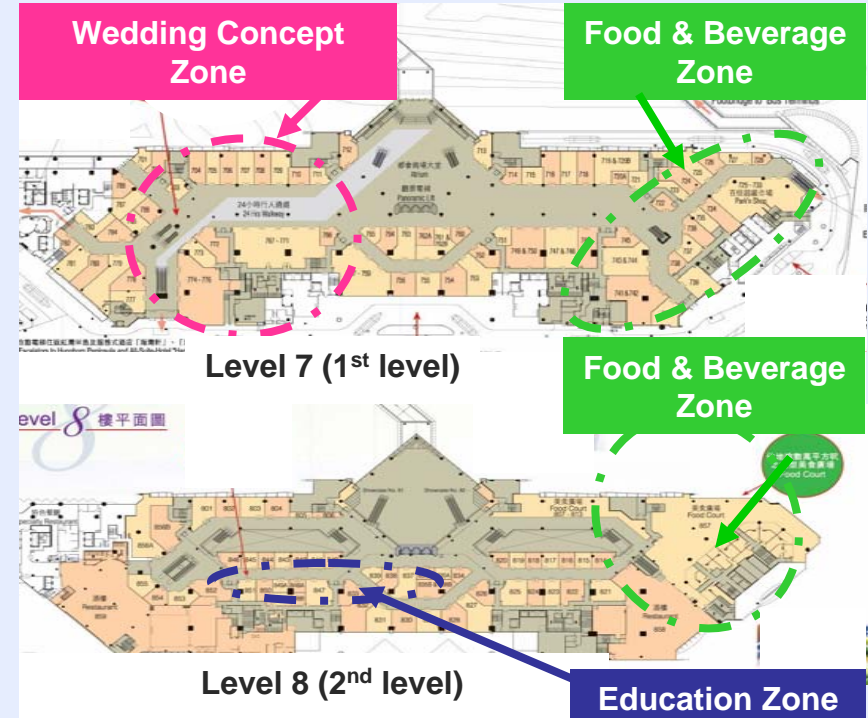
# Metropolis Mall Update: Tenant Mix Reinforced

## ❖ New Restaurant at Reconfigured Food Court

- Tenant mix in food court repositioned for more focused offering and less duplication
- 7 food stalls reconfigured into a 12,354 sf restaurant
- Established restaurateur opens Rhine Garden Restaurant

## ❖ Education Zone Grows

- New tenants offering enrichment and personal development courses opens in education zone of mall
- Meets needs of nearby catchment of residences and students of nearby housing estates, college, university and hostels

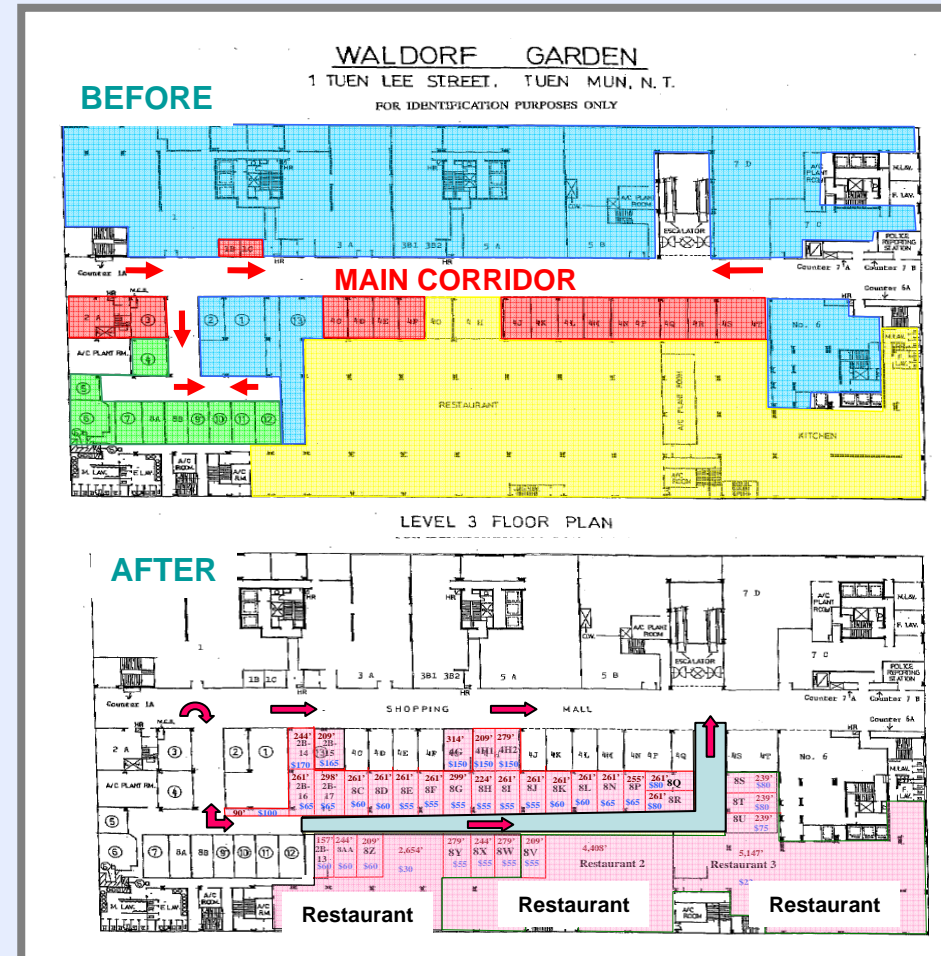




# Proposed Asset Enhancement: Waldorf Gardens

## ❖ Planning Ahead: Creation of shops in new retail corridor from sub-division of large restaurant space

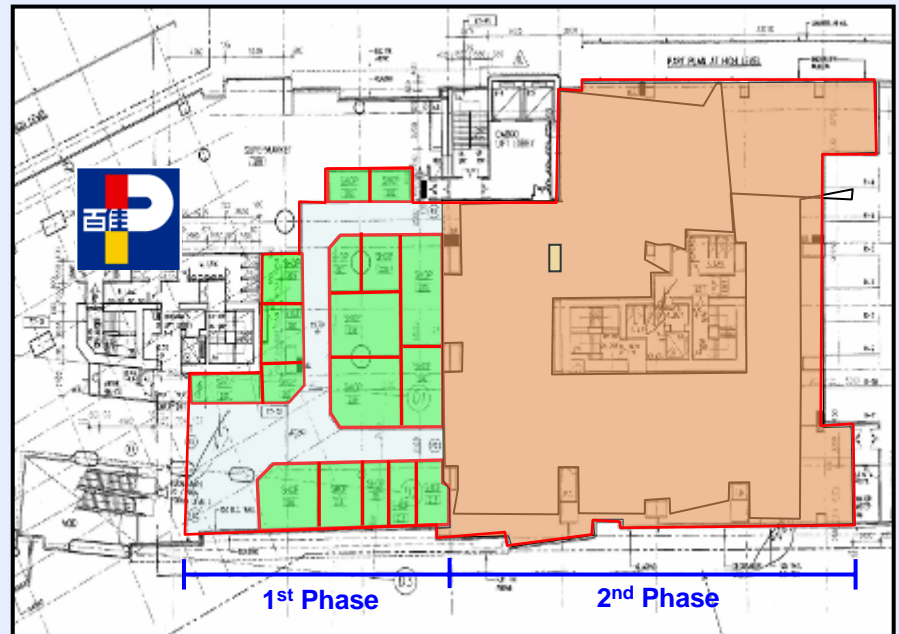
- Proposed reconfiguration of 33,000 sf restaurant/shop space into 31 retail shops and 3 restaurants
- Creation of double barrel shopper thoroughfare to capitalise on heavy pedestrian traffic and demand from retailers
- Reconfigured space offers greater retail variety and higher rents
- Rents expected to improve by 100% after reconfiguration
- Target completion date: Jul 07



# Asset enhancement Update: The Household Center

## ❖ Subdivision Works in Progress

- 18,000 sf subdivision works for Phase 1 will be completed by Aug 2006
- 17 retail shops in Phase 1 to enhance retail variety to shoppers
- Marketing activities in tandem with project execution
- Tenant for Phase 2 in negotiations



# Strategy

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# Ongoing Strategy

- **Initiate and implement asset enhancement plans for highest and best use of assets**
- **Capitalise on strong rental reversions to maximise economic returns from portfolio**
- **Monitor and focus on prudent debt management to minimise cost**
- **Growth through acquisitions remains an ongoing priority**
- **Second Listing in Hong Kong under consideration**

# Contact

## ARA Asset Management (Singapore) Limited

#09-01 Suntec Tower 2  
9 Temasek Boulevard  
Singapore 038989

Tel: +65 6835 9232  
Fax: +65 6835 9672

Units 5508-09, 55/F The Center  
99 Queen's Road Central  
Hong Kong

Tel: +852 2169 0928  
Fax: +852 2169 0968

<http://www.fortunereit.com>

<http://www.ara-asia.com>

## Yip K T

Executive Director

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

## Justina Chiu, CFA

Senior Manager

Investment and Investor Relations

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